Application Proof of

Bayzed Health Group Inc
佰澤醫療集團

(the "**Company**")

(*Incorporated under the laws of the Cayman Islands with limited liability*)

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IMPORTANT

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

佰泽医疗集团
BAYZED HEALTH GROUP

Bayzed Health Group Inc
佰澤醫療集團

(Incorporated under the laws of 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 [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application and subject to refund on final pricing)**
Nominal value	**:**	**[US$][REDACTED] per Share**
[REDACTED]	**:**	**[REDACTED]**

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

招銀国际
CMB INTERNATIONAL

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The **[REDACTED]** will be not more than **[REDACTED]** per **[REDACTED]** and is expected to be not less than **[REDACTED]** per **[REDACTED]** although the **[REDACTED]**, on behalf of **[REDACTED]**, and our Company may agree to a lower price. The **[REDACTED]**, on behalf of **[REDACTED]**, may, with the consent of our Company, reduce the **[REDACTED]** below that stated in this document (being **[REDACTED]** per **[REDACTED]** to **[REDACTED]** per **[REDACTED]**) at any time on or prior to the morning of the last date for lodging applications under the **[REDACTED]**. In such a case, notices of the reduction in the number of **[REDACTED]** and/or the **[REDACTED]** will be published on the websites of the Stock Exchange at **[REDACTED]** and our Company at **www.bayzedhealthcare.com** as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the **[REDACTED]**. For further information, please see "Structure and Conditions of the **[REDACTED]**" and "How to Apply for the **[REDACTED]**" in this document.

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" in this document.

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If you require a printed copy of this document, you may download and print from the website addresses above.

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

[**REDACTED**]

CONTENTS

This document is issued by our Company solely in connection with the [**REDACTED**] *and the* [**REDACTED**] *and does not constitute an* [**REDACTED**] *to sell or a solicitation of an* [**REDACTED**] *to buy any security other than the* [**REDACTED**]. *This document may not be used for the purpose of, and does not constitute, an* [**REDACTED**] *or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *or the distribution of this document in any jurisdiction other than Hong Kong.*

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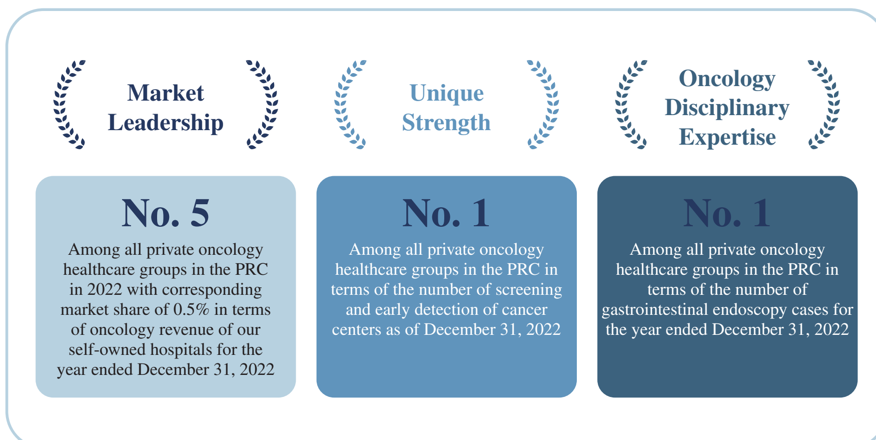
OUR MISSION AND VISION

To revere life, strive to widely benefit the people's livelihood by promoting high-quality medical resources and build a top full-cycle oncology healthcare group in the PRC.

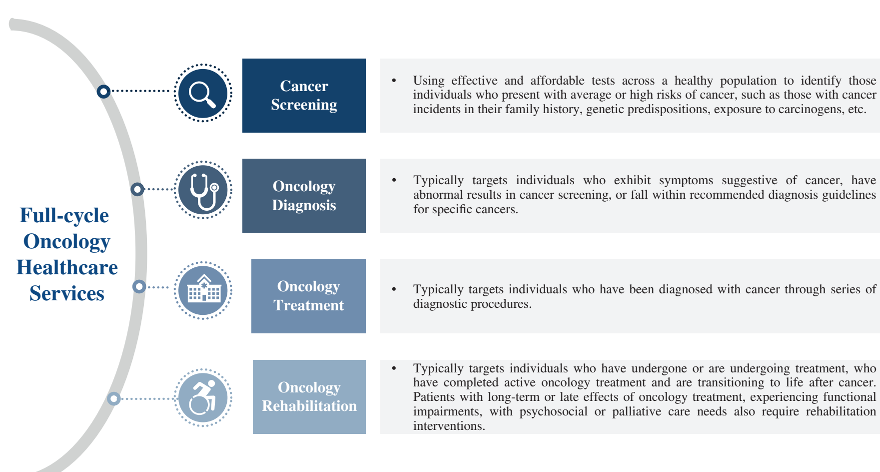
OVERVIEW

Who We Are

We are a leading oncology healthcare group that principally engages in the investment in, and provision of, medical and healthcare related services in the PRC. The following graph demonstrates our operational accomplishments as of December 31, 2022, according to Frost & Sullivan:



We are a pioneer in the idea of full-cycle oncology healthcare services according to Frost & Sullivan. We believe that screening, diagnosis and rehabilitation play equally significant role in full-cycle oncology healthcare services as treatment. We are dedicated to provide full-cycle oncology healthcare services to individuals (i) who have been diagnosed with cancer; (ii) who present with average or high risks of cancer, such as those with cancer incidents in their family history; and (iii) who have received oncology treatment or have been after radical oncology treatment. The following graph demonstrates the target group corresponding to the various services provided by us through the full-cycle oncology healthcare services, according to Frost & Sullivan:

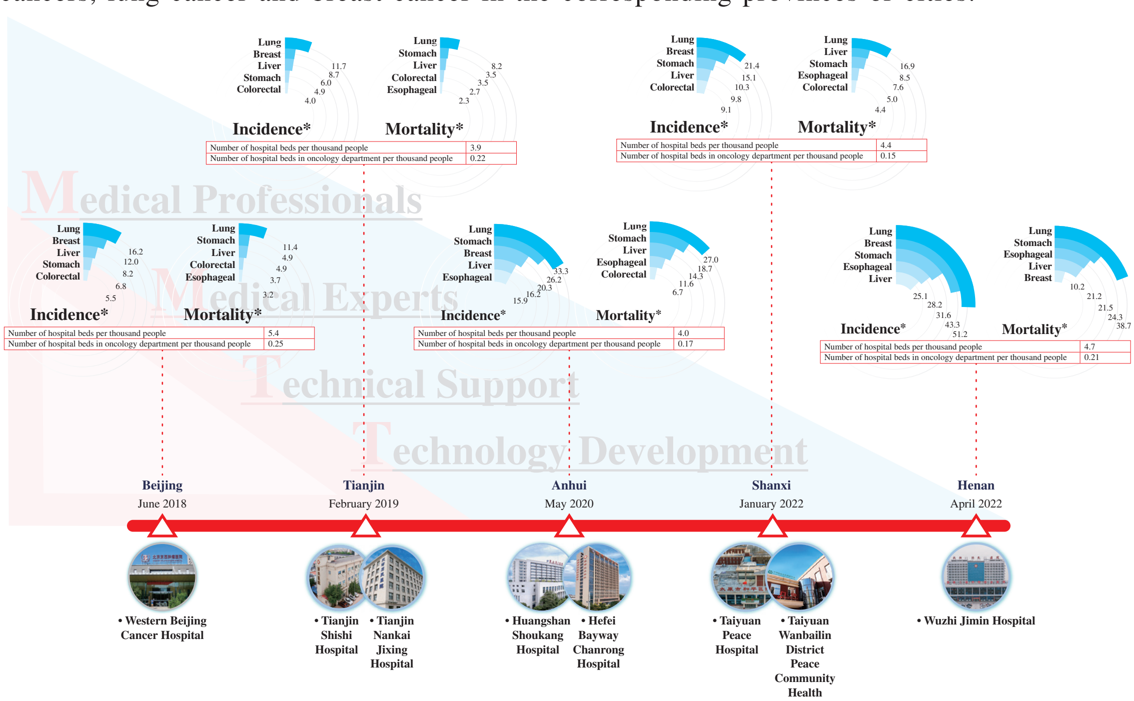


Source: National Institutes of Health (U.S.), Center for Disease Control and Prevention, Frost & Sullivan analysis

By our acquisition of Western Beijing Cancer Hospital in June 2018, whose oncology-related disciplines possess high-quality medical resources and benefiting from the disciplinary strengths of Beijing Cancer Hospital (北京大學腫瘤醫院), we are able to seize the differentiated competitive advantages in the provision of full-cycle oncology healthcare services, and develop our Western Beijing Cancer Hospital into a flagship hospital within our hospital network and empower our In-network Hospitals located in other provinces/cities.

According to Frost & Sullivan, cancers with the most influential impacts on health and lifespan of the patients with respect to the provincial incidence and mortality rate in the PRC in 2018 in Beijing, Tianjin, Anhui Province, Shanxi Province and Henan Province, were gastrointestinal cancers (including stomach cancer, colorectal cancer, esophageal cancer and liver cancer), lung cancer and breast cancer, and the number of hospital beds and the number of hospital beds in oncology department per thousand people in Tianjin, Anhui Province, Shanxi Province and Henan Province were lower than that in Beijing. Benefiting from the disciplinary strengths (especially in gastrointestinal cancers) of our Western Beijing Cancer Hospital, we established, acquired and/or managed seven hospitals in such provinces and cities with strategic focus on provision of full-cycle oncology healthcare services, and further strengthened the oncology disciplinary construction in relation to the abovementioned cancers in our corresponding In-network Hospitals. By focusing on the market demand gap arising from the relative scarcity of local medical resources in cancer screening and oncology rehabilitation, we have been complementing such gap and have already established stable cooperative relationship with the local public hospitals.

As of the Latest Practicable Date, we operated and managed a network of eight hospitals in Beijing, Tianjin, Shanxi Province, Anhui Province and Henan Province with strategic focus on provision of full-cycle oncology healthcare services, through our direct ownership in the equity interest in six private for-profit hospitals and management over two private not-for-profit hospitals. The following graph demonstrates that we have laid out our In-network Hospitals strategically based on leveraging our oncology disciplinary expertise to complement the demand gap arising from the relative scarcity of local medical resources on gastrointestinal cancers, lung cancer and breast cancer in the corresponding provinces or cities:



* *Number of people in thousand*

Source: National Cancer Center, China Cancer Registry, China Health Statistical Yearbook (2019) (《中國衛生健康統計年鑒(2019)》), Frost & Sullivan analysis

Notes:

(1) The figures in the above graph in blue represent the number of people in thousands and the figures in the above graph in red represent the number of hospital beds per thousand people;

(2) The number of incidence and mortality of cancers in each province/city in the above graph is calculated by multiplying the provincial incidence and mortality rate by the total population of the corresponding province/city in 2018;

(3) According to Frost & Sullivan, the abovementioned cancers are top five cancers with respect to the provincial incidence and mortality rate in the corresponding provinces/cities in China in 2018 for the purpose of calculating and disclosing the statistics of the top five cancers with the most influential impacts on health and lifespan of the patients with respect to the provincial incidence and mortality rate in the PRC in 2018 and from the perspective of oncology; and

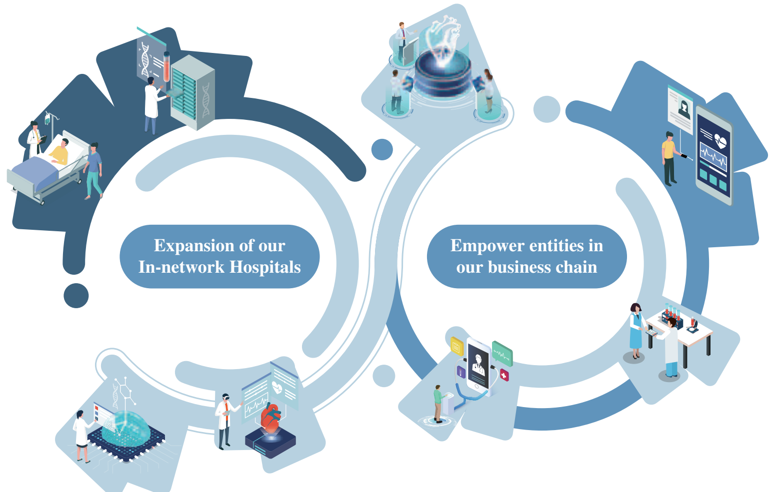
(4) According to Frost & Sullivan, per capita number of beds in each province/city is calculated using the number of beds divided by provincial total population. Higher number of beds per capita reflects a richer regional per capita healthcare resources.

With our continuous efforts, the market position and oncology healthcare services capability of our In-network Hospitals have been significantly enhanced, in particular, two hospitals within our network have achieved outstanding growth in the aspects of disciplinary expertise, diagnosis and treatment capability and service quality. Our Taiyuan Peace Hospital has become the first Class-III rehabilitation specialist hospital in Shanxi Province since March 2023 after obtaining the approval by the PRC Government to be upgraded to Class-III rehabilitation specialist hospital from Class-IIA comprehensive hospital and our Wuzhi Jimin Hospital has become the first Class-III comprehensive hospital in Wuzhi County since April 2024 with the approval of the PRC Government for the upgrade to Class-III comprehensive hospital from Class-IIA comprehensive hospital.

As of December 31, 2023, all of our six self-owned hospitals and Huangshan Shoukang Hospital established Screening and Early Detection of Cancer and Prevention Center, Screening and Early Detection of Cancer Center or Screening and Early Detection of Cancer Assessment Center, applied and promoted the standards of screening and early detection of cancer in primary practice to provide a continuous healthcare services for screening and early detection of cancer and oncology diagnosis and treatment. The abovementioned hospitals have established rehabilitation departments and/or standardized and specialized oncology rehabilitation centers for provision of our rehabilitation services to the oncology patients. Our revenue generated from oncology-related services was RMB177.1 million, RMB242.7 million and RMB345.0 million for the years ended December 31, 2021, 2022 and 2023, representing approximately 56.3%, 39.3% and 42.4% of our total revenue derived from our hospital business for the same periods, respectively.

Our targeted groups of people we are committed to provision of full-cycle oncology healthcare services include not only patients who need to be diagnosed and treated after the onset of cancer symptoms but also the individuals with average or high risks of cancer and individuals who have received oncology treatment or have been after radical oncology treatment. Our value proposition is people-oriented with the focus on the provision of oncology-related healthcare services, including but not limited to oncology diagnosis for patients, various kinds of oncology treatment, oncology rehabilitation and hospice care, as well as screening and early detection of cancer, vaccination and health management services for other potential healthy people including family members of oncology patients.

Meanwhile, depending on the market position we have and the products and services we provide, we create a combination of online and offline business model to empower separate entities primarily including clients with needs for full-cycle oncology healthcare services and patients, healthcare institutions and medical professionals, healthcare institution management teams and the government and the society. We provide high-quality products and services to these entities and are able to attract them by offering unique value propositions to each of them based on their respective needs and/or requirements in our business chain. Please see "Business – Our Business Model – Our Value Proposition" in this document for further details.



Our Market Opportunities

According to Frost & Sullivan, the CAGR of new cancer cases and cancer death cases in China was approximately 2.9% and 3.0% from 2018 to 2022, respectively. For the year ended December 31, 2022, there were approximately 4.8 million new cancer cases and approximately 2.9 million cancer death cases in China, representing approximately 23.8% and 27.4% of global new cancer cases and cancer death cases, respectively, which made China become the No. 1 country with the most new cancer cases and cancer death cases in the world. Besides, in terms of revenue, the market size of private oncology healthcare service market in China grew from approximately RMB29.1 billion in 2018 to approximately RMB53.0 billion in 2022 at a CAGR of approximately 16.2%, and it is expected to grow from approximately RMB53.0 billion in 2022 to approximately RMB109.2 billion in 2026, representing a CAGR of approximately 19.8%.

In addition, the oncology healthcare service market in China is facing two major pain points: firstly, compared with the United States, oncology medical resources in China are severely insufficient, and per capita medical expenditure and total medical expenditure as a percentage of GDP is lower than that of the United States; and the distribution of oncology medical resources is uneven and there is a contradiction between the supply and demand of core high-quality oncology medical resources concentrated in the first- and the second-tier cities and the large number of oncology patients distributed in the third- and the fourth-tier cities in the PRC; and secondly, public hospitals, which bear more demand for oncology healthcare services in the PRC, basically focus on oncology treatment while leading to a gap in resource allocation for cancer screening and oncology rehabilitation with a common phenomenon of emphasizing treatment while neglecting screening (重治療、輕篩查) and emphasizing treatment while neglecting rehabilitation (重治療、輕康復).

In particular, the utilization rate of beds in public oncology specialist hospitals in China has been close to or higher than 100% for a long time, and the overall five-year survival rate of cancer in China is 40.5%, while that in the United States is 67.1%, which indicate that China's medical resources and treatment level for oncology still need to be further enhanced. We believe that the private oncology healthcare service market in China will have significant growth potential in the foreseeable future. Please see "Industry Overview" in this document for further details.

Based on our proven track record and our competitive strengths, we believe that we will be able to capture the business opportunities in the fast-growing private oncology healthcare service market in the PRC where we operate and leverage our well-defined and effective strategies to further strengthen our market position and expand our market share in the future. We will continue to focus on strengthening our oncology-related business lines and platforms and establishing our oncology disciplinary system to comprehensively enhance our full-cycle oncology healthcare services.

Our Proven Track Record

We have expanded our operating capacity during the Track Record Period along with our rapid development and expansion. The total number of outpatient visits in our self-owned hospitals was 196,457, 547,919 and 701,502, and the total number of inpatient visits in our self-owned hospitals was 5,834, 30,740 and 44,461 for the years ended December 31, 2021, 2022 and 2023, respectively. The total number of outpatient visits in our Managed Hospitals was 485,159, 456,450 and 493,552, and the total number of inpatient visits in our Managed Hospitals was 23,287, 23,780 and 29,098 during the same periods, respectively. Meanwhile, our proven track record is largely benefited from the professional skills and experience of our highly qualified medical professionals and management team, and we are committed to further enhancing the diagnosis and treatment efficacy and quality of service for our clients and/or patients by providing the aforementioned personnel with advanced training and more opportunities for educational participation through our refined management measures and professional training system.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB461.6 million for the year ended December 31, 2021 to RMB802.7 million for the year ended December 31, 2022, and further increased to RMB1,072.2 million for the year ended December 31, 2023, representing a CAGR of 52.4%. Our gross profit increased from RMB41.4 million for the year ended December 31, 2021 to RMB79.6 million for the year ended December 31, 2022, and further increased to RMB178.2 million for the year ended December 31, 2023, representing a CAGR of 107.5%.

We generated revenue primarily from our hospital business, comprising inpatient services, outpatient services and others, which was RMB314.7 million, RMB617.9 million and RMB814.1 million for the years ended December 31, 2021, 2022 and 2023, representing 68.2%, 77.0% and 75.9% of our total revenue for the same periods, respectively. Please see "Financial Information" in this document for further details.

OUR BUSINESS MODEL

During the Track Record Period, we generated our revenue mainly from (i) operating six private for-profit hospitals we owned and providing healthcare services including full-cycle oncology healthcare services; (ii) managing and operating, and receiving management fees from two private not-for-profit hospitals in our In-network Hospitals; and (iii) supply of pharmaceuticals, medical equipment and consumables. Given the nature of healthcare service market in the PRC, we focus on full-cycle oncology healthcare services as a core part of our business operations, and we expect this trend to continue in the future.

Hospital Business

During the Track Record Period, we generated revenue primarily from provision of healthcare services in a wide range of specialties, including but not limited to oncology, rehabilitation, general surgery, gastroenterology and urology, to our patients through our self-owned private for-profit hospitals. In terms of treatment process, we generate revenue primarily from inpatient services and outpatient services. Inpatient services refer to the treatment of patients who are hospitalized overnight or for an indeterminate period of time in our In-network Hospitals, usually several days or weeks, subject to the patients' conditions and recovery. Outpatient services refer to the diagnosis or treatment of patients who visit our In-network Hospitals but not at this time require a bed or to be admitted for overnight care. Please see "Business – Our Hospital Business" in this document for further details.

Hospital Management Business

We manage and operate, and receive management fees from private not-for-profit hospitals, Huangshan Shoukang Hospital, which is a Class-III comprehensive hospital located in Huangshan of Anhui Province and Taiyuan Wanbailin District Peace Community Health Service Center, which is a community health service center located in Taiyuan of Shanxi Province, of which we hold their corresponding organizer's interest, respectively. Pursuant to the hospital management agreements entered into between our Managed Hospitals and our Group, we are entitled to receive management fees calculated based on a fixed percentage of the revenue of the Managed Hospitals for a period of 40 years. Please see "Business – Our Hospital Management Business" in this document for further details.

Supply of Pharmaceuticals, Medical Equipment and Consumables

During the Track Record Period, we sold pharmaceuticals, medical equipment and consumables primarily in Anhui Province and Jiangsu Province in the PRC, and we also sold a small portion of pharmaceuticals in the PRC through a governmental online platform with the purpose for centralized purchase of pharmaceuticals. During the Track Record Period, majority portion of our supply of pharmaceuticals, medical equipment and consumables in this business sector derived from our sales to wholesale customers, including hospitals, pharmacies and pharmaceutical product resellers, who generally onsold such products to end users. We maintain a buyer/seller relationship with our wholesale customers. For details of our sales business, please see "Business – Our Supply of Pharmaceuticals, Medical Equipment and Consumables" in this document.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths help differentiate us from our competitors:

- A leading oncology healthcare group in the PRC situated in a favorable position in the industry with strategic layout in full-cycle oncology healthcare services and the ability to seize the enormous gap in the market demand.
- Further fostering the market position and enhancing the market share with the aid of our unique strengths in the field of screening and early detection of cancer business, which differentiate us from our competitors.
- Support from high-quality teams of medical professionals and medical experts as well as medical resources.
- Standardized and mature expansion decision-making mechanism and rich experience in mergers and acquisitions support our continuous replication of success and help us seize the enormous growth opportunities.
- Strong integration capability and standardized management mode at our Group level combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation" (因院制宜) support our overall business development and enhance the treatment effect and service quality.
- Visionary, experienced and professional management team.

OUR STRATEGIES

We plan to implement the following strategies:

- Further strengthen our full-cycle oncology healthcare services.
- Strengthen our market leading position by expanding our hospital network to address the unmet market demand.
- Continue to enhance intelligentization and digitization of our information technology infrastructure to improve our operation and management efficiency.
- Strengthen our innovation and research capabilities in medical domain, promote the transformation of cutting-edge results in the field of oncology and improve our comprehensive competitiveness.

USE OF [REDACTED]

We estimate the [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), will be approximately [**REDACTED**], after deduction of [**REDACTED**] fees and [**REDACTED**] and estimated [**REDACTED**] payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes:

Amount of the estimated [**REDACTED**]	**Intended use of** [**REDACTED**]
Approximately [**REDACTED**], or [**REDACTED**]	To continuously strengthen our full-cycle oncology healthcare services
Approximately [**REDACTED**], or [**REDACTED**]	To acquire hospitals when appropriate opportunities arise
Approximately [**REDACTED**], or [**REDACTED**]	To expand our hospital management business
Approximately [**REDACTED**], or [**REDACTED**]	To upgrade our IT infrastructure and/or systems
Approximately [**REDACTED**], or [**REDACTED**]	Working capital and other general corporate purposes

Please see "Future Plans and Use of [**REDACTED**]" in this document for further details.

OUR IN-NETWORK HOSPITALS

The following table sets forth a summary of our In-network Hospitals as of December 31, 2023:

	Hospital	Location	GFA/ Land area (sq.m.)	Nature	Established/ acquired	Time of acquisition	Time of commencement of operations after our acquisition/ establishment[(1)]	Number of physicians[(3)]	Number of technical, pharmaceutical and nursing medical professionals[(4)]	Number of other medical professionals[(5)]	Number of registered beds
Self-Owned											
1	Western Beijing Cancer Hospital	Fengtai District, Beijing	11,865	Private for-profit Class-II oncology specialist hospital	Acquired	June 2018	June 2018	200	130	14	101
2	Tianjin Shishi Hospital	Xiqing District, Tianjin	14,597.56	Private for-profit Class-II comprehensive hospital	Established	N/A	April 2020	101	83	22	120
3	Tianjin Nankai Jixing Hospital	Nankai District, Tianjin	2,000	Private for-profit Class-I comprehensive hospital	Acquired	February 2019	February 2019	63	35	22	57
4	Taiyuan Peace Hospital	Taiyuan, Shanxi	28,985[(7)]	Private for-profit Class-III rehabilitation specialist hospital	Acquired	January 2022	January 2022	129	233	9	300
5	Hefei Bayway Changrong Hospital	Hefei, Anhui	21,223.3	Private for-profit Class-II comprehensive hospital	Acquired[(8)]	December 2021	December 2021	58	100	13	160
6	Wuzhi Jimin Hospital	Jiaozuo, Henan	43,461.52	Private for-profit Class-IIA comprehensive hospital[(9)]	Acquired	April 2022	April 2022	204	347	80	550

	Hospital	Location	GFA/ Land area (sq.m.)	Nature	Established/ acquired	Time of acquisition	Time of commencement of operations after our acquisition/ establishment(1)	Number of physicians(3)	Number of technical, pharmaceutical and nursing medical professionals(4)	Number of other medical professionals(5)	Number of registered beds
Managed											
7	Huangshan Shoukang Hospital	Huangshan, Anhui	73,186.55	Private not-for-profit Class-III comprehensive hospital	N/A	N/A	May 2020	245	481	93	600
8	Taiyuan Wanbailin District Peace Community Health Service Center	Taiyuan, Shanxi	28,985(7)	Private not-for-profit community health service center	N/A	N/A	January 2022	5	10	–	N/A

Notes:

(1) For our self-owned hospitals, the time of commencement of operations for our five acquired hospitals refers to the time when the hospitals generated revenue in the financial statements of our Group for the first time, and the time of commencement of operations for our self-established hospital, i.e. Tianjin Shishi Hospital, refers to the registered time when the hospital opened for service on its Medical Institution Practicing License (醫療機構執業許可證). With respect to our Managed Hospitals, the time of commencement of operations refers to the time when the financial statements of Anhui Shoukang Investment and Taiyuan Peace Hospital Management Company Limited were firstly consolidated into the financial statements of our Group. Please see "Business – Our Hospital Business" and "Business – Our Hospital Management Business" in this document for further details;

(2) The standard of division for the number of medical professionals in our In-network Hospitals is based on whether they obtain professional ranks of professional medical workers (衛生專業技術人員職稱). Physicians, technical, pharmaceutical and nursing medical professionals refer to the medical professionals who have obtained professional ranks, and other medical professionals refer to those who have not obtained professional ranks and other medical-related professionals in our In-network Hospitals;

(3) Physicians in our In-network Hospitals comprise chief physicians, associate-chief physicians, attending physicians, resident physicians and assistant physicians (醫士). The number of physicians in our self-owned hospitals and Huangshan Shoukang Hospital includes the number of both full-time physicians and multi-site practice physicians. The number of physicians in Taiyuan Wanbailin District Peace Community Health Service Center only includes the number of full-time physicians as it did not have multi-site practice physicians as of December 31, 2023. Please see "Business – Our In-network Medical Resources – Qualification of Our Medical Professionals" in this document for further details;

(4) Technical medical professionals in our In-network Hospitals comprise chief technicians (主任技師), associate-chief technicians (副主任技師), attending technicians (主管技師), technicians (技師) and assistant technicians (技士). Pharmaceutical medical professionals in our In-network Hospitals comprise chief pharmacists (主任藥師), associate-chief pharmacists (副主任藥師), attending pharmacists (主管藥師), pharmacists (藥師) and assistant pharmacists (藥士). Nursing medical professionals in our In-network Hospitals comprise chief nurse practitioners (主任護師), associate-chief nurse practitioners (副主任護師), attending nurse practitioners (主管護師), nurse practitioners (護師) and nurse (護士). Please see "Business – Our In-network Medical Resources – Qualification of Our Medical Professionals" in this document for further details;

(5) Other medical professionals in our In-network Hospitals primarily comprise practice nurses (實習護士), auxiliary doctors (輔醫) and other patient service staff working in physical examination centers, medical service departments and emergency centers. Please see “Business – Our In-network Medical Resources – Qualification of Our Medical Professionals” in this document for further details;

(6) The number of technical, pharmaceutical and nursing medical professionals and other medical professionals in the table above refer to the number of full-time employees working in our In-network Hospitals;

(7) Pursuant to the leasing agreement dated on January 1, 2019 between Taiyuan Peace Hospital and Taiyuan Wanbailin District Peace Community Health Service Center with an Independent Third Party, they are located in the same property in Wanbailin District of Taiyuan of Shanxi Province, and the area of them refers to the land area;

(8) Acquisition of Hefei Bayway Changrong Hospital refers to that we acquired certain long-term assets of Hefei City Changrong Hospital Limited (合肥市長榮醫院有限公司) in November 2020 and the business and net assets of Hefei Changrong Hospital* (合肥長榮醫院) in December 2021 from an Independent Third Party, upon which the business operated under the aforementioned two entities have been consolidated into the financial statements of the Group according to the applicable accounting standards in the PRC. Please see “History, Reorganization and Corporate Structure – Our Group – Acquisitions during the Track Record Period” and Note 27(a) to “Appendix I – Accountants’ Report” in this document for further details; and

(9) Wuzhi Jimin Hospital has become the first Class-III comprehensive hospital in Wuzhi County since April 2024 with the approval of the local PRC Government for the upgrade to Class-III comprehensive hospital from Class-IIA comprehensive hospital.

OUR SUPPLIERS AND CUSTOMERS

Our Suppliers

Our hospital business and supply of pharmaceuticals, medical equipment and consumables business primarily require pharmaceuticals, medical equipment and consumables for operations. We have established the procurement management department at our headquarters, which is responsible for formulating procurement management system, planning our annual procurement and negotiating the terms for our purchases. On the one hand, our In-network Hospitals generally place purchase orders directly with the selected suppliers with quantities and purchase prices decided by the procurement department of each In-network Hospital. On the other hand, our procurement management department at our headquarters occasionally arrange the centralized procurement for our hospital business and supply of pharmaceuticals, medical equipment and consumables business with large quantities or special needs to obtain a lower price and save costs.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among others, their product offerings, pricing, reputation, service or product quality and delivery schedule. Our suppliers are required to possess all licenses and permits necessary to conduct their operations, including GMP Certificate and/or GSP Certificate. Only those suppliers which fulfill all our selection criteria are selected.

For the years ended December 31, 2021, 2022 and 2023, purchases from our five largest suppliers collectively accounted for 40.2%, 34.4% and 39.0% of our total purchases during the same periods, respectively, and purchases from our largest supplier accounted for 17.0%, 12.6% and 16.3% of our total purchases during the same periods, respectively. Our five largest suppliers during the Track Record Period comprise suppliers of pharmaceuticals, medical equipment and consumables. As of the Latest Practicable Date, all of our five largest suppliers during the Track Record Period were Independent Third Parties, and to the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest suppliers. Please see "Business – Procurement and Supplies" in this document for further details.

Our Customers

Our customers primarily fall into the following three categories:

Business	Major types of customers
Hospital business	Patients and/or customers that received healthcare services at our self-owned hospitals
Hospital management business	Managed Hospitals
Supply of pharmaceuticals, medical equipment and consumables..................	Customers who purchase our pharmaceuticals, medical equipment and consumables

For the years ended December 31, 2021, 2022 and 2023, revenue from our five largest customers collectively accounted for 25.4%, 18.1% and 20.4% of our total revenue during the same periods, respectively, and revenue from our largest customer accounted for 14.9%, 12.9% and 16.5% of our total revenue during the same periods, respectively. As of the Latest Practicable Date, all of our five largest customers during the Track Record Period were Independent Third Parties, and to the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest customers. Please see "Business – Our Customers" in this document for further details.

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:

- Changes and developments in China's regulatory regime for the healthcare service industry, particularly changes in healthcare reform policies, could have an effect on our business operations and future expansion.

- Our In-network Hospitals derive a certain portion of revenue by providing healthcare services to patients with public medical insurance coverage; any delayed payment under China's public medical insurance programs could affect our results of operations.
- Pricing regulations may affect the pricing of our In-network Hospitals. Certain of our healthcare services, pharmaceuticals, medical equipment and consumables are clearly and directly subject to pricing regulations, which may affect our profitability.
- If we are unable to successfully manage our growth, our business and prospects may be affected.
- If our In-network Hospitals are unable to recruit, train and retain sufficient qualified physicians and other kinds of medical professionals, our business and results of operations could be affected.
- If we fail to properly manage the employment of the physicians and other kinds of medical professionals of our In-network Hospitals, we may be subject to penalties against these hospitals, which could affect our business and results of operations.
- We may be unable to identify, capture or execute expansion opportunities for new hospitals, and acquired businesses may have unknown or contingent liabilities, which may affect our business, results of operations, financial condition and prospects.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), our Company will be held by our Controlling Shareholders in aggregate of approximately [**REDACTED**], including (i) entities ultimately controlled by Ms. Xu in aggregate as to [**REDACTED**], including Bayway Fund L.P. (as to [**REDACTED**]), Sugar Berry (as to [**REDACTED**]), Cheery Smiley (as to [**REDACTED**]) and Backspace (as to [**REDACTED**]); and (ii) Xuxi Holding as to [**REDACTED**] pursuant to the arrangement under the Concert Party Agreements.

Therefore, for the purpose of this document and as defined under the Listing Rules, each of the following persons/entities are or are deemed as a Controlling Shareholder of the Company:

(i) Ms. Xu;

(ii) the Shareholders and their intermediate controlling entities controlled by Ms. Xu, including (a) Bayway Fund L.P. and its intermediate controlling entities, namely, Rose Violet X, Wineberry X and Crimson X; and Blue Crystal K, Shanghai Minbei, Suzhou Beiyi Baihui and Baihui Investment Fund; and (b) Sugar Berry and its intermediate controlling entities, namely, Shanghai Huijin and Anhui Beiyi Huijin; (c) Cheery Smiley and its intermediate controlling entities, namely, Shanghai Huifang and Anhui Beiyi Huifang; and (d) Backspace and its intermediate controlling entities, namely Shanghai Huitong and Anhui Beiyi Huitong; and

(iii) Xuxi Holding, Shanghai Xuxi Management, Shanghai Xukun Management as the Pre-[**REDACTED**] Investor of our Company, and their ultimate beneficial owners, Cui Yifan (崔一帆) and Zhu Hongbing (朱紅兵) pursuant to the arrangement under the Concert Party Agreements. Cui Yifan (崔一 帆) is a director of each of Beiyi Baihui Medical (Shanghai) and Bayzed Medical Investment, and the son of Zhu Hongbing (朱紅兵).

Please see "Relationship with our Controlling Shareholders" in this document for further details.

PRE-[REDACTED]

In order to further develop our Group's business, several Pre-[**REDACTED**], including Shanghai Xukun Management; Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司); Anhui Beiyi Huijin; Anhui Beiyi Huifang, Anhui Beiyi Huitong; Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)); Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業); Maisheng Medical Equipment Co., Ltd.* (邁勝醫療設備有限公司); Anhui Beiyi Huitong; Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)* (無錫金投魯信創業投資合夥企業(有限合

夥)); Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)); Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* (成都魯信菁蓉貳期創業投資中心); Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥)); Shanghai Dezhen Enterprise Management Co., Ltd.* (上海德箴企業管理有限公司); Venus Tale; SCYC Holdings Limited; Shanghai Duohou Enterprise Management Partnership (Limited Partnership)* (上海鐸厚企業管理合夥企業(有限合夥)); and Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)) were introduced to become shareholders of our Group.

Please see "History, Reorganization and Corporate Structure – Pre-[**REDACTED**]" in this document for further details.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

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

	Year Ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	461,586	802,652	1,072,173
Cost of sales	(420,195)	(723,095)	(894,009)
Gross profit	41,391	79,557	178,164
Other net income	7,837	5,025	5,181
Selling expenses	(9,738)	(12,019)	(13,467)
General and administrative expenses	(72,806)	(108,587)	(147,172)
Impairment loss on trade and bills receivables	(461)	(2,063)	(274)
(Loss)/profit from operations	(33,777)	(38,087)	22,432
Finance costs	(21,058)	(24,437)	(27,042)
Loss before taxation	(54,835)	(62,524)	(4,610)
Income tax	(7,120)	(12,991)	(19,796)
Loss for the year	(61,955)	(75,515)	(24,406)

Revenue

Revenue by service offerings

The following table sets forth our revenue by service offerings for the periods indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Hospital business	314,696	68.2	617,905	77.0	814,112	75.9
Inpatient services	177,027	38.4	379,389	47.3	515,940	48.1
Outpatient services	119,743	25.9	216,542	27.0	289,881	27.0
Others(1)	17,926	3.9	21,974	2.7	8,291	0.8

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Hospital management business	26,281	5.7	37,315	4.6	41,121	3.8
Supply of pharmaceuticals, medical equipment and consumables	118,213	25.6	146,730	18.3	215,158	20.1
Others(2)	2,396	0.5	702	0.1	1,782	0.2
Total	461,586	100.0	802,652	100.0	1,072,173	100.0

Notes:

(1) Our revenue derived from others of our hospital business during the Track Record Period primarily refer to (i) our revenue generated from provision of nucleic acid testing service; and (ii) the one-off asset royalties and other one-off relevant revenue received from Hefei Changrong Hospital.

(2) Our revenue derived from others of our business during the Track Record Period primarily refer to revenue related to our provision of healthcare-related consultancy services.

The following table sets forth the number of patient visits and average spending per patient visit of our self-owned hospitals for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
Inpatient services			
Number of inpatient visits	5,834	30,740	44,461
Average spending per inpatient visit (RMB)	30,344.0	12,341.9	11,604.3
Outpatient services			
Number of outpatient visits	196,457	547,919	701,502
Average spending per outpatient visit (RMB)	609.5	395.2	413.2

Gross Profit and Gross Profit Margin

Gross profit/(loss) and gross profit/(loss) margin by service offerings

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by service offerings for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross Profit/ (Loss)	**Gross Profit/ (Loss) Margin**	**Gross Profit/ (Loss)**	**Gross Profit/ (Loss) Margin**	**Gross Profit/ (Loss)**	**Gross Profit/ (Loss) Margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Hospital business	(5,510)	(1.8)	20,533	3.3	104,491	12.8
Hospital management business	19,211	73.1	27,770	74.4	31,582	76.8
Supply of pharmaceuticals, medical equipment and consumables	25,661	21.7	30,961	21.1	41,322	19.2
Others	2,029	84.7	293	41.7	769	43.2
Total	41,391	9.0	79,557	9.9	178,164	16.6

Gross profit/(loss) and gross margin of our hospital business

The following table sets forth a breakdown of our gross profit/loss and gross margin by each of our self-owned hospitals for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Western Beijing Cancer Hospital(1)	(5,437)	(3.0)	298	0.2	52,502	19.2
Taiyuan Peace Hospital	N/A	N/A	18,270	19.0	37,891	31.3
Tianjin Nankai Jixing Hospital	6,050	7.5	9,996	11.2	9,359	11.0
Tianjin Shishi Hospital	(12,175)	(35.4)	(4,667)	(9.4)	(8,658)	(13.7)
Wuzhi Jimin Hospital(2)	N/A	N/A	9,495	6.6	25,816	12.5
Hefei Bayway Changrong Hospital(3)	6,052	29.9	(12,859)	(23.9)	(12,419)	(19.0)
Total gross profit of hospital business	(5,510)	(1.8)	20,533	3.3	104,491	12.8

Notes:

(1) The gross profit/loss of Western Beijing Cancer Hospital for the relevant periods is the result of consolidation of the gross profit/loss of Western Beijing Cancer Hospital, Beijing Baize Medical Management Co., Ltd.* (北京佰澤醫療管理有限公司) and Beijing Huishi Medical Equipment Sales Co., Ltd.* (北京惠世醫療器械銷售有限公司) for the same periods.

(2) The gross profit/loss of Wuzhi Jimin Hospital for the relevant year is the result of consolidation of the gross profit/loss of Wuzhi Jimin Hospital, Henan Huibai Medical Equipment Co., Ltd.* (河南惠佰醫療設備有限公司) and Henan Tengfang Medical Equipment Co., Ltd.* (河南騰方醫療設備有限公司) for the same periods.

(3) We recorded gross profit margin of Hefei Bayway Changrong Hospital of 29.9% for the year ended December 31, 2021, while we recorded gross loss margin of Hefei Bayway Changrong Hospital of 23.9% and 19.0% for the year ended December 31, 2022 and 2023, respectively, primarily due to the one-off asset royalties and other relevant one-off revenue received from it in 2021.

Non-IFRS Measures

To supplement our financial information which are presented in accordance with IFRS, we use non-IFRS measures, namely, adjusted EBITDA and adjusted net profit or loss, as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that such measures provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted EBITDA and adjusted net profit or loss may not be comparable to similarly titled financial measures presented by other companies. The use of such non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted EBITDA (non-IFRS measure) as EBITDA (which is loss for the year plus depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets, income tax expenses and finance costs) adjusted by adding (i) share-based payment expenses; and (ii) [**REDACTED**].

We define adjusted net loss (non-IFRS measures) as loss for the year adjusted for (i) share-based payment expenses; (ii) amortization of acquired assets assessment appreciation; (iii) [**REDACTED**]; and (iv) corresponding income tax influence.

Share-based payment expenses consisted of non-cash expenses arising from granting options to the participants under the share scheme adopted by Tianjin Baihui Medical Management and does not result in cash outflow. [**REDACTED**] are mainly expenses related to the [**REDACTED**] and added back mainly because they were incurred for the purpose of the [**REDACTED**].

The following table sets out EBITDA, adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure), and a reconciliation from loss for the year to EBITDA, adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure) for the periods indicated.

	Year Ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year	(61,955)	(75,515)	(24,406)
Add			
Share-based payment expenses	–	178	–
Amortization of acquired assets assessment appreciation	7,040	8,123	8,692
[**REDACTED**]	–	–	14,791
Corresponding income tax influence	(1,760)	(2,031)	(2,173)
Adjusted net loss (non-IFRS measure)	**(56,675)**	**(69,245)**	**(3,096)**
Loss for the year	(61,955)	(75,515)	(24,406)
Add			
Income tax expenses	7,120	12,991	19,796
Depreciation of property, plant and equipment	24,198	41,857	50,876
Amortization of intangible assets	7,801	9,266	10,276
Depreciation of right-of-use assets	18,333	23,421	25,119
Finance costs	21,058	24,437	27,042
EBITDA	**16,555**	**36,457**	**108,703**
Add			
Share-based payment expenses	–	178	–
[**REDACTED**]	–	–	14,791
Adjusted EBITDA (non-IFRS measure)	**16,555**	**36,635**	**123,494**

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2021	**2022**	**2023**
Total non-current assets	1,204,810	1,497,151	1,478,224
Total current assets	559,870	613,800	733,182
Total current liabilities	355,366	742,462	735,388
Net current assets/(liabilities)	204,504	(128,662)	(2,206)
Total assets less current liabilities	1,409,314	1,368,489	1,476,018
Total non-current liabilities	304,889	281,999	300,500
Net assets	1,104,425	1,086,490	1,175,518
Non-controlling interests	82,070	98,586	91,394

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flow information for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	6,415	114,395	128,371
Net cash used in investing activities	(156,449)	(208,680)	(58,606)
Net cash generated from financing activities	230,356	53,425	47,038
Net increase/(decrease) in cash and cash equivalents	80,322	(40,860)	116,803
Cash and cash equivalents at the beginning of the year	85,726	166,048	125,188
Cash and cash equivalents at the end of the year	166,048	125,188	241,991

Please see "Financial Information – Liquidity and Capital Resources – Cash Flows" in this document for further details.

Key Financial Ratios

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

	As of/for the year ended December 31,		
	2021	2022	2023
Profitability:			
Revenue growth rate	N.A.[(6)]	73.9%	33.6%
Gross profit growth rate	N.A.[(6)]	92.2%	123.9%
Gross margin[(1)]	9.0%	9.9%	16.6%
Adjusted net loss margin[(2)]	-12.3%	-8.6%	-0.3%
Adjusted EBITDA margin[(3)]	3.6%	4.6%	11.5%
Liquidity:			
Current ratio[(4)]	1.6x	0.8x	1.0x
Quick ratio[(5)]	1.5x	0.8x	0.9x

Notes:

(1) The calculation of gross margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100.0%;

(2) The calculation of adjusted net loss margin is based on adjusted net loss after taxation for the year divided by revenue for the respective year and multiplied by 100.0%;

(3) The calculation of adjusted EBITDA margin is based on adjusted EBITDA for the year divided by revenue for the respective year and multiplied by 100.0%;

(4) The calculation of current ratio is based on current assets divided by current liabilities as of year end;

(5) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year end; and

(6) The growth rates are not applicable as revenue and gross profit for the year ended December 31, 2020 are unaudited.

Please see "Financial Information – Key Financial Ratios" in this document for further details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Regulatory Update

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), which has become effective on March 31, 2023. Pursuant to the Trial Measures, PRC domestic companies 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**] application 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 Advisor. Please see "Regulation Overview – Regulations on Overseas [**REDACTED**]" in this document for details.

No Material Adverse Change

Our Directors confirm that, subsequent to the Track Record Period and up to the Latest Practicable Date, there has been no material adverse change in our business operations, the business environment in which we operate, as well as our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that the [**REDACTED**] has been completed and [**REDACTED**] are issued pursuant to the [**REDACTED**].

	Based on the [REDACTED] of [REDACTED] per [REDACTED]	**Based on the [REDACTED] of [REDACTED] per [REDACTED]**
Market [**REDACTED**] of our [**REDACTED**](2)	[**REDACTED**]	[**REDACTED**]
[**REDACTED**] adjusted consolidated [**REDACTED**] attributable to equity [**REDACTED**] of the Company per [**REDACTED**](3)	[**REDACTED**]	[**REDACTED**]

Notes:

(1) All statistics in this table are on the assumption that the [**REDACTED**] and options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised.

(2) The calculation of market [**REDACTED**] is based on [**REDACTED**] issued [**REDACTED**] immediately upon [**REDACTED**], being the total of the existing [**REDACTED**] and the [**REDACTED**] expected to be issued immediately upon completion of the [**REDACTED**].

(3) Please refer to Appendix II in this document for further details.

[REDACTED]

We expect to incur a total of [**REDACTED**] of [**REDACTED**] (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] between [**REDACTED**] and [**REDACTED**], and assuming that the [**REDACTED**] is not exercised.

During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**], out of which [**REDACTED**] was charged to our consolidated statements of comprehensive income, while the remaining amount of [**REDACTED**] is directly attributable to the issuance of [**REDACTED**] and will be charged to equity upon completion of the [**REDACTED**]. We expect to further incur [**REDACTED**] of approximately [**REDACTED**] upon completion of the [**REDACTED**], out of which approximately [**REDACTED**] is expected to be charged to our consolidated statements of comprehensive income and approximately [**REDACTED**] is expected to be deducted from equity.

[**REDACTED**] expenses include [**REDACTED**] of fees for legal advisors and the Reporting Accountant, [**REDACTED**] of other fees unrelated to the [**REDACTED**], and [**REDACTED**] of [**REDACTED**] payable to [**REDACTED**] and transaction fees (including [**REDACTED**], AFRC [**REDACTED**], and Stock Exchange [**REDACTED**] fee) in connection with the [**REDACTED**] of [**REDACTED**] under the [**REDACTED**]. The [**REDACTED**] above represent approximately [**REDACTED**] of our [**REDACTED**] from the [**REDACTED**] and are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

In view of the above, prospective [**REDACTED**] should note that the financial results of our Group will be adversely affected by the non-recurring [**REDACTED**] in relation to the [**REDACTED**]. Our Directors would like to emphasize that the [**REDACTED**] in relation to [**REDACTED**] are a current estimate for reference only and the amounts to be recognized in the equity and the statement of results of operation of the Group are subject to adjustment due to changes in estimates and assumptions.

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. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

Any future declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, [**REDACTED**] requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on [**REDACTED**] of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future. Please see "Financial Information – Dividend" in this document for further details.

In this document, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Anhui Baihui Hospital Management"	Anhui Baihui Hospital Management Company Limited* (安徽佰惠醫院管理有限責任公司), a company established in the PRC with limited liability on September 6, 2019, a wholly-owned subsidiary of our Company
"Anhui Beiyi Huifang"	Anhui Beiyi Huifang Equity Investment Partnership (Limited Partnership)* (安徽北醫惠方股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC on January 8, 2020 with Baihui Investment Fund being the sole general partner (as to 4.7619% of the partnership interests) and Beijing Hopson Jiaye Property Management Company Limited* (北京合生嘉業物業管理有限公司) being the limited partner (as to 95.2381% of the partnership interests); Anhui Beiyi Huifang is a Controlling Shareholder
"Anhui Beiyi Huijin"	Anhui Beiyi Huijin Equity Investment Partnership (Limited Partnership)* (安徽北醫匯金股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC on January 15, 2020 with Baihui Investment Fund being the sole general partner (as to 1.9608% of the partnership interests) and Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership)* (共青城鈺晟投資管理合夥企業(有限合夥)) being the limited partner (as to 98.0392% of the partnership interests); Anhui Beiyi Huijin is a Controlling Shareholder

"Anhui Beiyi Huitong"	Anhui Beiyi Huitong Equity Investment Partnership (Limited Partnership) * (安徽北醫匯通股權投資合夥企業(有限合夥)) is a limited partnership established in the PRC on March 31, 2021 with Baihui Investment Fund being the sole general partner (as to 9.0909% of the partnership interests) and Shanghai Yuzheng Zerong Enterprise Management Company Limited* (上海毓正澤榮企業管理有限公司) being the limited partner (as to 90.9091% of the partnership interests); Anhui Beiyi Huitong is a Controlling Shareholder
"Anhui Ruizhong"	Anhui Ruizhong Medical Technology Company Limited* (安徽省瑞眾醫療科技有限責任公司), a company established in the PRC with limited liability on December 31, 2020, a non-wholly-owned subsidiary of our Company
"Anhui Shoukang Investment"	Anhui Shoukang Medical Investment Company Limited* (安徽首康醫療投資有限公司), a company established in the PRC with limited liability on December 19, 2014, a non-wholly owned subsidiary of our Company, which provides supervision and management services to Huangshan Shoukang Hospital. For details, please see "History, Reorganization and Corporate Structure" in this document
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on [●], which shall become effective on the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix III to this document
"Audit Committee"	the audit committee of the Board
"Backspace"	Backspace Limited, a company incorporated in the British Virgin Islands as a company limited by shares on 4 August 2022, a wholly-owned subsidiary of Shanghai Huitong and a Controlling Shareholder

"Baicheng Baixin"	Beijing Baicheng Baixin Technology Limited* (北京佰誠佰欣科技有限公司) (formerly known as Bayzed Group Company Limited* (佰澤集團有限公司) and Dinghang Lanxin Hospital Management Co., Ltd.* (鼎航蘭馨醫院管理有限公司)), a company established in the PRC with limited liability on 25 April 2017 and being owned as to 60% by Li Yi (李一) and 40% by Zhang Zhengang (張振剛)
"Baihui Investment Fund"	Beijing Baihui Investment Fund Management Company Limited* (北京佰惠投資基金管理有限公司), a company established in the PRC with limited liability on October 9, 2015 and being owned as to 80% by Ms. Xu and is a Controlling Shareholder
"Bayway Early Screening"	Bayway Early Screening Health Technology (Beijing) Company Limited* (佰惠早篩健康技術(北京)有限公司), formerly known as Beijing Xizhong Health Technology Limited Company* (北京西腫健康技術有限公司), a company established in the PRC with limited liability on July 27, 2018, a wholly-owned subsidiary of our Company
"Bayway Fund L.P."	Bayway Fund L.P., an exempted limited partnership registered in the Cayman Islands on October 8, 2021 and controlled by Ms. Xu, and is a Controlling Shareholder. For details, please see "History, Reorganization and Corporate Structure" and "Relationship with Our Controlling Shareholders" in this document
"Bayway Medical Group"	Bayway Medical Group Limited, a company incorporated in Hong Kong as a company limited by shares on December 28, 2021 and is a wholly-owned subsidiary of our Company
"Bayzed Medical Investment"	Bayzed Medical Investment Group Company Limited* (佰澤醫療投資集團有限公司), formerly known as Bayzed Medical Investment Company Limited* (佰澤醫療投資有限責任公司), a company established in the PRC with limited liability on July 31, 2017, a wholly-owned subsidiary of our Company

"Blue Crystal K"	Blue Crystal K Limited, a company incorporated in the British Virgin Islands as a company limited by shares on September 15, 2021, a wholly-owned subsidiary of Shanghai Minbei and a Controlling Shareholder
"Board" or "Board of Directors"	the Board of Directors of our Company
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
"BVI"	British Virgin Islands
"CAGR"	compound annual growth rate
"[**REDACTED**]"	the Central Clearing and Settlement System established and operated by [**REDACTED**]
"Central China"	include regions of Henan Province, Hubei Province and Hunan Province
"Cheery Smiley"	Cheery Smiley Limited, a company incorporated in the British Virgin Islands as a company limited by shares on 4 August 2022, a wholly-owned subsidiary of Shanghai Huifang and a Controlling Shareholder
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this document only, Hong Kong, Macau and Taiwan
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Act"	the Companies Act (As Revised) Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Bayzed Health Group Inc (佰澤醫療集團), an exempted company incorporated under the laws of the Cayman Islands with limited liability on December 9, 2021

"Concert Party Agreements"	collectively, the original concert party agreement entered into between Suzhou Beiyi Baihui and Shanghai Xukun Management in March 2020, and the concert party agreement entered into between Bayway Fund L.P. and Xuxi Holding in May 2023, the details of which are set out in "Relationship with Our Controlling Shareholders – The Concert Party Agreements" in this document
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Ms. Xu and the entities controlled by her, namely, Bayway Fund L.P., Rose Violet X, Wineberry X, Crimson X, Blue Crystal K, Shanghai Minbei, Suzhou Beiyi Baihui, Baihui Investment Fund, Sugar Berry, Shanghai Huijin, Anhui Beiyi Huijin, Cheery Smiley, Shanghai Huifang, Anhui Beiyi Huifang, Backspace, Shanghai Huitong, Anhui Beiyi Huitong, and Xuxi Holding, Shanghai Xukun Management, Shanghai Xuxi Management, Zhu Hongbing (朱紅兵) and Cui Yifan (崔一帆) pursuant to the arrangement under the Concert Party Agreements
"Crimson X"	Crimson X Limited, a company incorporated in the British Virgin Islands as a company limited by shares on September 6, 2021, which is wholly-owned by Ms. Xu and is a Controlling Shareholder
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Designated Bank"	[**REDACTED**] Participant's [**REDACTED**] Designated Bank
"Director(s)"	the director(s) of the Company
"East China"	include regions of Shanghai, Jiangsu Province, Zhejiang Province, Anhui Province, Fujian Province, Jiangxi Province and Shandong Province
"EIT Law"	Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"[**REDACTED**]"	a person: (i) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (ii) whose name is entered in a [**REDACTED**], register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"Fairy Tale"	Fairy Tale Limited, a company incorporated in the British Virgin Islands as a company limited by shares on December 9, 2021 and is wholly-owned by Ms. Renee Lynn, and a Pre-[**REDACTED**] Investor

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis
"GAAP"	Generally Accepted Accounting Principles
"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**]
"Group", "our Group", "we" or "us"	our Company and our subsidiaries at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Hefei Bayway Changrong Hospital" or "Hefei Bayway Changrong Hospital Company"	Hefei Bayway Changrong Hospital Company Limited* (合肥佰惠長榮醫院有限公司), a company established in the PRC with limited liability on November 13, 2020 and a private for-profit Class-II comprehensive hospital. For details, please see "History, Reorganization and Corporate Structure" in this document

[**REDACTED**]

DEFINITIONS

[**REDACTED**]

"

"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"[**REDACTED**]"	[**REDACTED**], a wholly-owned subsidiary of [**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

[**REDACTED**]

[**REDACTED**]

"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

[**REDACTED**]

"Huangshan Bohong"	Huangshan Bohong Pharmaceutical Sales Company Limited* (黃山博宏醫藥銷售有限公司), a company established in the PRC with limited liability on May 24, 2018, a non-wholly-owned subsidiary of our Company
"Huangshan Shoukang Hospital"	Huangshan Shoukang Hospital* (黃山首康醫院), a private not-for-profit Class-III comprehensive hospital
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee

"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the Listing Rules
"Industry Report"	a commissioned industry report prepared by Frost & Sullivan
"In-network Hospital(s)"	the private for-profit hospitals through which we provide healthcare services and the private not-for-profit hospitals that from which we receive management fees for our management and operation services. As of the Latest Practicable Date, the In-network Hospitals comprise (i) six of our owned private for-profit hospitals, namely Western Beijing Cancer Hospital, Tianjin Shishi Hospital, Tianjin Nankai Jixing Hospital, Taiyuan Peace Hospital, Hefei Bayway Changrong Hospital and Wuzhi Jimin Hospital; and (ii) two of private not-for-profit hospitals, namely Huangshan Shoukang Hospital and Taiyuan Wanbailin District Peace Community Health Service Center

[**REDACTED**]

[**REDACTED**]

"Latest Practicable Date"	[April 21, 2024], being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"[**REDACTED**] Committee"	the [**REDACTED**] Committee of the Hong Kong Stock Exchange
"[**REDACTED**]"	the date, expected to be on or around [**REDACTED**], on which our [**REDACTED**] of the Company are [**REDACTED**] and from which [**REDACTED**] therein are permitted to take place on the Hong Kong Stock Exchange
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company conditionally adopted on [●], which shall become effective on the [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix III to this document
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)

"MOH"	the Ministry of Health of the PRC (中華人民共和國衛生部), currently known as the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) (the "**NHC**")
"Ms. Xu"	Ms. Xu Xu (徐旭), our executive Director, senior vice president and a Controlling Shareholder
"NASDAQ"	the National Association of Securities Dealers Automated Quotations Stock Market
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of the Board
"North China"	include regions of Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"[**REDACTED**]" and "[**REDACTED**]"	the [**REDACTED**] and [**REDACTED**] as named in "Directors and Parties Involved in the [**REDACTED**]" in this document

[**REDACTED**]

"PBOC"	the central bank of the People's Republic of China (中國人民銀行)
"PRC GAAP"	generally accepted accounting principles of the PRC
"PRC Government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal, and other regional or local government entities) and its organs or, as the content requires, any of them
"PRC Legal Advisor"	Commerce and Finance Law Offices, the legal advisor to our Company as to the PRC law in connection with the [**REDACTED**]
"Pre-[**REDACTED**]"	the pre-[**REDACTED**] in our Company undertaken by the Pre-[**REDACTED**] pursuant to the relevant [**REDACTED**] agreements, please see "History, Reorganization and Corporate Structure – Pre-[**REDACTED**]" in this document for details
"Pre-[**REDACTED**]"	the [**REDACTED**] of the Pre-[**REDACTED**] in our Company prior to the [**REDACTED**] as set forth in "History, Reorganization and Corporate Structure – Pre-[**REDACTED**]" in this document
"Pre-[**REDACTED**] Option Scheme"	the Pre-[**REDACTED**] option scheme approved and adopted by our Company on August 8, [**REDACTED**], the principal terms of which are summarized in "Appendix IV – Statutory and General Information – [**REDACTED**] Option Schemes – Pre-[**REDACTED**] Option Scheme" in this document

"[**REDACTED**]"	the agreement to be entered into by the [**REDACTED**] (on behalf of the [**REDACTED**]) and our Company on the [**REDACTED**] to record and fix the [**REDACTED**]
"[**REDACTED**]"	the date on which the [**REDACTED**] is to be determined
"Purple Sapphire"	Purple Sapphire Limited, a company incorporated in the British Virgin Islands as a company limited by shares on December 20, 2021 and a wholly-owned subsidiary of our Company
"[**REDACTED**]"	[**REDACTED**] under the [**REDACTED**]
"Remuneration Committee"	the remuneration committee of the Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rose Violet X"	Rose Violet X Limited, an exempted company incorporated in the Cayman Islands with limited liability on September 10, 2021, a wholly-owned subsidiary of Wineberry X and a Controlling Shareholder
"Rule [**REDACTED**]"	Rule [**REDACTED**] under the [**REDACTED**]
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the National People's Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
"Screening and Early Detection of Cancer and Prevention Center"	Screening and Early Detection of Cancer and Prevention Center* (早癌篩查與防治中心) in Western Beijing Cancer Hospital, the first and only early cancer screening base of Beijing Anti-Cancer Association (北京抗癌協會) in Beijing, which was established in January 2019

"Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Huifang"	Shanghai Huifang Enterprise Management Partnership (Limited Partnership)* 上海琿方企業管理合夥企業(有限合夥), a limited partnership established in the PRC on June 9, 2022, with Baihui Investment Fund being the sole general partner (as to 6.9182% of the partnership interests) and Anhui Beiyi Huifang as the limited partner (as to 93.0818% of the partnership interests), and is a Controlling Shareholder
"Shanghai Huijin"	Shanghai Huijin Enterprise Management Partnership (Limited Partnership)* 上海琿金企業管理合夥企業(有限合夥), a limited partnership established in the PRC on June 9, 2022, with Baihui Investment Fund being the sole general partner (as to 2.9333% of the partnership interests) and Anhui Beiyi Huijin as the limited partner (as to 97.0667% of the partnership interests), and is a Controlling Shareholder
"Shanghai Huitong"	Shanghai Huitong Enterprise Management Partnership (Limited Partnership)* 上海琿通企業管理合夥企業(有限合夥), a limited partnership established in the PRC on June 9, 2022, with Baihui Investment Fund being the sole general partner (as to 13.3333% of the partnership interests) and Anhui Beiyi Huitong as the limited partner (as to 86.6667% of the partnership interests), and is a Controlling Shareholder

"Shanghai Minbei"	Shanghai Minbei Enterprise Management Partnership (Limited Partnership)* (上海旻北企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on September 13, 2021, with Baihui Investment Fund being the sole general partner (as to 0.1464% of the partnership interests) and Suzhou Beiyi Baihui as the limited partner (as to 99.8536% of the partnership interests), and is a Controlling Shareholder
"Shanghai Xukun Management"	Shanghai Xukun Enterprise Management Co., Ltd.* (上海栩琨企業管理有限公司), a company established in the PRC with limited liability on March 3, 2020 and is owned as to 67% by Zhu Hongbing (朱紅兵) and as to 33% by Cui Yifan (崔一帆) (a director of our subsidiaries). It is one of our Controlling Shareholders
"Shanghai Xuxi Management"	Shanghai Xuxi Enterprise Management Partnership (Limited Partnership)* (上海栩西企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 9, 2022, with Cui Yifan (崔一帆) being the sole general partner (as to 1.0318% of the partnership interests) and Shanghai Xukun Management as the limited partner (as to 98.9682% of the partnership interests), and is a Controlling Shareholder
"Share(s)"	ordinary share(s) with a par value of [USD0.00001] each in the share capital of the Company
"Share Option Agreement(s)"	a share option agreement to be entered into between the Company and the Participant on [●] 2024
"Shareholder(s)"	holder(s) of the Share(s)
"[**REDACTED**]"	the [**REDACTED**], the [**REDACTED**], and the [**REDACTED**] as named in "Directors and Parties Involved in the [**REDACTED**]" in this document
"Sole Sponsor"	the sole sponsor as named in "Directors and Parties Involved in the [**REDACTED**]" in this document
"[**REDACTED**] Manager"	[●]
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"Sugar Berry"	Sugar Berry Limited, a company incorporated in the British Virgin Islands as a company limited by shares on August 4, 2022, a wholly-owned subsidiary of Shanghai Huijin and a Controlling Shareholder
"Suzhou Beiyi Baihui"	Suzhou Beiyi Baihui Investment Partnership (Limited Partnership)* (蘇州北醫佰惠投資合夥企業(有限合夥)), is a limited partnership established in the PRC on April 9, 2018 and, immediately prior to the Reorganization, with (i) Baihui Investment Fund being the sole general partner (as to 1.2544% of the partnership interests) and (ii) Suzhou Baihui Tongxin Hospital Management Company Limited* (蘇州佰惠同欣醫院管理有限公司), Guangdong Guancheng Industrial Investment Company Limited* (廣東貫成實業投資有限公司), Dongguan Changshi Particle Investment Company Limited* (東莞市長實粒子投資有限公司), Shanghai Yu'an Investment Group Company Limited* (上海裕安投資集團有限公司), and Baicheng Baixin, each being a limited liability company established in the PRC, being the limited partners (as to 45.3167%, 38.3763%, 6.2719%, 6.2719%, and 2.5088% of the partnership interests, respectively). For subsequent changes in Suzhou Beiyi Baihui due to the Reorganization, please see "History, Reorganization and Corporate Structure – Corporation Reorganization" in this document. Suzhou Beiyi Baihui is a Controlling Shareholder
"Taiyuan Peace Hospital" or "Taiyuan Peace Hospital Company"	Taiyuan Peace Hospital Company Limited* (太原和平醫院有限公司), a company established in the PRC with limited liability on May 11, 2021 and a private for-profit Class-III rehabilitation specialist hospital. For details, please see "History, Reorganization and Corporate Structure" in this document
"Taiyuan Wanbailin District Peace Community Health Service Center"	Taiyuan Wanbailin District Peace Community Health Service Center* (太原市萬柏林區和平社區衛生服務中心), a private not-for-profit community health service center

"Tianjin Baihui Medical Management"	Tianjin Baihui Medical Management Co., Ltd.* (天津佰惠醫療管理有限公司) (formerly known as Tianjin Shishi Hospital Management Company Limited* (天津石氏醫院管理有限公司))
"Tianjin Nankai Jixing Hospital" or "Tianjin Nankai Jixing Hospital Company"	Tianjin Nankai Jixing Hospital Company Limited* (天津南開濟興醫院有限責任公司), a company established in the PRC with limited liability on November 23, 2015 and a private for-profit Class-I comprehensive hospital, whose branch, Tianjin Nankai Jixing Hospital Company Limited Hongqi Road Hospital* (天津南開濟興醫院有限責任公司紅旗路醫院) (the "**Tianjin Nankai Jixing Hospital (Hongqi Road)**"), holds a Medical Institution Practicing License. For details, please see "History, Reorganization and Corporate Structure" in this document
"Tianjin Shishi Hospital" or "Tianjin Shishi Hospital Company"	Tianjin Shishi Hospital Company Limited* (天津石氏醫院有限公司), a company established in the PRC with limited liability on March 4, 2020 and a private for-profit Class-II comprehensive hospital. For details, please see "History, Reorganization and Corporate Structure" in this document
"Track Record Period"	the three financial years ended December 31, 2021, 2022 and 2023; and the phrase "during the Track Record Period" or "for the Track Record Period" followed by a series of figures or percentages, refers to information relating to the three financial years ended December 31, 2021, 2022 and 2023
"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**]
"[**REDACTED**]"	the [**REDACTED**] and the [**REDACTED**]
"Unicorn Dash"	Unicorn Dash Limited, a company incorporated in the British Virgin Islands as a company limited by shares on December 10, 2021 and is a wholly-owned subsidiary of our Company upon completion of the Reorganization
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"[**REDACTED**]"	the [**REDACTED**] of [**REDACTED**], as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Venus Tale"	Venus Tale Limited, a company incorporated in Hong Kong as a company limited by shares on December 17, 2021 and is a wholly-owned subsidiary of our Company upon completion of the Reorganization
"Western Beijing Cancer Hospital" or "Western Beijing Cancer Hospital Company"	Western Beijing Cancer Hospital Company Limited* (北京京西腫瘤醫院有限公司), formerly known as Beijing New Mileage Cancer Hospital Company Limited* (北京新里程腫瘤醫院有限公司), a company established in the PRC with limited liability on October 17, 2011 and a private for-profit Class-II oncology specialist hospital. For details, please see "History, Reorganization and Corporate Structure" in this document
"Wineberry X"	Wineberry X Limited, a company incorporated in the British Virgin Islands as a company limited by shares on September 9, 2021 being owned as to 80% by Crimson X and as to 20% by Gamboge C Limited (a company incorporated in the BVI as a company limited by shares and is wholly owned by Cui Yong (崔勇)) and a Controlling Shareholder
"Wuzhi Jimin Hospital" or "Wuzhi Jimin Hospital Company"	Wuzhi Jimin Hospital Company Limited* (武陟濟民醫院有限責任公司), a company established in the PRC with limited liability on April 13, 2017 and a private for-profit Class-III comprehensive hospital. For details, please see "History, Reorganization and Corporate Structure" in this document
"Xuxi Holding"	Xuxi Holding Ltd., a company incorporated in the British Virgin Islands as a company limited by shares on 29 July 2022, which is wholly-owned by Shanghai Xuxi Management and is a Controlling Shareholder
"%"	percent

In this document, the terms "associate," "close associate," "connected person," "core connected person," "connected transaction," "subsidiaries" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this document in both the Chinese and English languages; in the event of any inconsistency, the Chinese versions shall prevail.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains certain definitions and technical terms used in this document in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"assistant physician"	physicians who have taken the physician qualification examination in accordance with the Law on Practicing Doctors of the PRC and obtained the qualification of practicing assistant physicians
"associate-chief physician"	the senior physicians (副主任醫師) in the PRC; an associate-chief physician may supervise attending and resident physicians, direct research work of a specific field, and typically handle complex medial cases
"attending physician"	the junior physicians (主治/主管醫師) in the PRC; an attending physician may supervise resident physicians and typically undertake medical treatment, teaching, research and disease prevention work
"average spending per inpatient"	calculated as inpatient services revenue divided by the number of inpatient visits for the same period
"average spending per outpatient visit"	calculated as outpatient services revenue divided by the number of outpatient visits for the same period
"breast cancer(s)"	a kind of cancer that develops in the breast cells and progresses in stages
"cardiovascular"	of or pertaining to or involving the heart or blood vessels
"chief physician"	the most senior physicians (主任醫師) in the PRC; a chief physician is generally in charge of a specific clinical department
"Class-I hospital"	the smaller local hospitals designated as Class I hospitals by the National Health and Family Planning Commission (中華人民共和國國家衛生和計劃生育委員會) (the "**NHFPC**", currently known as the NHC) hospital classification system, typically having fewer than 100 beds and primarily providing more basic healthcare services limited to the neighborhood community

"Class-II hospital"	the regional hospitals designated as Class II hospitals by the NHC hospital classification system, typically having 100 to 500 beds, providing multiple communities with integrated healthcare services and undertaking certain academic and scientific research missions
"Class-III hospital"	the largest and best regional hospitals in China designated as Class-III hospitals by the NHC hospital classification system, typically having more than 500 beds, as for a comprehensive hospital providing high-quality professional healthcare services covering a wide geographic area and undertaking higher academic and scientific research initiatives. The Class-III hospitals are graded into three sub-levels (A, B and C) based on the assessment of competent authorities and Class-IIIA hospitals are the highest ranking hospitals among Class-III hospitals
"comprehensive hospital"	a hospital that provides multi-disciplinary healthcare services primarily including inpatient services and outpatient services
"COVID-19"	coronavirus disease, an infectious disease caused by the SARS-CoV-2 virus
"CT"	computed tomography, a type of scan that makes use of computer-processed combinations of many X-ray images taken from different angles to produce cross-sectional tomographic images of specific areas of a scanned object, allowing the user to see inside the object without cutting
"DR"	digital radiography, an advanced form of X-ray inspection, which produces a digital radiographic image instantly on a computer. This technique uses X-ray sensitive plates to capture data during object examination, which is immediately transferred to a computer without the use of an intermediate cassette. The incident X-ray radiation is converted into an equivalent electric charge and then to a digital image through a detector sensor

"EMRS"	Electronic Medical Record System, a system for hospitals to electronically record information in relation to patient visits through electronic medical records, including the first pages, patient records, examination and test results, medical orders, surgical records, nursing records, etc., which involves the collection, storage, transmission, quality control, statistics and utilization of patient information
"first-tier cities"	four cities including Beijing, Shanghai, Guangzhou and Shenzhen
"gastroenterology"	a branch of medicine, which primarily deals with disorders of the esophagus, stomach and intestines
"gastrointestinal cancer(s)"	a kind of cancer that occurs in the gastrointestinal tract
"GFA"	gross floor area
"GMP Certificate"	Certificate of Good Manufacturing Practices for Pharmaceutical Products (藥品生產質量管理認證證書)
"GSP Certificate"	The Good Supply Practices for Pharmaceutical Products Certificate (藥品經營質量管理規範認證證書)
"gynecology"	a branch of medicine that deals with the diseases and routine physical care of the reproductive system of women
"head and neck cancer(s)"	a kind of cancer that develops in the mouth, nose, throat, salivary glands and other areas of head and neck
"healthcare service(s)"	the service practice that provides inpatient or outpatient diagnosis, treatment and prevention of human disease, illness, injury or dysfunction through the medical procedures performed by professional practitioners in medicine, nursing, pharmacy and other fields

"HIS"	Hospital Information System, an information system using computer hardware and software technology, network communication technology and other modern means, to provide the integrated management of the visitor flows, logistics and financial flows in the hospital and its various departments, and conduct the collection, storage, extraction, transmission, aggregation, processing of the data generated in the various stages of medical activities to form a variety of information, so as to provide a comprehensive automated management of the overall operation of the hospital and a variety of services
"hospice care"	a kind of medical care designed to provide supportive care to people in the final phase of a terminal illness and focus on comfort and quality of life, rather than cure
"HPV"	Human Papillomavirus, a small, non-enveloped deoxyribonucleic acid (DNA) virus that infects skin or mucosal cells
"inpatient visit"	a patient visit during which the patient receives lodging and food as well as treatment
"LIS"	Laboratory Information Management System, an information management system that combines the information technology with the database as the core and the requirements of laboratory management
"lymphoma"	a kind of cancer of the lymphatic system of the body involving immune cells
"Medical Insurance Designated Medical Institution (醫保定點醫療機構)"	healthcare institutions designated by the relevant local medical insurance authority as ones that are eligible for public medical insurance coverage for patients covered by Urban Employee Basic Medical Insurance Program (城鎮職工基本醫保計劃), Urban Resident Basic Medical Insurance Program (城鎮居民基本醫保計劃) and New Rural Cooperative Medical Insurance Program (新型農村合作醫保計劃)
"MRI"	magnetic resonance imaging, a type of scan that uses strong magnetic fields and radio waves to produce detailed images of the inside of the body
"multi-site practice physician"	licensed physicians who are qualified and permitted to practice at multiple sites in the PRC

"nasopharynx cancer(s)"	a kind of cancer that develops in the nasopharynx, which is located behind your nose and above the back of your throat
"not-for-profit hospital"	a hospital established and operated for the purpose of providing healthcare services to the general public, whose net income before tax (收支結餘) should be used for the development of the hospital, such as improving hospital management, developing new treatment techniques or establishing new healthcare services instead of being distributed as dividends
"obstetrics"	a branch of medicine that deals with the care of women during pregnancy, childbirth and the recuperative period following delivery
"occupancy rate of registered beds"	the inpatient bed-days, being calculated by dividing aggregate length of stay (in terms of days) for all inpatient visits during the relevant period by the product of (i) number of registered beds multiplying (ii) aggregate number of days during the relevant period, multiplied by 100%
"oncology"	a branch of medicine that deals with tumors, primarily including study of their development, diagnosis and treatment
"organizer's interest"	the interest held by the organizers of private non-enterprise entities. The organizers are entitled to inquire the private non-enterprise entities for the use and management of donated property and give their opinions and proposals, and, if the articles of associations provided so, also entitled to other rights in relation to the operation of the relevant private non-enterprise entities (such as nominating members of the executive committee) but are not entitled to receive economic interests by way of dividends or other forms of distribution from, or to receive any residual assets upon liquidation of, the relevant private non-enterprise entities.
"orthopedics"	a branch of medicine that focuses on injuries and diseases of the musculoskeletal system, which includes bones, joints, ligaments, tendons, muscles and nerves

"outpatient visit"	a patient visit (excluding the nucleic acid testing visit) during which the patient is not hospitalized overnight but visits a hospital, clinic, or associated facility for diagnosis or treatment
"PACS"	Picture Archiving and Communication System, a system used in the imaging department of a hospital primarily to store all kinds of medical images (including those produced by MRI, CT, ultrasound, various X-ray machines, various infrared machines, microscopes, etc.) in a digital way through various interfaces (analogue, Digital Imaging and Communications in Medicine, network) in a large amount, so that they can be quickly retrieved and used when needed under certain authorization, while adding a number of auxiliary diagnostic management functions
"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 CT 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 preciser alignment or correlation between the functional imaging obtained by positron emission tomography scanning and the anatomic imaging obtained by CT scanning
"radiotherapy"	a kind of treatment that uses high energy to kill malignant tumors or other benign tumor cells
"registered beds"	the number of beds that is registered in a Medical Institution Practicing License
"rehabilitation"	a set of interventions designed to optimize functioning and reduce disability in individuals with health conditions in interaction with their environment
"resident physician"	the entry-level physicians (住院醫師) in the PRC; a resident physician must have a medical degree and a practicing license, and may undertake basic tasks such as patient's medical record preparation and practice medicine under the supervision of attending physicians or other superiors

"second-tier cities"	31 cities including Tianjin, Shijiazhuang, Taiyuan, Hohhot, Shenyang, Dalian, Changchun, Harbin, Nanjing, Hangzhou, Ningbo, Hefei, Fuzhou, Xiamen, Nanchang, Jinan, Qingdao, Zhengzhou, Wuhan, Changsha, Nanning, Haikou, Chongqing, Chengdu, Guiyang, Kunming, Xi'an, Lanzhou, Xining, Yinchuan, Urumqi and others
"specialist hospital"	a hospital that primarily or exclusively provides healthcare services on specific disciplines
"sq.m."	square meter(s)
"TCM"	traditional Chinese medicine
"third-tier cities"	35 cities including Tangshan, Qinhuangdao, Baotou, Dandong, Jinzhou, Jilin, Mudanjiang, Wuxi, Xuzhou, Yangzhou, Wenzhou, Jinhua, Bengbu, Anqing, Quanzhou, Jiujiang, Ganzhou, Yantai, Jining, Luoyang, Pingdingshan, Yichang, Xiangyang, Yueyang, Changde, Shaoguan, Zhanjiang, Huizhou, Guilin, Beihai, Sanya, Luzhou, Nanchong, Zunyi, Dali and others
"thoracic cancer(s)"	a kind of cancer that develops in the organs, glands, or structures of your thoracic cavity, or chest
"urological cancer(s)"	a kind of cancer that develops in the organs and structures of the male and female urinary system and the male reproductive system

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

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this document. Forward-looking statements can be identified by words such as "may," "will," "should," "would," "could," "believe," "expect," "anticipate," "intend," "plan," "continue," "seek," "estimate," or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in locations where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- our dividend policy;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;

- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;

- the amount and nature of, and potential for, future development of our business;

- the actions of and developments affecting our competitors;

- the actions of and developments affecting our major customers and suppliers; and

- certain statement in the sections headed "Risk Factors," "Industry Overview," "Regulatory Overview," "Business," "Financial Information," "Relationship with the Controlling Shareholders" and "Future Plans and Use of [**REDACTED**]" with respect to trends in interest rates, foreign exchange rates, prices, volumes, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this document speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

An [**REDACTED**] *in our* [**REDACTED**] *involves various risks. You should carefully consider all the information in this document and in particular the risks and uncertainties described below before making an* [**REDACTED**] *in our* [**REDACTED**].

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the [**REDACTED**] *price of our* [**REDACTED**] *could decline and you may lose all or part of your* [**REDACTED**]. *You should seek professional advice from your relevant advisors regarding your prospective* [**REDACTED**] *in the context of your particular circumstances.*

RISKS RELATING TO OUR BUSINESS, INDUSTRY, GENERAL OPERATIONS AND FINANCIAL POSITION AND PROSPECTS

Our In-network Hospitals derive a certain portion of revenue by providing healthcare services to patients with public medical insurance coverage; any delayed payment under China's public medical insurance programs could affect our results of operations.

As of December 31, 2023, all of our In-network Hospitals in operation were Medical Insurance Designated Medical Institutions. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of healthcare services. For example, for the years ended December 31, 2021, 2022 and 2023, the received amount of public medical insurance accounts from local medical insurance centers of self-owned hospitals under our hospital business, accounted for 29.4%, 55.6% and 52.3% of our revenue derived from hospital business for the same periods, respectively. Please see "Business – Pricing and Payment – Medical Fees Payment and Its Development During the Track Record Period" in this document for the reasons of the overall increasing trend of our proportion of revenue derived from settlement through public medical insurance programs during the Track Record Period.

Patients generally settle a portion of their medical bills through out-of-pocket payments, and the remainder was covered by the public medical insurance programs. The specific percentage covered by different public medical insurance programs may vary based on criteria including but not limited to type of the insurance program, place of residence and age of the patient and type of treatment involved and pharmaceuticals sold.

Situations in relation to late or delinquent settlement under the public medical insurance programs may cause the trade receivables of our In-network Hospitals to increase or result in write-offs. Depending on the relevant public medical insurance programs' practice, a Medical Insurance Designated Medical Institution may be subject to a government-approved annual quota for the medical fees that it is allowed to recover from the relevant public medical insurance bureau before the reform of the health insurance payment system in the PRC. During the Track Record Period, the inpatient services provided by certain of our self-owned hospitals were subject to such government-approved quota. Please see "Business – Pricing and Payment" in this document for further details. For amounts in excess of the relevant hospital's government-approved quota, the local medical insurance bureau may reimburse all or part of these amounts in the next year according to applicable local policies.

We cannot assure you that our In-network Hospitals will be able to maintain their status as Medical Insurance Designated Medical Institutions, the loss of which will not only affect our reputation but may also result in reduced patient visits. Furthermore, the PRC Government may evolve its reimbursement policies in coverage plans in the future such that: (i) certain healthcare services provided by our In-network Hospitals will no longer be covered; or (ii) more stringent thresholds on existing coverage may be imposed. Any reduction in the rates paid or the scope of services covered may reduce patient accessibility to our In-network Hospitals and may lead to reduced patient flow and medical fees. Any of these events could lead to a decrease in our revenue generation and profitability, which could have an effect on our business, results of operations and prospects.

If we are unable to successfully manage our growth, our business and prospects may be affected.

As we believe that our business will continue to grow, we will continue to encounter challenges in implementing our managerial, operating and financial strategies to keep up with our growth and remain competitive in our industry. Please see "Business – Our Strategies" and "Future Plans and Use of [**REDACTED**]" in this document for further details. The major challenges in managing our business growth include, among others:

- effectively managing our hospital network expansion;
- effectively managing the daily operations of our business;
- controlling costs in a competitive environment;
- promoting and maintaining our brand awareness;
- retaining existing customers and/or patients and attracting new customers and/or patients;
- effectively managing our supply chain and ensuring our third-party suppliers continue to meet our quality and other standards and satisfy our future operations' needs;
- maintaining and upgrading our technology systems and data analytical capabilities in a cost-effective manner;
- attracting, training and retaining a growing workforce to support our operations;
- implementing a variety of new and upgraded internal systems and procedures as our business continues to grow; and
- ensuring full compliance with applicable laws and regulations.

In particular, we may be unable to identify, capture or execute expansion opportunities for our network of hospitals, and in particular, acquired businesses may have unknown or contingent liabilities, which may affect our business, results of operations, financial condition and prospects. Please see below for further details.

Any factors mentioned above, either individually or in aggregate, may delay or hinder our plan to successfully manage our growth at manageable cost levels. If we fail to manage our expansion in a cost-effective manner or our expansion plans/strategies turn out to be too aggressive, our business, results of operations, liquidity and financial conditions may be impacted.

All efforts to address the challenges of our growth require significant managerial, financial and human resources. We cannot assure you that we will be able to execute managerial, operating and financial strategies to keep up with our growth. If we are not able to manage our growth or execute our strategies effectively, our growth may slow down, and our business and prospects may be affected.

If our In-network Hospitals are unable to recruit, train and retain sufficient qualified physicians and other kinds of medical professionals, our business and results of operations could be affected.

Our business is largely dependent on the ability of our In-network Hospitals to identify, recruit and retain a sufficient number of qualified physicians. The recruitment of qualified physicians is competitive in the PRC due to their shortage. The near-term supply of specialist physicians is limited due to the length of training required, including academic study and clinical training, which can take up to eight years or even longer for certain medical specialties.

We believe that physicians generally consider the following key factors when selecting medical institutions to work at: the reputation and culture, the efficiency of hospital management, the quality of facilities and supporting staff, the number of patient visits, compensation, training programs and location. Our In-network Hospitals may not compete favorably with other medical institutions in respect of one of more these factors, and our In-network Hospitals may not be able to attract or retain the physicians they desire. The physicians at our In-network Hospitals typically are entitled to terminate their employment at any time with a 30 days' prior written notice.

In addition, multi-site practice physicians practice at our In-network Hospitals pursuant to the liberated physician registration regulation that allows licensed physicians to register and practice at multiple medical institutions. If restrictions on such practice are promulgated in the future, our In-network Hospitals may not be able to retain their current base of multi-site practice physicians. If our In-network Hospitals are unable to successfully recruit or retain seasoned and qualified physicians, our business, financial condition and results of operations may be adversely affected.

Our success is also dependent on the ability of our In-network Hospitals to recruit and retain qualified other kinds of medical professionals. It has become increasingly costly to recruit and retain medical professionals in recent years and there is no guarantee that our In-network Hospitals will be able to recruit and retain sufficient medical professionals in the future. If our In-network Hospitals fail to do so, they may not be able to maintain the quality of their services, and the number of patient visits at our In-network Hospitals may decrease, which may affect our business, financial condition and results of operations.

For the years ended December 31, 2021, 2022 and 2023, our total staff cost (including those recorded in cost of sales, selling expenses and general and administrative expenses) accounted for 29.4%, 30.0% and 27.9% of our total revenue for the same periods, respectively. If such costs increase significantly in the future, it may subsequently affect our profitability.

We may be unable to identify, capture or execute expansion opportunities for new hospitals, and acquired businesses may have unknown or contingent liabilities, which may affect our business, results of operations, financial condition and prospects.

We have achieved expansion of our business during the Track Record Period primarily through acquisitions. There is no assurance that we will identify suitable targets to expand our business, negotiate commercially acceptable terms for such expansion, or successfully integrate any new assets or businesses in the future. Even if we are able to identify suitable targets, such expansion can be difficult, time-consuming and costly to execute, and we may not be able to secure necessary financing for such expansion. Unsuccessful expansion plan may have an effect on our business and financial condition.

In addition, businesses that we acquire may have unknown liabilities, including liabilities for failure to comply with applicable laws, regulations and rules. We cannot assure you that our due diligence conducted will uncover all material unknown liabilities or other negative developments, such as bankruptcy, insolvency, liquidation or dissolution, or that the acquired businesses will be viable. We may also suffer reputational and financial impact for actual or alleged inferior service or harm that occurred at the hospitals prior to our acquisition and need to respond to claims initially as dissatisfied customers and/or patients will likely pursue their claims against the hospitals and us.

Our future expansion work, which include but is not limited to identifying suitable targets to expand our business and negotiating commercially acceptable terms for such expansion, and subsequent ramping up and integration efforts would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn, could have an effect on our existing business operations and financial conditions.

If we are not able to identify, capture or execute opportunities to expand our operations successfully, or if we suffer reputational or financial harm caused by unknown or contingent liabilities of the hospitals we acquire, our business, financial condition, results of operations and prospects could be affected.

Our In-network Hospitals could become the subject of complaints, claims and legal proceedings in the course of their operations, which could result in costs and affect our brand image, reputation and results of operations.

We rely on the physicians and other kinds of medical professionals of our In-network Hospitals to make proper clinical decisions regarding the diagnoses and treatments of their customers and/or patients. However, we do not have direct control over the clinical activities of our In-network Hospitals or over the decisions and actions taken by the physicians and other kinds of medical professionals as their diagnosis and treatments of patients are subject to their professional judgment and in most cases, must be performed on a real time basis.

Any incorrect decisions or actions on the part of the physicians and other kinds of medical professionals, or any failure by our In-network Hospitals to properly manage their clinical activities may result in undesirable or unexpected outcomes, including complications, injuries and even deaths in extreme cases. Our In-network Hospitals are especially exposed to heightened risks from the treatment of complex medical conditions, such as cancers and cardiovascular diseases, which typically have variable outcomes. In addition, there are inherent risks associated with the clinical activities that may result in unavoidable and unfavorable medical outcomes. Please see "Business – Medical Incidents" for further details.

In recent years, physicians, hospitals and other healthcare service providers in China have become subject to an increasing number of complaints from customers and/or patients, claims and legal proceedings alleging malpractice or other causes of action. Although rare, incidents have occurred in hospitals and medical institutions in the past in China where dissatisfied customers and/or patients carried out extreme actions or even violence during the course of the disputes. Any such incident, if occurs, would adversely affect our reputation, impair the ability of our In-network Hospitals to recruit and retain medical professionals and staff, discourage other customers and/or patients from visiting our In-network Hospitals, and cause us to incur substantial costs.

Our In-network Hospitals may choose to settle with the dissatisfied customers and/or patients in order to minimize the negative impact on their reputation and operations. We cannot guarantee our In-network Hospitals will not be subject to medical disputes or that they can successfully prevent or address all medical disputes in the future. Any complaint, claim or legal proceeding, regardless of merit, could result in significant legal costs, diversion of medical professionals' and management's resources and reputational impact to us, which may in turn, affect our business, financial condition and results of operations.

If our Managed Hospitals decide to terminate or not to renew our management arrangements, our revenue and profitability may suffer.

During the Track Record Period, we derived revenue mainly from (i) operating private for-profit hospitals we owned and providing healthcare services; (ii) managing and operating, and receiving management fees from, private not-for-profit hospitals, Huangshan Shoukang Hospital and Taiyuan Wanbailin District Peace Community Health Service Center; and (iii) supply of pharmaceuticals, medical equipment and consumables. For the years ended December 31, 2021, 2022 and 2023, our hospital management business recorded revenue of RMB26.3 million, RMB37.3 million and RMB41.1 million, respectively, representing 5.7%, 4.6% and 3.8% of our total revenue for the same periods, respectively.

In addition, we recorded intangible assets in our consolidated statements of financial position to reflect our management contracts, which amounted to RMB182.5 million, RMB177.7 million and RMB172.9 million as of December 31, 2021, 2022 and 2023, respectively, accounting for 10.3%, 8.4% and 7.8% of our total assets as of the same dates, respectively. Our management contracts represent the consideration we paid for acquisition of organizer's interest in our Managed Hospitals and are amortized on a straightline basis over 40 years. Please see "Financial Information – Description of Key Components of Comprehensive Income – Revenue by Service Offerings – Hospital Management Business" and "Financial Information – Discussion of Selected Items from the Consolidated Statement of Financial Position – Intangible Assets" in this document for further details.

Our hospital management agreements with our Managed Hospitals set forth certain events that may trigger unilateral termination. Please see "Business – Our Hospital Management Business" in this document for further details. In addition, our Managed Hospitals may choose not to renew hospital management agreements with us upon expiry. We have conducted consultations with the competent government authorities, i.e. the local Health Commissions and Civil Affairs Bureaus, pursuant to which the competent government authorities confirmed that these are autonomous commercial act and our Managed Hospitals can sign management agreements and cooperate with us in accordance with the law.

Furthermore, although our PRC Legal Advisor has advised us that our hospital management agreements are legally binding and do not violate the applicable PRC laws and regulations in force in material aspects, we cannot assure you that we will be able to continue to perform our obligations under the relevant agreements, which are subject to evolving policies. Moreover, if our Managed Hospitals fail to obtain, maintain or renew the approvals, permits, licenses or certificates that are requisite for their operations, or are otherwise found to be non-compliant with any applicable laws and regulations, they may be subject to administrative penalties, increased compliance costs, or even temporary or permanent closure of all or part of their business. If any of these events were to occur, we would not only cease to derive revenue from our Managed Hospitals, but would also have to write off our intangible assets relating to the management contracts. As a result, our business, financial condition and results of operations could be affected.

Any negative publicity involving us, our In-network Hospitals or the healthcare service industry could adversely affect the brand image and reputation of us or our In-network Hospitals and trust in the services provided by our In-network Hospitals, which could result in an adverse impact on our business and prospects.

Negative publicity involving us, our In-network Hospitals or the healthcare service industry may adversely affect the brand image and reputation of us or our In-network Hospitals and cause deterioration in the level of market recognition of and trust in the services provided by our In-network Hospitals, thereby resulting in reduced patient visits and potential loss of business partners as well as physicians and staff. Such negative publicity may also result in diversion of management's attention, and governmental investigations or other forms of scrutiny. These consequences may have an effect on our business, results of operations, financial condition and prospects.

Our In-network Hospitals face fierce competition in the markets where they operate, and if they do not compete successfully against new or existing competitors, our business, financial condition and results of operations may be affected.

Our In-network Hospitals compete primarily with public and private general hospitals and specialist hospitals located in the same geographic areas. We will also compete with future market entrants as the rapid growth of the healthcare service industry in the PRC may attract more domestic or international players to enter. Some of our competitors may have substantially greater financial, marketing or other resources than we do. It is also possible that there will be significant consolidation and mergers in the healthcare service industry. Our competitors may develop alliances, and these alliances may acquire significant market share.

In addition, specialist hospitals that focus on one or only a few medical disciplines continue to grow. The entry barriers of these hospitals play an important role in differentiating themselves from comprehensive hospitals. For example, for oncology specialist hospitals, the entry barriers include, among others, (i) abundant upfront capital investment; (ii) multiple licenses such as the Radiation Treatment License (放射診療許可證), permits and professional qualifications; (iii) brand awareness building; and (iv) management team who are experienced with Chinese healthcare service regulatory environment. If the number of such hospitals increases over time, they may attract patients for their respective disciplines who might otherwise go to our In-network Hospitals for the same services, causing increased competition for our business, which could, in turn, have a negative effect on our patient volume and overall market share.

Our In-network Hospitals primarily compete on the following key factors: service quality, reputation, convenience, medical professionals, medical equipment and pricing. We cannot assure you that our In-network Hospitals 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 an effect on our business, results of operations and prospects.

If we do not compete successfully against online hospitals and clinics, our business, financial condition and results of operations may be adversely affected.

Recently, there is an emerging trend for online hospitals and clinics to provide remote medical consultation and diagnosis. We, based on our cooperation with the third parties, also developed our online healthcare platforms for provision of online diagnosis and treatment and follow-up consultation. For further details, please see "Business – Information Systems and Platforms – Online Services" in this document. We cannot assure you that our In-network Hospitals will be able to successfully compete with new or existing online hospitals and clinics and manage to attract and retain clients. Any inability to compete effectively could result in decrease in revenue and market share, any of which could have an adverse effect on our business, financial condition and results of operations.

We may not grow at a rate comparable to our growth rate in the past.

We have experienced significant growth during the Track Record Period. Our revenue increased from RMB461.6 million for the year ended December 31, 2021 to RMB802.7 million for the year ended December 31, 2022, and further increased to RMB1,072.2 million for the year ended December 31, 2023, representing a CAGR of 52.4%. However, this growth trend reflects only our past performance and does not have any positive implication or may not necessarily reflect our financial performance in the future.

The sustainability of our growth depends on a number of factors, many of which are beyond our control, including the ability of our In-network Hospitals to retain existing customers and/or patients and attract new ones. In addition, the effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our hospital network, and many other factors cannot be fully predicted and may have an effect on our business, financial condition, results of operations and prospects. There is no assurance that we can sustain the growth rate we achieved in the past.

We recorded loss before taxation during the Track Record Period.

For the years ended December 31, 2021, 2022 and 2023, we had loss before taxation in the amount of RMB54.8 million, RMB62.5 million and RMB4.6 million, respectively, and the amount of our loss before taxation significantly narrowed in the year ended December 31, 2023, which was primarily due to our operation and management efforts and the reduction of the negative impacts of the COVID-19 pandemic since the end of 2022. Our loss before taxation for the years ended December 31, 2021 and 2022 were primarily because (i) the adverse impact of the COVID-19 pandemic and relevant movement restricted measures caused by the COVID-19 pandemic; (ii) the postponement of development of medical disciplines, engineering renovation and equipment purchase under the COVID-19 pandemic, which resulted in slowdown in our Group's business growth; and (iii) certain of our self-owned hospitals were in their ramp-up period with significant losses, which dragged down the overall performance of our Group during the same periods.

We cannot assure you that we will not record loss before taxation in the future resulting from similar efforts or otherwise. Please see "Financial Information – Liquidity and Capital Resources" in this document for further details.

We recorded net current liabilities during the Track Record Period, which exposes us to liquidity risk, and such positions may continue or recur after the [REDACTED].

We recorded net current assets of RMB204.5 million as of December 31, 2021, while we recorded net current liabilities of RMB128.7 million and RMB2.2 million as of December 31, 2022 and 2023, respectively. The majority of our current liabilities were interest-bearing borrowings, trade and bills payables and other payables, which amounted to RMB310.3 million, RMB621.0 million and RMB622.1 million as of December 31, 2021, 2022 and 2023, respectively. Please see "Financial Information – Net Current Assets and Liabilities" in this document for details.

Our net current liabilities expose us to liquidity risk. Our future liquidity, the payment of trade and other payables and the repayment of our outstanding debt obligations as and when they become due will primarily depend on our ability to maintain adequate cash generated from operating activities and adequate external financing. We may have net current liabilities and negative equity in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and affect our business, financial condition and results of operations. For more details, please see "Financial Information – Net Current Assets and Liabilities" in this document.

Grant of options under the share option schemes could negatively impact the financial results of our operations.

To provide incentives to certain key staff of our Group and attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group, certain of our subsidiaries, namely Western Beijing Cancer Hospital Company, Anhui Shoukang Investment and Tianjin Baihui Medical Management adopted share schemes in July 2019, November 2021 and September 2022, respectively. Please see Note 24 to "Appendix I – Accountants' Report" in this document for further details. In the meantime, equity-settled share-based payments were charged in a lump sum to our consolidated statements of profit or loss and other comprehensive income. The share-based payments in the amount of RMB178,000 was recognised in 2022 for grants under the share schemes.

In addition, we conditionally adopted Pre-[**REDACTED**] Share Option Scheme on August 8, 2023, pursuant to which, we are able to grant options to eligible participants before the [**REDACTED**] and such may require us to charge relevant share-based payment expenses to our consolidated statements of profit or loss and other comprehensive income. Please see "Appendix IV – Statutory and General Information – Share Option Scheme" in this document for further details. Accordingly, any issuance or award of options under the Pre-[**REDACTED**] Share Option Scheme, or any other share-based payment transactions that we may conduct from time to time may impact our financial results of operations.

Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonality in our business. Our revenue was slightly lower in the first quarter of each financial year during the Track Record Period, because most people usually avoid visiting hospitals shortly before and after the Chinese New Year, which leads to the fewer patient visits. Besides, other seasonal trends that affect us or China's healthcare service market may develop, and current seasonal trend may become more extreme, all of which would contribute to fluctuations in our results of operations. As a result, historical patterns of our results of operations may not be indicative of our future performance, and period-to-period comparisons of our results of operations may not be meaningful. Our results of operations in future quarters or years may fluctuate and deviate from the expectations of securities analysts and [**REDACTED**], and any occurrence that disrupts our business during any particular quarter could have an effect on our liquidity and results of operations.

Our business may be affected by technological and therapeutic changes or by shifts in physicians' or patients' preferences for alternative services.

The healthcare service industry is characterized by frequent improvements and evolving technology. As technological advances in the healthcare service industry continue to evolve rapidly, new services and equipment may arise and our success will depend on the ability of our In-network Hospitals to adapt to such technological changes, which could incur significant expenditures and may be subject to licensing or other regulatory requirements. If our In-network Hospitals fail to adapt successfully to technological changes or fail to obtain access to new technologies in a timely manner, their ability to compete could be strained, and as a result, our business, results of operations and prospects will be affected. There is also no assurance that we will be able to recover the expenditures associated with responding to the technological changes. In addition, rapid technological improvements could, at times, lead to earlier-than-planned obsolescence or redundancy of equipment and result in impairment charges, which may affect our results of operations.

Furthermore, the healthcare services for oncology patients is especially subject to potentially revolutionary technological and therapeutic changes. There may be significant advances in other oncology novel drug treatment methods, such as cell therapies, oligonucleotide therapies and other targeted cancer therapies. Patients and physicians may also choose alternative healthcare services due to any number of reasons. Any shifts in physicians' or patients' preferences for other novel therapies may affect our business, financial condition and results of operations.

Our business for supply of pharmaceuticals, medical equipment and consumables primarily including wholesales business and retail sales business, are subject to a variety of risks, which may have an effect on our business, financial condition and results of operations.

We are subject to certain risks in our business for supply of pharmaceuticals, medical equipment and consumables, including:

- inability to successfully execute effective marketing and promotional programs necessary to maintain and increase the awareness of our brands, products and services;
- failure to implement effective pricing and other strategies in response to market competition;
- inability to respond to changes in consumer demand and preference in a timely manner;
- inability to stock or timely obtain an adequate supply of pharmaceuticals, medical equipment and consumables that clients and/or customers desire;
- inability to obtain and maintain regulatory or governmental permits, approvals and clearances, or to pass the PRC Government inspections or audits; and
- the risk of, and resulting liability from, any contamination, injury or other impact caused by any use, misuse or misdiagnosis involving products sold by us through way of wholesales, retail sales or in-store medical diagnosis services.

The occurrence of any such risks in our business for supply of pharmaceuticals, medical equipment and consumables may adversely affect our business and reputation, and may have an effect on our financial condition and results of operations.

We may not be able to adequately protect our intellectual property rights, which could harm our brand image and our business.

We believe our patents, trademarks and other intellectual property rights are crucial to our success. Our principal intellectual property rights include our software copyright of "Auxiliary Screening and Early Detection of Cancer System v1.0* (早期癌症輔助篩查系統v1.0)" and our trademarks for "BAYWAY ECS" brand. We are susceptible to infringement of our intellectual property rights by the third parties. We cannot assure you that the third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. Our efforts to enforce or defend our intellectual property rights may not be adequate. We may have to initiate legal proceedings to defend the ownership of our intellectual property rights against any infringement by the third parties, which may be costly and time-consuming, and we might be required to devote substantial management time and resources in an attempt to achieve a favorable outcome.

Furthermore, the outcome of any legal actions to protect our intellectual property rights may be uncertain. If we are unable to adequately protect or safeguard our intellectual property rights, our business, financial condition, results of operations and prospects may be adversely affected.

In addition, other parties may register trademarks, which may look similar to our registered trademarks under certain circumstances, which may cause confusion among our clients and/or patients. We may not be able to timely prevent other parties from using trademarks that are similar to ours and the clients and/or patients may confuse our In-network Hospitals with others using similar trademarks. In such case, the goodwill and value of our trademarks and the public perception of our brand image may be adversely affected. A negative perception of our brand image could have an effect on our business, financial condition, results of operations and prospects.

Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business.

We cannot assure you that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by the third parties. We may be challenged by the third parties, including competitors as well as other entities or individuals, for infringement of their intellectual property rights. We may not be fully aware of other parties' intellectual property rights involved in our systems, applications and business operations and there may be the third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our services or other aspects of our business without awareness.

To the extent that our employees or other parties use intellectual property owned by others in their work for us, disputes may arise as to, among others, the authorization of the corresponding intellectual property owned by others and the rights in related know-how and inventions. We may have to incur considerable time and costs in dealing with any claims or litigation, and if they are successful, we may be subject to adverse impacts, royalty payments, restrictions from conducting our business and other stringent requirements unfavourable to our business and operations. We may also be required to indemnify other parties or pay settlement costs, and to obtain licenses, modify applications or refund fees, each of which may be expensive and time-consuming. Such processes may create a distraction for our management, which could affect our business operations.

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

We may need additional capital and may not be able to obtain it in a timely manner or under commercially acceptable terms, or at all.

We believe that our current cash and cash equivalents, anticipated cash flow from operations, available credit facilities, and the [**REDACTED**] from this [**REDACTED**] will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months from the date of this document. We may, however, require additional cash resources to finance our continued growth or other future developments, such as any marketing initiatives or [**REDACTED**] we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of expansion of our hospital network, [**REDACTED**] in acquiring hospitals and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing.

To the extent that we raise additional financing by issuance of additional equity securities, our Shareholders may experience dilution. To the extent we engage in debt financing, the incurrence of indebtedness would result in increased debt servicing obligations and could result in operating and financing covenants that may, among others, restrict our operational flexibility or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be affected.

Our ability to obtain additional capital on commercially 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 of financial institutions, receipt of the necessary approvals of the PRC Government, [**REDACTED**] confidence in us, the performance of the healthcare service industry in general, and our operating and financial performance in particular. We cannot assure you that future financing will be available in amounts or on terms commercially acceptable to us, if at all. In the event that financing is not available or is not available on terms commercially acceptable to us, our business, results of operations and growth prospects may be adversely affected.

We depend on the continued service of our senior management team and other key employees, and our business, financial condition and results of operations will suffer greatly if we lose their services.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team and other key employees, some of whom have been with us since our inception. Please see "Directors and Senior Management" in this document for further details. We do not maintain key person insurance. Competition for competent candidates in the industry is intense and the pool of competent candidates is limited. If we lose the services of one or more of our key personnel, we may not be able to locate suitable or qualified replacements easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be affected.

In addition, if any member of our senior management team or key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets, patients and key professionals and staff. Each of our key employees has either entered into a separate confidentiality agreement with us or been subject to the confidentiality clause contained in his or her labor contract. We cannot assure you, however, the extent to which any of these agreements will be enforceable under the applicable laws.

Our business is subject to professional and other liabilities for which we may not be insured.

Our In-network Hospitals are exposed to potential liabilities that are inherent to the provision of healthcare services. In recent years, physicians and medical institutions in China have been subject to an increasing number of claims. Our In-network Hospitals were the subject of several of such claims during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, the total amount of compensation paid by our self-owned hospitals to settle medical disputes was approximately RMB1.9 million. Currently certain of our In-network Hospitals are not enrolled in medical liability insurance. Please see "Business – Insurance" in this document for further details. Therefore, our other In-network Hospitals may be subject to losses and liabilities for any future claims against them.

In addition, those In-network Hospitals with medical liability insurance may face liabilities that exceed its available insurance coverage or which arise from claims outside the scope of their insurance coverage. They may also experience gaps in coverage when seeking to renew their insurance policies or seeking to change insurance providers. We cannot assure you that these hospitals will be able to renew their insurance coverage at a reasonable cost, if at all, or that they will not incur uninsured losses and liabilities. Insurers may also dispute or refuse to honor claims for a variety of unforeseen reasons beyond our control.

Furthermore, we do not maintain any business interruption insurance or product liability insurance, which we believe is consistent with industry practice in China. Any significant uninsured loss could have effects on our business, financial condition and results of operations.

We have limited or no control over the quality of pharmaceuticals, medical equipment and consumables used in the operations of our In-network Hospitals. If such quality does not meet the required standards, we could be exposed to liabilities and our reputation, business, results of operations, financial condition and prospects could be adversely affected.

The provision of healthcare services involves the frequent use of a variety of pharmaceuticals, medical equipment and consumables, substantially of which we procure 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 supplies 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 defect, we may be subject to liability claims, negative publicity, reputational impact 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, failing which our business, results of operations, financial condition and prospects will be adversely affected.

Our In-network Hospitals' operations are susceptible to fluctuations in the costs of pharmaceuticals, medical equipment and consumables, which could adversely affect our profitability and results of operations.

The profitability of our In-network Hospitals is influenced by fluctuations in the costs of pharmaceuticals, medical equipment and consumables. For example, for the years ended December 31, 2021, 2022 and 2023, our cost of inventories amounted to RMB275.5 million, RMB458.6 million and RMB575.1 million, respectively, representing 65.6%, 63.4% and 64.3% of our total cost of sales for the same periods, respectively.

The availability and prices of the pharmaceuticals, medical equipment and consumables can fluctuate from time to time and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect the procurement costs or cause a disruption in the supply. We cannot assure you that our In-network Hospitals will be able to anticipate and react to changes in medical supply costs in the future by locating replacement suppliers or adjusting service offerings, or that our In-network Hospitals will be able to pass these cost increases of chargeable pharmaceuticals, medical equipment and consumables onto the customers. Any of these factors may have an effect on our profitability and results of operations.

The proper functioning of our and our In-network Hospitals' computer network infrastructure and information technology systems is essential to our business operations, and any technological failure, security breach or other disruptions may adversely impact our business.

As of the Latest Practicable Date, we have deployed medical information technology systems/platforms for our business operation, helping us manage and monitor the operational performance of our In-network Hospitals. Please see "Business – Information Systems and Platforms" in this document for further details. We regularly maintain, upgrade and enhance the capabilities of information technology systems to meet operational needs. Any failure associated with the information technology systems, including those caused by power disruption or loss, natural disasters, computer viruses, hackers, network failures or other unauthorized tampering, may cause interruptions in the ability of our In-network Hospitals to provide services to their clients and/or patients, keep accurate records, and maintain proper business operations.

In addition, if the information system relating to the billing and medical insurance reimbursements were to malfunction and result in the loss of related records, our In-network Hospitals may not receive full payment under the public medical insurance programs, which could cause an adverse impact on our business and results of operations. Furthermore, all of our In-network Hospitals have obligations to secure their information systems under relevant laws and regulations, please see "Regulation Overview – Regulations on Information Security" in this document for more details.

We cannot assure you that our In-network Hospitals can meet all the requirements stipulated in such laws and regulations at all times. If our In-network Hospitals were found any non-compliance incidents regarding information security, we would be subject to warnings or punishments such as fines, being ordered to shut down our In-network Hospitals' information systems and others according to the applicable laws and regulations. Any of the foregoing events may adversely affect our business, financial condition and results of operations.

We have recorded a large amount of goodwill. If our goodwill was determined to be impaired, it could adversely affect our results of operations and financial position.

Goodwill represents the excess of the aggregate of the fair value of consideration transferred over the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date. As of December 31, 2021, 2022 and 2023, we recorded goodwill of RMB507.5 million, RMB643.0 million and RMB643.0 million, respectively, which primarily arose from our acquisitions of hospitals during the Track Record Period. Please see "Financial Information – Discussion of Selected Items from the Consolidated Statement of Financial Position – Goodwill" in this document for further details.

We do not amortize goodwill, but we conduct impairment reviews at least annually if events or changes in circumstances indicate a potential impairment. The recoverable amounts of these cash-generating units have been determined based on a value in use calculation. Please see "Financial Information – Critical Accounting Policies – Estimated impairment of goodwill" in this document for further details. We did not record any impairment charge on goodwill during the Track Record Period.

In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. This analysis further requires us to make assumptions about compounded revenue growth rates, cost and operating expense as a percentage of revenue, useful life of the goodwill, long-term growth rates and pre-tax discount rates. There are inherent uncertainties relating to these factors and our management's judgment in applying these factors to the assessment of goodwill recoverability. However, we cannot assure you that our assumptions will prove to be correct. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators.

We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

As of December 31, 2021, 2022 and 2023, we had intangible assets (other than goodwill) of RMB228.5 million, RMB247.4 million and RMB243.4 million, respectively, which consisted of software, management contracts and medical licenses. After initial recognition, we determine whether these intangible assets are impaired at end of each reporting period if events or changes in circumstance indicate that the carrying amount of these assets exceeds its recoverable amount. As a result, our evaluations in the future on these intangible assets may result in impairment charges that would have an impact on our results of operations and potentially the price of our [**REDACTED**]. Please see "Financial Information – Discussion of Selected Items from the Consolidated Statement of Financial Position – Intangible Assets" in this document for further details.

We are subject to credit risk in respect of our trade receivables.

Our trade receivables mainly represent the balances due from the public medical insurance programs for healthcare services provided by our private for-profit hospitals in our In-Network Hospitals and our trade-nature receivables for our pharmaceuticals, medical equipment and consumables delivered. For risks associated with amounts due from public medical insurance programs, please see "– Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – Our In-network Hospitals derive a certain portion of revenue by providing healthcare services to customers and/or patients with public medical insurance coverage; any delayed payment under China's public medical insurance programs could affect our results of operations." in this section for further details.

We typically grant credit terms of one to three months to customers, which purchased our pharmaceuticals, medical equipment and consumables, and we follow up actively on the settlement with them to avoid overdue receivables. However, we cannot guarantee collection of amounts in a timely manner. If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be affected.

Financial subsidies we have enjoyed may change or discontinue, which may have an adverse effect on our financial condition and results of operations.

The government grants primarily represent discretionary subsidies from the local governments and authorities for the purposes of tax refund and stabilizing employment. For the years ended December 31, 2021, 2022 and 2023, we recorded government grants of RMB0.3 million, RMB2.3 million and RMB4.0 million, respectively, in our consolidated statements of comprehensive income. Please see "Financial Information – Description of Key Components of Comprehensive Income – Other Net Income" in this document for further details. These financial subsidies have been given at the discretion of the local government authorities.

There is no assurance that we would continue to enjoy these financial subsidies at the historical levels, or at all. Any change, suspension or discontinuation of these financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to lose sales or face the risk of obsolescence for our inventories.

Our inventories consist of pharmaceuticals, medical equipment and consumables. We regularly monitor our inventories to reduce the risk of overstocking. We physically count all of our pharmaceuticals, medical equipment and consumables on a regular basis to identify products that are expired or soon-to-be expired. Our Directors confirm that our inventory control system and policies have been effective and we did not experience any material shortage in supply or overstock of inventories during the Track Record Period and up to the Latest Practicable Date.

As of December 31, 2021, 2022 and 2023, we had inventories of RMB34.6 million, RMB55.9 million and RMB59.7 million, respectively. Please see "Financial Information – Discussion of Selected Items from the Consolidated Statement of Financial Position – Inventories" in this document for further details. During the Track Record Period, we did not make provision for inventories. Our inventory turnover days during the Track Record Period were 24 days, 23 days and 24 days, respectively.

As our business expands, our inventory level may increase and our inventory obsolescence risk may also increase accordingly. We cannot guarantee that we will be able to maintain proper inventory levels for our pharmaceuticals, medical equipment and consumables. If these inventories are not sold within their shelf lives, we would make provision for impairment on these inventories in the subsequent financial period and our financial performance would be adversely affected. Inventory levels in excess of product demand may result in inventory write-downs, expiration of products and increase in inventory holding costs. Furthermore, any unexpected material fluctuations or irregularities in supply, or changes in customers' preferences may lead to decreased demand and overstocking of supplies and increase the risk of obsolescence. Conversely, we may experience inventory shortages if we underestimate demand for our products, which may result in unfilled orders and have a negative impact on our relationship with our customers.

There is no assurance that information relating to the business plans and/or sales results of our wholesale customers would be repeated to us by our wholesale customers accurately and/or in a timely manner. As our ability to assess our wholesale customers' performance and creditworthiness is limited and may not be on a real-time basis, it is difficult for us to gather sufficient information and data regarding the market acceptance of our products and predict sales trends. Therefore, we may not be able to implement effective marketing or product strategies, and our business prospects, financial condition and results of operations will be adversely affected.

We may be unable to effectively manage our wholesale customers, and actions taken by our wholesale customers and violation of sales agreements and/or orders could adversely affect our business prospects and reputation.

Consistent with the industry practice, with respect to our supply of pharmaceuticals, medical equipment and consumables, although we do not produce pharmaceuticals, medical equipment and consumables in our daily operations, we generally procure these products from our suppliers and sell them to our wholesale customers, including hospitals, pharmacies and pharmaceutical product resellers, primarily in Anhui Province and Jiangsu Province, the PRC, which then sell these products to the end users.

As of December 31, 2023, we had 863 wholesale customers. The performance of our wholesale customers and the ability of our wholesale customers to on-sell our products, expand their businesses and sales network are crucial to the growth of our business and may directly affect our sales volume and profitability. Due to our business relationship with our wholesale customers for the sales of our products, any reduction, delay or cancellations of orders from our wholesale customers, or our failure to maintain good relationships with existing wholesale customers, or timely identify and engage additional or replacement wholesale customers upon the loss of one or more of our wholesale customers, may cause fluctuations or declines in our revenue or the sustainability of our growth and have an adverse effect on our business prospects, financial condition and results of operations.

We intend to continue engaging wholesale customers to sell our pharmaceuticals, medical equipment and consumables in the foreseeable future. However, we may not be able to identify or engage a sufficient number of wholesale customers. If our wholesale customers fail to expand or maintain their sales network, or otherwise encounter any difficulties in selling our products, our sales will decline and our business prospects and results of operations may be affected.

We have limited control over the operations and actions of our wholesale customers, such as their sales, credit or pricing policies and marketing activities. Please see "Business – Our Supply of Pharmaceuticals, Medical Equipment and Consumables" in this document for further details. We cannot guarantee that we will be able to effectively manage our wholesale customers. If our wholesale customers take one or more of the following actions, our business prospects, results of operations and reputation may be adversely affected:

- failing to adequately promote our products;
- failing to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when promoting and selling our products; or
- violating anti-corruption, anti-bribery, competition or other laws and regulations.

Any disputes between us and our wholesale customers, complaints by our wholesale customers, violation or alleged violation by our wholesale customers of the sales agreements and/or orders, our policies or any applicable laws and regulations could result in the erosion of an unfavorable public perception about the quality of our products, resulting in an adverse effect on our business prospects, financial condition and results of operations.

Our relationships with certain medical institutions and/or organizations and clinical experts may affect our business prospects.

We have established close and long-term cooperations with renowned medical institutions and/or organizations and clinical experts in the PRC. We also have active dialogues and exchanges of information with these medical institutions and/or organizations and invite leading experts or well-known specialists to share with us their clinical experiences and latest developments in the industry. Please see "Business – Our Competitive Strengths – Support from high-quality teams of medical professionals and medical experts as well as medical resources" and "Business – Our In-network Medical Resources" in this document for further details.

However, we cannot assure you that we will be able to maintain or strengthen our collaborations and relationships with such medical institutions and/or organizations and clinical experts, or that our efforts to maintain or strengthen such relationships will yield the successful outcomes, such as helping us improve our medical service capabilities. Competition for cooperation with such medical institutions and/or organizations and clinical experts 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 medical institutions and/or organizations and clinical experts, or generate returns from such relationships as anticipated, or at all, our business, financial condition and results of operations may be affected.

A certain portion of our revenue was settled through commercial medical insurance policies, and our results of operations may be affected if we fail to maintain our cooperation with them or there is any default or delayed settlement by these commercial insurance institutions.

A portion of our customers and/or patients have commercial medical insurance coverage, and we also have various collaboration arrangements with such commercial insurance institutions on direct settlement for insured customers and/or patients. We may not be able to maintain or increase customers and/or patients volume covered by commercial medical insurance policies and to renew collaboration arrangements with the existing commercial insurance institutions in the future, which may affect our revenue and cash flows. In addition, any default or delayed settlement by these commercial insurance institutions may also affect our financial condition, results of operations and business.

Any future occurrence of *force majeure* events, natural disasters or outbreaks of contagious diseases in the PRC could prevent our In-network Hospitals from effectively serving their clients and/or patients and thus adversely affect our results of operations.

Our business could be affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic, such as swine flu, avian influenza, SARS, Ebola, Zika, COVID-19 or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere in the world could materially disrupt our business and operations.

These events could also significantly impact our industry and cause a temporary suspension or closure of the facilities we use for our operations, which would severely disrupt our operations and have an effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our physicians, other kinds of medical professionals or other staffs were suspected of contracting an epidemic disease, since this could require us to quarantine some or all of these personnel or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the PRC and global economy in general. Our operations could also be severely disrupted if our customers were affected by natural disasters, health epidemics or other outbreaks.

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

Our Controlling Shareholders have substantial influence over us, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and the outstanding options to be granted under the

Pre-[**REDACTED**] Share Option Scheme are not exercised), our Controlling Shareholders will be deemed to be interested, directly or indirectly, in aggregate, approximately [**REDACTED**] of our total issued Shares. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares (as part of a sale of the Company) and might reduce the price of our Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If there are conflicts between the interests of our Controlling Shareholders and other Shareholders, the interest of our other Shareholders may be adversely affected.

Our brand promotion activities may not be well received and may not result in improved operating and financial performance that we anticipate.

We conduct a variety of brand promotion efforts designed to enhance our brand recognition and educate the clients and/or patients of the high-quality, client/patient-oriented healthcare services we provide. However, our brand promotion activities may not be well received and may not result in improved operating and financial performance that we anticipate. Additionally, promotion approaches and strategies in China's healthcare service industry are continuously evolving, which may further require us to experiment with new methods to keep pace with industry developments. Failure to refine our existing promotion strategies or to introduce new promotion strategies in a cost-effective manner may affect our business, results of operations and financial condition.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes 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 exerts oversight over and regulates 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 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.

RISKS RELATING TO REGULATORY COMPLIANCE

Changes and developments in China's regulatory regime for the healthcare service industry, particularly changes in healthcare reform policies, could have an effect on our business operations and future expansion.

In recent years, the PRC Government launched a new healthcare reform plan to ensure that every citizen has access to affordable basic healthcare services. In pursuit of these policy objectives, the PRC Government has implemented extensive regulations and policies to address the affordability, accessibility and quality of healthcare services, medical insurance coverage, distribution of pharmaceuticals, medical equipment and consumables and reform of public hospitals. In addition, the PRC Government has gradually reduced regulatory hurdles for establishing and investing in private hospitals, in particular by private capital, and encouraged development of hospital investment, operation and management groups.

The policies of the PRC Government may change in the future, depending on the priorities set by the government and its local counterparts, as well as the political climate at any given time and the continued development of China's healthcare services. Any future legislative changes may affect public hospital reform, limit or place restrictions on private or foreign investments in healthcare services, change reimbursement rates for healthcare services provided to publicly insured patients, regulates on retail pharmaceutical prices and regulate the treatment fees permitted to be charged. Such future changes or reforms, if adopted and implemented, may limit the sources of our revenues, increase the costs of our services, restrict our ability to pursue planned expansions, or otherwise negatively impact us disproportionately against our competitors and may therefore adversely affect our operations and business prospects.

We conduct our business in a heavily regulated industry and incur on-going compliance costs as well as face penalties for non-compliance.

The operations of our In-network Hospitals are subject to various laws and regulations at the national and local levels. These laws and regulations mainly relate to the operations of medical institutions and licensing of medical professionals, the use and safety management of pharmaceuticals, medical equipment and consumables, the quality and pricing of healthcare services, occupational health and safety as well as environmental protection. Please see "Regulatory Overview" in this document for further details.

In addition, our In-network Hospitals are subject to periodic license and/or certificate or permit renewal requirements and inspections by various government agencies and departments. Please see "Business – Licenses, Permits and Certificates" in this document for further details.

If we fail to maintain or renew any major license, permit, certificate or approval for all or any of our In-network Hospitals or subsidiaries, or if the medical professionals at our In-network Hospitals become unlicensed at any time during their practices, or if we or our In-network Hospitals are found to be non-compliant with any applicable laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses and/or certificates, depending on the nature of the findings, any of which could affect our business, financial condition and results of operations.

We, based on our cooperation with the third parties, also developed our online healthcare platforms for provision of online diagnosis and treatment and follow-up consultation. For further details, please see "Business – Information Systems and Platforms – Online Services" in this document. However, the laws and regulations regarding online services in China are generally complex and evolving as to the interpretation and application. If our online services are subject to any additional licensing or registration requirements in the future, we may have to incur significant expenses to obtain the necessary licenses and/or registration certificates, and if we fail to meet the relevant regulatory requirements, we may need to shrink, or even cease, our online services, which may adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we were fined or otherwise penalized by relevant government authorities for certain non-compliance incidents in the ordinary course of business. We believe that these non-compliance incidents did not have a material operational and financial impact on us. We have taken relevant rectification measures to prevent future occurrence of above non-compliance incidents. For details, please see "Business – Internal Control and Rectification Measures" in this document. However, there is no assurance that our internal control measures will be fully effective and there will not be any non-compliance incident in the future.

In addition, the PRC laws, regulations or rules governing our industry where we operate have been evolving. We cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, which may have an effect on our business, financial condition and results of operations.

Pricing regulations may affect the pricing of our In-network Hospitals. Certain of our healthcare services, pharmaceuticals, medical equipment and consumables are clearly and directly subject to pricing regulations, which may affect our profitability.

The PRC Government issues policies on the pricing of healthcare services, pharmaceuticals, medical equipment and consumables. As Medical Insurance Designated Medical Institutions, for healthcare services, pharmaceuticals, medical equipment and consumables covered by the public medical insurance programs, our In-network Hospitals are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. In addition, services provided by our Managed Hospitals, i.e. Huangshan Shoukang Hospital and Taiyuan Wanbailin District Peace Community Health Service Center, as private not-for-profit hospitals, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities. Please see "Business – Pricing and Payment" and "Regulatory Overview – Regulations on the Price of Healthcare Services and Medicine" in this document for further details.

Currently, the pharmaceutical zero mark-up policy (藥品零加成政策) is a requirement mainly for public hospitals 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, in order to compete effectively with public hospitals, we price these pharmaceuticals at a tariff similar to public hospitals in the same region and some of our In-network Hospitals have applied the pharmaceutical zero mark-up policy.

We cannot predict if the PRC Government will lower the price ceilings or change the pricing guidelines in the future or if additional healthcare services, pharmaceuticals, medical equipment or consumables may become subject to pricing regulations, or more stringent insurance reimbursement limits, which may put pressure on the pricing of our In-network Hospitals. As a result, our financial condition and results of operations could be affected.

If we fail to properly manage the employment of the physicians and other kinds of medical professionals of our In-network Hospitals, we may be subject to penalties against these hospitals, which could affect our business and results of operations.

The practicing activities of physicians and other kinds of medical professionals are strictly regulated under the PRC laws and regulations. Physicians, technical, pharmaceutical and nursing medical professionals who practice at medical institutions must hold practicing licenses and/or certificates and may only practice within the scope of their licenses and/or certificates and at the specific medical institutions at which their licenses and/or certificates are registered. Please see "Regulatory Overview – Regulations on Medical Practitioners of Medical Institutions" in this document for further details. In practice, it takes some time for physicians, technical, pharmaceutical and nursing medical professionals to transfer their licenses and/or certificates from one medical institution to another or add another medical institution to their permitted practicing institutions.

We cannot assure you that certain of our multi-site practice physicians will complete the related procedures of the PRC Government to add our relevant In-network Hospitals to their permitted practicing institutions in a timely manner or at all. In addition, we cannot assure you that the medical professionals at our In-network Hospitals will always strictly follow the requirements and will not practice outside the permitted scope of their respective licenses and/or certificates. Any failure by our In-network Hospitals to properly manage the employment of their physicians and other kinds of medical professionals may subject us to administrative penalties against our In-network Hospitals, which could affect our business.

We are not in full compliance with social insurance and housing provident funds regulations.

During the Track Record Period, we failed to make full social insurance and housing provident fund contributions for certain of our employees. The total outstanding amount of our social insurance and housing provident fund contributions was approximately RMB22.9 million as of December 31, 2023. We made provisions in a total amount of RMB4.3 million, RMB6.1 million and RMB7.2 million, respectively, in respect of the potential liabilities arising from our non-compliance concerning social insurance and housing provident fund contributions for the years ended December 31, 2021, 2022 and 2023.

According to the applicable PRC laws and regulations: (i) with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% from the date of default on the outstanding amounts, and if and only if we fail to do so, they may impose a fine equivalent to one to three times the outstanding amounts; and (ii) with respect to housing provident funds, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. For details, please see "Business – Legal Proceedings and Compliance – Non-compliance Incidents" in this document.

Failure to comply with the PRC property-related laws and regulations with respect to certain of our owned and leased properties may adversely affect our business, financial condition and results of operations.

We occupy certain properties in the PRC in connection with our business operations. Some of these properties do not meet certain property-related requirements under the PRC laws and regulations. For example, as of the Latest Practicable Date, we (i) failed to complete the investment project filing procedures; (ii) failed to obtain a series of licenses and certificates related to the construction and acceptance of these construction projects; (iii) failed to match the actual use of certain of our leased properties with the registered use as specified in their land use rights certificates; and (iv) leased certain of our properties from the landlords who obtained theses parcel of land by way of government allocation, in which case we may be required to suspend the construction, make correction or dismantle within a stipulated period, stop using the relevant properties and subject to penalties against us, etc. according to the applicable PRC laws and regulations. Please see "Business – Our Properties – Non-compliance Incidents in Connection with Our Properties" in this document for further details.

Furthermore, as of the Latest Practicable Date, 12 of our lease agreements had not been registered with the relevant PRC government authorities. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Although the failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties, it could result in the imposition of the fines up to RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period.

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 others, 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. 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 In-network Hospitals. A health and safety incident could be particularly serious as the patients at our In-network 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.

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 Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》) and Circular on Further Strengthening the Management of Medical Advertisements (《關於進一步加強醫療廣告管理的通知》), our In-network 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 In-network Hospitals, including rectification, warnings, suspension of operations, revocation of relevant diagnostic and therapeutic disciplines and the revocation of the hospitals' Medical Institution Practicing Licenses.

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.

Failure to comply with the PRC anti-corruption laws, regulations and rules could subject us and/or the physicians, other kinds of medical professionals and hospital administrators at our In-network Hospitals to investigations, sanctions or fines, and administrative or criminal penalties, which may harm our reputation and affect our business, financial condition, results of operations.

We have adopted policies and procedures designed to ensure that the physicians, staff and hospital administrators at our In-network Hospitals comply with the PRC anti-corruption laws, rules and regulations. Please see "Business – Internal Control and Rectification Measures" in this document for further details. However, we operate in the healthcare service industry in the PRC, which poses elevated risks of violations of anti-corruption laws, rules and regulations, and the PRC Government has recently increased its anti-bribery efforts to reduce improper payments and other benefits received by physicians, staff and hospital administrators in connection with the purchase of pharmaceuticals, medical equipment and consumables and the provision of healthcare services.

Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent our non-compliance with the PRC anti-corruption laws, regulations and rules arising from actions taken by the individual physicians, staff and hospital administrators without our knowledge. If this occurs, we and/or the physicians, staff and hospital administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be harmed by any negative publicity stemming from such incidents, which may affect our business, financial condition and results of operations.

Our business generates and possesses a large amount of clients' and patients' personal and medical information, and the improper collection, storage, use or disclosure of such information could affect our business and reputation.

During our provision of healthcare services, we collect and store personal and medical information of our clients and patients with their prior consents. Unless otherwise provided in laws and administrative regulations, the PRC laws and regulations only allow healthcare service providers to collect personal and medical information of their clients and patients with such clients' and patients' prior consents and to the extent necessary or for the purpose of performing the contract we are one of the parties engaged or as permitted by laws and regulations. The PRC laws and regulations also generally require healthcare service providers to protect the privacy of their clients and patients and prohibit unauthorized disclosure of personal information. Our In-network Hospitals will be liable for damage caused by divulging the clients' and patients' personal information or medical records without consent.

We have taken measures to maintain the confidentiality of our clients' and patients' personal and medical information, including establishing access control mechanisms in our self-owned hospitals' information systems so that it cannot be viewed without proper authorization or exported in bulk, storing information only in our self-owned hospitals' intranet system to avoid information leakage, and setting up firewalls to prevent information loss or leakage caused by cyber-attacks. However, these measures may not always be effective, considering the increment of personal and medical information collected and stored by us and the rapidly developed level of expertise of hackers. Furthermore, as the information system network at each In-network Hospital is not inter-connected and independent from each other and each hospital is responsible for its data privacy and cybersecurity for their own clients' and patients' data and information systems, we are not responsible for the data privacy protection, data security and cybersecurity of our Managed Hospitals. There is a risk that such information could be compromised in the event of a security breach at our hospital network. Such information could be divulged due to, for example, theft or misuse arising from staff misconduct or negligence.

While we believe our self-owned hospitals' current usage of clients' and patients' medical information is in compliance with applicable laws and regulations governing the use of such information, any change in such laws and regulations or any change in the interpretations of the evolving data privacy and security regulatory requirements could impose more stringent data protection requirements and thus affect our ability to use medical information and subject us to liability for the use of such data for current permitted purposes.

On June 10, 2021, the Data Security Law of the PRC (《中華人民共和國數據安全法》) was adopted by the SCNPC and became effective on September 1, 2021. On August 20, 2021, the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) was adopted by the SCNPC and became effective on November 1, 2021. Pursuant to the Cybersecurity Review Measures (2021) (《網絡安全審查辦法(2021)》) (the "**Cybersecurity Review Measures**"), which became effective on February 15, 2022, (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 [**REDACTED**] 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. As of the Latest Practicable Date, we have not been informed by relevant authorities that we are identified as a CIIO under current effective PRC laws and regulations.

Our PRC Legal Advisor conducted consultation via the hotline published by the CAC on a named basis on behalf of us on May 10, 2023, with an officer of the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心), which is currently renamed as China Cybersecurity Review, Certification and Market Regulation Big Data Cener (中國網絡安全審查認證和市場監管大數據中心) (the “**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 advised us that we do not need to proactively file for the cybersecurity review, given Hong Kong is part of PRC and does not belong to any “foreign country” as contemplated in the Cybersecurity Review Measures.

Our PRC Legal Advisor also advised us that we are not obliged to file for the cybersecurity review when purchasing network products and services in accordance with the Cybersecurity Review Measures, on the basis that (i) as the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CIIO Regulation**”) stipulates that the competent authorities and the supervision and administration departments of the important industries and sectors involved in Article two (the “**Protection Departments**”) of the CIIO Regulation shall be responsible for the security protection of critical information infrastructures, and the Protection Departments shall be responsible for organizing the recognition of the critical information infrastructures within the industries and sectors according to the recognition rules, and shall inform the recognized CIIO accordingly; and (ii) as of the Latest Practicable Date, we had not received any notification from relevant regulatory authorities of being identified as a CIIO.

In addition, during the Track Record Period and up to the Latest Practicable Date, we have not received any inquiry, notice, warning from any PRC government authority, and have not been subject to any investigation, sanctions or penalties made by any PRC government authority regarding cybersecurity review. As the Cybersecurity Review Measures are released recently, some provisions and implementation standards in such measures are still subject to the further guidance by relevant authorities. The relevant authorities have discretions in the interpretation and enforcement of such regulations, and it is unclear whether and how such regulations will further evolve into supervisory measures in the future, and we will closely monitor and assess any development in the rule-making process.

However, we expect we will be able to comply with the Cybersecurity Review Measures in all material aspects based on the analysis above. If we become subject to cybersecurity review or investigations launched by PRC regulators in the future, any failure or delay in the completion of the cybersecurity review procedures or any other non-compliance with the related laws and regulations may result in fines or other penalties, including suspension of business, website closure, removal of our mini-programs from the WeChat platform, and revocation of prerequisite licenses, as well as reputational damage or legal proceedings or actions against us, which may have a material adverse effect on our business, financial condition or results of operations.

On November 14, 2021, the Cyberspace Administration of China (the "**CAC**"), published the Regulations on the Administration of Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulations on the Administration of Network Data Security**"), which further affirmed a [**REDACTED**] in Hong Kong should not be treated as "[**REDACTED**] in a foreign country", which was confirmed by the officer of CCRC for interpretation in the Cybersecurity Review Measures. According to Draft Regulations on the Administration of Network Data Security, data processors seeking to be [**REDACTED**] in Hong Kong that affects or may affect the national security should 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 SCNPC 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.

However, we cannot assure you that we will not be deemed as a data processor that "affects or may affect national security" in the future. We may be subject to cybersecurity review by the competent government authorities even upon completion of our [**REDACTED**]. If the data processing activities of a company that is in the process of applying for [**REDACTED**] in Hong Kong are deemed as "affecting or may affect national security" and such company has failed to apply for cybersecurity review according to the applicable laws and regulations, such company will be requested to take rectification actions, subject to disciplinary warning, and/or imposed an administrative penalty ranging from RMB50,000 to RMB500,000 for a single violation incident according to Draft Regulations on the Administration of Network Data Security. Furthermore, if such violation causes serious consequences or such company refuses to rectify the violation, such company may be subject to more severe penalties, such as revocation of relevant licenses and/or permits.

Therefore, if our business is deemed as "affect or may affect national security" when the Draft Regulations on the Administration of Network Data Security become effective in their current form and we fail to apply for cybersecurity review according to the applicable laws and regulations and/or take rectification actions as required by the relevant competent government authorities, we might be subject to more severe penalties, warnings or revocation of our licenses and/or permits, which could affect our business, reputation as well as financial performance.

On July 7, 2022, the CAC promulgated the Measures for Data Cross-border Transfer Security Assessment (《數據出境安全評估辦法》), which became effective on September 1, 2022. According to the Measures for Data Cross-border Transfer Security Assessment, where a data processor transfers data abroad, the data processor shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level when: (i) a data processor transfers important data abroad; (ii) a critical information infrastructure operator or a data processor processing the personal information of more than one million persons transfers personal information abroad; (iii) a data processor has provided a total of 100,000 persons' personal information or 10,000 persons' sensitive personal information to overseas since January 1 of the previous year; and (iv) other circumstances in which the data processor shall apply for a data cross-border transfer security assessment as stipulated by the CAC.

In addition, on February 22, 2023, the Provision on the Standard Contract on Cross-border Transfer of Personal Information (the "**Provisions on Standard Contract**") were promulgated by the CAC, which took effect on June 1, 2023. The provisions on Standard Contract attach the Standard Contract for cross-border transfer of personal information that could be used to satisfy one of the conditions for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

On March 22, 2024, the CAC promulgated the "Regulations on Promoting and Regulating Cross-border Data Flow" (hereinafter referred to as the "**New Data Outbound Regulations**"), which further clarified the implementation and connection of the existing data cross-border transfer security assessment, personal information cross-border standard contract and personal information protection certification regarding data outbound. Conditions for cross-border data flow is appropriately relaxed, and the scope of data cross-border transfer security assessment is appropriately narrowed. Among them, the two types of data cross-border transfer activities should be subject to data cross-border transfer security assessment: (i) the operator of critical information infrastructure provides personal information or important data overseas; and (ii) data processors other than critical information infrastructure operators provide important data overseas, or provide personal information of more than 1 million people (excluding sensitive personal information) or sensitive personal information of more than 10,000 people overseas since January 1 of the year.

As of the Latest Practicable Date, all the data collected and produced during our operations within the mainland of the PRC is stored within the PRC. Measures for Data Cross-border Transfer Security Assessment do not have a material adverse impact on our operation.

On August 8, 2022, the NHC, National Administration of Traditional Chinese Medicine (國家中醫藥管理局), 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 strengthening management of cyber security and data security, including but not limited to strengthening management of system development, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

Our Directors are of the view that the Cybersecurity Review Measures and the Draft Regulations on the Administration of Network Data Security, if implemented in current form, will not have material adverse effects on our business operations or the [**REDACTED**] based on the abovementioned details. 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 PRC government authorities will have no adverse effect to our business operations in the future.

If we cannot meet relevant requirements under the evolving applicable laws or regulations relating to data privacy, data protection or information security or any additional requirements relating to data, or any compromise of security that results in unauthorized access, use or leakage of our clients' and/or customers' personal information, we could face damage in our reputation or other negative consequences, such as investigations, fines, or suspension of our business, any of which could affect our business, financial condition and results of operations.

In addition, complying with various laws and regulations on cybersecurity and data security could cause us to incur additional costs or require us to change our business practices, including our data practices, which may significantly distract our management's attention and adversely affect our business.

China's economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

All of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC Government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market-oriented economy. The PRC Government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC Government still exert influence over the PRC's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact China's economic growth.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may affect our business and operations as well as our financial performance.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign [REDACTED], which could make it more difficult for us to pursue growth through acquisitions in China.

The Provisions on Foreign-funded Mergers and Acquisitions of Domestic Enterprises (《關於外國投資者併購境內企業的規定》), or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended by the MOFCOM in 2009, and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign [**REDACTED**] more time consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign [**REDACTED**] takes control of a PRC domestic enterprise.

Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) requires that the MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign [**REDACTED**] (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 prohibits any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The development of the PRC legal system and changes in the interpretation and enforcement of PRC laws, regulations and policies in China could have an effect on our business and operations.

We conduct our business primarily through our operating subsidiaries in the PRC, which are governed by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Additionally, some written statutes in the PRC are often principle-oriented and are subject to detailed interpretations or specific rules for implementation by the SCNPC or supreme judicial authorities.

Since the late 1970s, the PRC Government has promulgated laws and regulations [**REDACTED**] with economic matters, such as foreign [**REDACTED**], corporate organization and governance, commerce, taxation and trade, with a view of developing a comprehensive system of commercial law. However, as many of these laws and regulations are relatively new and continue to evolve, these laws and regulations maybe subject to different interpretation. We cannot predict the effect of future developments in the legal system, particularly with regard to the industry where we operate, including the promulgation of new laws, regulations, rules and policies as well as changes to existing laws, regulations, rules and polices or the interpretations or enforcement thereof, or the preemption of local regulations by national laws. Future regulatory changes may affect hospital reform, limit private or foreign [**REDACTED**] in healthcare service industry or implement additional price control on pharmaceutical products or medical services. Any of these events could have a material impact on our business, financial condition, results of operations, prospects and future growth.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may affect our profitability and the value of your [REDACTED].

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" within China, such enterprise would generally be deemed a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars, as amended from time to time, to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by the PRC enterprises.

However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by the PRC enterprises (including companies like ourselves). We believe that we should not be regarded as a PRC tax resident enterprise. Nevertheless, if we are regarded as a PRC tax resident enterprise by the PRC tax authorities, we would have to pay the PRC EIT at a rate of 25% for our entire global income, which may affect our profits and hence our retained profit available for distribution to our Shareholders.

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

We may be subject to the approval or other requirements of the PRC government authorities in connection with future security activities.

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combatting Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), or the July 6 Opinion, which called for the enhanced administration and supervision of [**REDACTED**] China-based companies, proposed to revise the relevant regulation governing the overseas issuance and [**REDACTED**] of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. The July 6 Opinion aims to achieve this by establishing a regulatory system and revising the existing rules for overseas [**REDACTED**] of Chinese entities and affiliates including potential extraterritorial application of Chinese securities laws.

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and [**REDACTED**] by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**"), which has become effective on March 31, 2023 and stipulate that domestic companies that seek to [**REDACTED**] or [**REDACTED**] securities overseas, both directly and indirectly, shall complete the filing procedures and report relevant information to the CSRC. Accordingly, we shall submit relevant materials and complete the filing procedures with the CSRC as required for the [**REDACTED**]. On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published The Revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and [**REDACTED**] by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Management Provisions**"), which came into effect on March 31, 2023.

The Confidentiality and Archives Management Provisions require that, in relation to the overseas securities [**REDACTED**] and [**REDACTED**] activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archive management responsibilities. Please see "Regulatory Overview – Regulations On Overseas [**REDACTED**]" in this document for details.

In addition, we cannot guarantee that new rules or regulations promulgated in the future pursuant to the July 6 Opinion and any other related PRC rules and regulations except for the Trial Measures will not impose any additional requirement on us or otherwise tightening the regulations on us. If it is determined that we are subject to any PRC government authorities' approval, filing, or requirement for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have an effect on our business and financial conditions. Furthermore, any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have an effect on the price of our Shares.

The PRC Government's regulations on foreign currency conversion and the remittance of RMB out of the PRC may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your [REDACTED].

The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China are subject to the relevant PRC foreign exchange laws and regulations. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency out of China, or otherwise satisfy their foreign currency denominated obligations.

Under the existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

More oversight has been exerted over foreign exchange and major outbound capital movements. More restrictions and substantial vetting process may be put in place by SAFE to regulate cross-border transactions falling under the capital account. If the foreign exchange regulations prevent us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The PRC regulations of loans to and direct [REDACTED] in the PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant government authorities in China. According to the applicable PRC regulations on foreign-[**REDACTED**] enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Enterprise Registration System and registration with other government authorities in China.

In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE, or its local branches. Any medium or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local counterparts. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the [**REDACTED**] of this [**REDACTED**] and to [**REDACTED**] our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of [**REDACTED**] Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"), which took effect on June 1, 2015 and was amended on December 30, 2019 and March 23, 2023. The SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of [**REDACTED**] enterprises and allows the foreign [**REDACTED**] enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make domestic equity [**REDACTED**], but the registered capital of the foreign [**REDACTED**] enterprises settled in RMB converted from foreign currencies remains not allowed to be used, among others, for [**REDACTED**] in the security markets or offering entrustment loans, unless otherwise regulated by other laws and regulations.

On June 9, 2016, the SAFE promulgated the Circular of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"). The SAFE Circular 19 and the SAFE Circular 16 continue to prohibit [**REDACTED**] enterprises from, among others, using RMB capital converted from their foreign currency-denominated registered capital for expenditure beyond their business scope, [**REDACTED**] and financing (except for securities [**REDACTED**] or non-guaranteed bank products), providing loans to non-affiliated enterprises or constructing or purchasing real estate not for self-use. The SAFE Circular 19 and the SAFE Circular 16 may significantly limit our ability to transfer to and use in China the [**REDACTED**] from this [**REDACTED**], which may adversely affect our business, financial condition and results of operations.

The heightened scrutiny over acquisitions from the PRC tax authorities may have a adverse impact on our business, acquisition or restructuring strategies or the value of your [REDACTED] in us.

On February 3, 2015, the SAT issued the Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**Circular 7**"), which was last amended on December 29, 2017 and 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 the Circular 698. The 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, the Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of the PRC Taxable Assets, 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 the PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding the PRC Enterprise Income Tax and without any other reasonable commercial purpose.

Except as provided in the Circular 7, transfers of Chinese taxable property under the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to the PRC Enterprise Income Tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of [**REDACTED**] in China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their 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 Chinese taxable property payable abroad is lower than the income tax in China that may be imposed on the direct transfer of such PRC Taxable Assets.

Although the Circular 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of the PRC Taxable Assets by acquiring and selling shares of a [**REDACTED**] overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of the 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 remains unclear whether any exemptions under the Circular 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving the PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying the 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 the PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

Provisions of the Circular 7, which impose the PRC tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore [**REDACTED**] company in a public market" (the "**Public Market Safe Harbor**"), which is determined by whether the parties and number and price of the shares acquired and disposed are not previously agreed upon, but determined in accordance with general [**REDACTED**] rules in the public securities markets, according to one implementing rule for the Circular 698. In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to the PRC tax liabilities and reporting obligations imposed under the Circular 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Document and the [**REDACTED**]," potential [**REDACTED**] should consult their professional advisors if they are in any doubt as to the tax implications of [**REDACTED**] for, purchasing, holding, disposing of and [**REDACTED**] in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with the relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require the PRC residents and the PRC corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore [**REDACTED**] activities. The Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas [**REDACTED**] and Financing and Round-trip [**REDACTED**] by Domestic Residents via Special Purpose Vehicles《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》 (the "**SAFE Circular 37**") was promulgated by the SAFE in July 2014 and requires the PRC residents or entities to register with the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas [**REDACTED**] or financing. These regulations apply to our Shareholders who are the PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, the PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect [**REDACTED**] in offshore companies are required to register those [**REDACTED**]. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local counterpart of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip [**REDACTED**], capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division.

If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the [**REDACTED**] from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary.

Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under the PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC 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 or into the PRC and deemed to have been evasive or illegal; and (ii) 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 or illegal.

We have requested the PRC residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. Each of our individual beneficial owners who is required to complete the registration under the SAFE Circular 37 has duly completed the foreign exchange registrations in relation to their offshore [**REDACTED**] as the PRC residents. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any Shareholders to comply with the SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our [**REDACTED**] activities in the PRC and overseas or cross-border [**REDACTED**] activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Circular on Relevant Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly [**REDACTED**] Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other applicable rules and regulations, PRC residents who participate in an equity incentive plan in an overseas [**REDACTED**] company are required to register with SAFE or its local branches and complete certain other procedures. Participants of an equity incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly [**REDACTED**] company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the equity incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers.

In addition, the PRC agent is required to amend the SAFE registration with respect to the equity incentive plan if there is any material change to the equity incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who are going to be granted share options will be subject to these regulations upon the completion of this [**REDACTED**]. Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also affect our ability to contribute additional capital to our PRC subsidiary, affect our PRC subsidiary's ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options. Our PRC subsidiary has obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay or we fail to withhold their individual income taxes according to applicable rules and regulations, we may face sanctions imposed by the competent government authorities.

You may face uncertainty with regard to effecting service of legal process and seeking recognition and enforcement of foreign judgments in the PRC.

Substantially all of our assets and current operations are located or conducted in the PRC. In addition, substantially all of our current Directors and senior management team are nationals and residents of the PRC with substantially all of their assets are located in the PRC. [**REDACTED**] may face uncertainty to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing.

As a result, it may be uncertain for [**REDACTED**] to effect service of process against us, certain of our assets, our Directors and senior management team in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC. On January 18, 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New 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 PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court of the PRC and the completion of the relevant legislative procedures in Hong Kong. The New Arrangement took effect on January 29, 2024, and superseded the Arrangement.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares.

Prior to completion of the [**REDACTED**], there has been no public market for our [**REDACTED**]. There can be no guarantee that an active [**REDACTED**] market for our [**REDACTED**] will develop or be sustained after completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company and the [**REDACTED**] (for itself and on behalf of [**REDACTED**]), which may not be indicative of the price at which our [**REDACTED**] will be traded following completion of the [**REDACTED**]. The market price of our [**REDACTED**] may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

The [REDACTED] price of our Shares may be volatile, which could result in substantial losses to you.

The [**REDACTED**] price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the PRC that have [**REDACTED**] their securities in Hong Kong may affect the volatility in the price of and [**REDACTED**] volumes for our Shares. A number of the PRC-based companies have [**REDACTED**] their securities, and some are in the process of preparing for [**REDACTED**] their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their [**REDACTED**]. The [**REDACTED**] performances of the securities of these companies at the time of or after their [**REDACTED**] may affect the overall [**REDACTED**] sentiment towards the PRC-based companies [**REDACTED**] in Hong Kong and consequently may impact the [**REDACTED**] performance of our Shares. These broad market and industry factors may affect the market price and volatility of our Shares, regardless of our actual operating performance.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return. Please see "Future Plans and Use of [**REDACTED**]" in this document for details of our intended use of [**REDACTED**]. However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the [**REDACTED**] from this [**REDACTED**].

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [**REDACTED**] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [**REDACTED**], purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [**REDACTED**] may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain [**REDACTED**] periods beginning on the date on which [**REDACTED**] in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the [**REDACTED**] periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Please see "Financial Information – Dividends" in this document for further details. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

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

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [**REDACTED**]. As a result, [**REDACTED**] may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before [**REDACTED**] begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time [**REDACTED**] begins.

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

Our corporate affairs are governed by the Articles of Association, the Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This may mean that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Companies Act is set out in Appendix III to this document.

Facts and statistics in this document may come from various sources and may not be fully reliable.

Some of the facts and statistics in this document are derived from various publications of government agencies or publicly available sources and obtained during communications with various government agencies or independent third parties that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading.

The information has not been independently verified by our Group, the [**REDACTED**] or any other party involved in the [**REDACTED**] and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Prospective [REDACTED] should read the entire document carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this document.

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document.

Prior to the completion of the [**REDACTED**], there may be press and media coverage regarding our Group and the [**REDACTED**]. Our Directors would like to emphasize to prospective [**REDACTED**] that we do not accept any responsibility for the accuracy or completeness of such information and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to [**REDACTED**] in our Shares, prospective [**REDACTED**] should rely only on the financial, operational and other information included in this document.

In preparation for the [**REDACTED**], we have applied to the Stock Exchange for the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary [**REDACTED**] on the Main Board of the Stock Exchange must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since the principal business operations, headquarters and a majority of the assets of our Group are based outside Hong Kong, the executive Directors and a majority of the senior management team of our Group are and will continue to be based outside Hong Kong after [**REDACTED**].

In order to comply strictly with the requirements under Rule 8.12 of the Listing Rules, our Company would have to appoint at least two Hong Kong residents as additional executive Directors or relocate two executive Directors to Hong Kong. At present, all of the executive Directors are not ordinarily resident in Hong Kong. The Directors consider that it would be practically difficult and not commercially feasible for our Company to appoint one or more Hong Kong resident as executive Director or to relocate any of the existing executive Directors to Hong Kong merely for the purpose of complying with Rule 8.12 of the Listing Rules. Accordingly, our Company does not and, in the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, the Sole Sponsor, [has applied] on behalf of our Company, for a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, it is proposed that the following conditions will apply to the waiver sought:

(i) our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Zhao Yongkai (趙永凱), our executive Director and chairman of our Board, and Ms. Chan Sze Ting (陳詩婷), our joint company secretary who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Chan is a Hong Kong permanent resident and Mr. Zhao possesses valid travel documents to visit Hong Kong, and they will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the authorised representatives has confirmed that he has the means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(ii) each Director who is not ordinarily resident in Hong Kong has confirmed that he/she possesses valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time when required. Each Director has provided his/her mobile phone number, office phone number, email address and (if available) fax number to the authorised representatives and the Stock Exchange;

(iii) our Company has, in accordance with Rule 3A.19 of the Listing Rules, appointed Caitong International Capital Co., Limited as its compliance advisor for the period commencing on the [**REDACTED**] and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the [**REDACTED**]. Caitong International Capital Co., Limited will act as an additional channel of communication with the Stock Exchange; and

(iv) our Company will also appoint other professional advisors (including legal advisors and accountants) after [**REDACTED**] to assist our Company in [**REDACTED**] with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

WAIVER IN RELATION TO APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our Company must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, our Company must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Stock Exchange:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance) (Chapter 159 of the Laws of Hong Kong); and

(iii) a certified public accountant (as defined in the Professional Accountants Ordinance) (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Stock Exchange considers when assessing an individual's "relevant experience":

(i) length of employment with the issuer and other issuers and the roles he played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the [**REDACTED**], the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Fan Kunkun (范坤坤) as a joint company secretary of our Company. He joined our Group in February 2019 and is the deputy general manager of the audit and legal department (presiding over work) of Bayzed Medical Investment. He has been responsible for audit and legal affairs of our Group. Mr. Fan, however, does not possess the specified qualifications required by Rule 3.28 of the Listing Rules.

Mr. Fan has over 9 years of working experience. The Directors are of the view that Mr. Fan possesses audit and legal work experiences and has built close working relationship with the Board and other management of our Group over the years. Therefore, the Directors believe that Mr. Fan is suitable to act as our Company's joint company secretary and is able to perform the function of a company secretary and to take the necessary actions in an effective and efficient manner. Our Company has appointed Ms. CHAN Sze Ting (陳詩婷), who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as company secretary of our Company. Ms. Chan will work closely with and to provide assistance to Mr. Fan to jointly discharge the duties as joint company secretaries of our Company.

As such, the Sole Sponsor, [has applied] on behalf of our Company, for a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules.

Given the important role of company secretary in the corporate governance of a [**REDACTED**] issuer, particularly in assisting the [**REDACTED**] issuer as well as its directors in complying with the Listing Rules and other applicable laws and regulations, it is proposed that the following conditions will apply to the waiver sought:

(i) Mr. Fan will endeavour to attend relevant training and familiarise himself with the Listing Rules and duties required for a company secretary of an overseas issuer [**REDACTED**] on the Stock Exchange, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Listing Rules organised by our Company's Hong Kong legal advisors on an invitation basis and seminars organised by the Stock Exchange for overseas issuers from time to time;

(ii) Ms. Chan, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules and has been appointed as a company secretary of our Company, will assist Mr. Fan in matters concerning the duties and responsibilities of company secretary throughout the period of three years commencing from the [**REDACTED**] (the "**Waiver Period**");

(iii) the waiver, if granted, can be revoked during the Waiver Period if Ms. Chan ceases to provide assistance to Mr. Fan or if there are material breaches of the Listing Rules by our Company;

(iv) Ms. Chan will work closely with Mr. Fan to jointly discharge the duties and responsibilities as joint company secretaries and assist Mr. Fan to acquire the relevant experience as required under Rule 3.28 of the Listing Rules;

(v) Mr. Fan, who has joined our Group since February 2019, has familiarised himself with the affairs of our Company. Mr. Fan will communicate regularly with Ms. Chan on matters relating to corporate governance, the Listing Rules as well as other laws and regulations which are relevant to our Company and its other affairs. Ms. Chan will work closely with, and provide assistance to, Mr. Fan in the discharge of his duties as company secretary;

(vi) Mr. Fan will also be assisted by the compliance advisor and the Hong Kong legal advisors of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning our Company's ongoing compliance obligations under the Listing Rules and the applicable laws and regulations; and

(vii) upon expiry of the initial three-year period, the qualifications of Mr. Fan will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied. In the event that Mr. Fan has obtained relevant experience under Rules 3.28 and 8.17 of the Listing Rules at the end of the said initial three-year period, the joint company secretaries arrangement would no longer be necessary.

Please see "Directors and Senior Management" in this document for further details.

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Zhao Yongkai (趙永凱)	No. 50-6, No. 366 Baige Road Machikou town Changping District Beijing PRC	Chinese
Ms. Xu Xu (徐旭)	No. 202, Unit 3, Building No. 12 Yilin Jiayuan Chaoyang District Beijing PRC	Chinese
Dr. Chen Haoyang (陳昊陽)	No. 402, Unit 1, 21/F No. 100 West Fourth Ring Middle Road Fengtai District Beijing PRC	Chinese
Mr. Lu Jizhong (盧繼忠)	Room 401, No. 5, Lane 88 Fenxi Road Jing'an District Shanghai PRC	Chinese
Mr. Feng Yu (馮宇)	No. 501, Unit 1, Building No. 28 No. 100 West Fourth Ring Middle Road Fengtai District Beijing PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Chan Hok Leung (陳學良)	Flat C, 13/F, Block A Ning Yeung Terrace 78 Bonham Road Sai Ying Pun Hong Kong	Chinese
Ms. Liu Shuang (劉爽)	No. 1-2203 Gaoxin South Ring Road Chun Haian Yaju Nanshan District Shenzhen Guangdong Province PRC	Chinese
Dr. Guo Wei (郭衛)	Room 2201, 6/F Yuxin Garden Xisanqi Haidian District Beijing PRC	Chinese

For the biographies and other relevant information of the Directors, please see "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CMB International Capital Limited** 45th Floor, Champion Tower 3 Garden Road Central Hong Kong

[**REDACTED**]

Legal Advisors to the Company	*as to Hong Kong laws:* **Eric Chow & Co. in Association with Commerce & Finance Law Offices** 3401, Alexandra House 18 Chater Road Central Hong Kong *as to the PRC law:* **Commerce and Finance Law Offices** 12-14th Floor, China World Office 2, No. 1 Jianguomenwai Avenue Beijing China *as to Cayman Islands law:* **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Legal Advisors to the Sole Sponsor and [REDACTED]	*as to Hong Kong and United States laws:* **O'Melveny & Myers** 31/F, AIA Central 1 Connaught Road Central Hong Kong *as to the PRC law:* **Jingtian & Gongcheng** 34/F, Tower 3, China Central Place, 77 Jianguo Road Beijing China

Auditors and Reporting Accountants	**KPMG** Certified Public Accountants 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Independent Industry Consultant	**Frost & Sullivan** Room 2504 Wheelock Square 1717 Nanjing West Road Jing'an District Shanghai China

[**REDACTED**]

CORPORATE INFORMATION

Registered Office in the Cayman Islands	**Osiris International Cayman Limited** Suite #4-210, Governors Square 23 Lime Tree Bay Avenue PO Box 32311 Grand Cayman KY1-1209 Cayman Islands
Corporate headquarters	Room 1505 Yinzuo Harmony Plaza Office Building No. 68 Wanfeng Road Fengtai District Beijing China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Company Website	**www.bayzedhealthcare.com**
Joint Company Secretaries	**Mr. Fan Kunkun (范坤坤)** Room 1407, Building 4 District 1, Lianyi Garden Fengtai District, Beijing **Ms. Chan Sze Ting (陳詩婷)** 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	**Mr. Zhao Yongkai (趙永凱)** No. 50-6 No. 366 Baige Road Machikou town Changping District Beijing PRC **Ms. Chan Sze Ting (陳詩婷)** 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong

CORPORATE INFORMATION

Nomination Committee	**Mr. Zhao Yongkai (趙永凱)** No. 50-6 No. 366 Baige Road Machikou town Changping District Beijing PRC
	Mr. Chan Hok Leung (陳學良) Flat C, 13/F, Block A Ning Yeung Terrace 78 Bonham Road Sai Ying Pun Hong Kong
	Ms. Liu Shuang (劉爽) No. 1-2203 Gaoxin South Ring Road Chun Haian Yaju Nanshan District Shenzhen Guangdong Province PRC
Audit Committee	**Mr. Chan Hok Leung (陳學良)** Flat C, 13/F, Block A Ning Yeung Terrace 78 Bonham Road Sai Ying Pun Hong Kong
	Dr. Guo Wei (郭衛) Room 2201, 6/F Yuxin Garden Xisanqi Haidian District Beijing PRC
	Ms. Liu Shuang (劉爽) No. 1-2203 Gaoxin South Ring Road Chun Haian Yaju Nanshan District Shenzhen Guangdong Province PRC

Remuneration Committee	**Ms. Liu Shuang (劉爽)** No. 1-2203 Gaoxin South Ring Road Chun Haian Yaju Nanshan District Shenzhen Guangdong Province PRC
	Mr. Zhao Yongkai (趙永凱) No. 50-6 No. 366 Baige Road Machikou town Changping District Beijing PRC
	Mr. Chan Hok Leung (陳學良) Flat C, 13/F, Block A Ning Yeung Terrace 78 Bonham Road Sai Ying Pun Hong Kong

[**REDACTED**]

Compliance Advisor	**Caitong International Capital Co., Limited** Unit 2401-05 24/F, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	**Bank of China** Tianjin Dagang Branch No. 153 Yongming Road Binhai New Area Tianjin PRC
	China Merchants Bank Beijing Lize Financial Business District Branch 43/F, Block A Pingan Xingfu Center No. 24 Yard Lize Street Fengtai District Beijing PRC

Certain information and statistics set out in this section and elsewhere in this document have been derived from various government publications, market data providers and other Independent Third Party sources. In addition, certain information and statistics set forth in this section and elsewhere in this document have been derived from an industry report commissioned by us and independently prepared by Frost & Sullivan in connection with the [**REDACTED**]*, or the Industry Report. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information or statistics false or misleading. None of our Company, the Sole Sponsor, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**], [**REDACTED**]*, or any other party involved in the* [**REDACTED**] *(except for Frost & Sullivan) or their respective directors, advisors and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**]*, the* [**REDACTED**], [**REDACTED**]*, or any other party involved in the* [**REDACTED**] *(except for Frost & Sullivan) or their respective directors, advisors and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this document. For the above reasons, information contained in this section should not be unduly relied upon.*

SOURCE AND RELIABILITY OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the Chinese private hospitals with focus on full-cycle oncology healthcare services and oncology healthcare service market for use in this document. Founded in 1961, Frost & Sullivan provides, among others, market research on a variety of industries. The information from Frost & Sullivan disclosed in the document is extracted from the Industry Report, a report commissioned by us for a fee of RMB500,000, and is disclosed with the consent of Frost & Sullivan.

In compiling and preparing the Industry Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent's information and views against those of others: (i) secondary research, which involved reviewing published sources including national statistics, annual reports of [**REDACTED**] companies, industry reports and data based on Frost & Sullivan's own research database; and (ii) primary research, which involved in-depth interviews with the industry participants.

Frost & Sullivan also adopted the following primary assumptions while making projections on the macroeconomic environment, the overall healthcare service market, the overall oncology healthcare service market, and various segment markets in China:

- China's economy is expected to grow at a steady rate with the support of favorable government policies, among other factors;
- China's proportion of elderly population in its total population continues to grow;
- no material changes in government policies in relation to the oncology healthcare service market in China; and
- in addition to macroeconomic factors, certain industry drivers, including but not limited to the increasing healthcare expenditure in disposable income, increasing awareness of health, and increasing prevalence of chronic disease, are likely to drive demand in the forecast period.

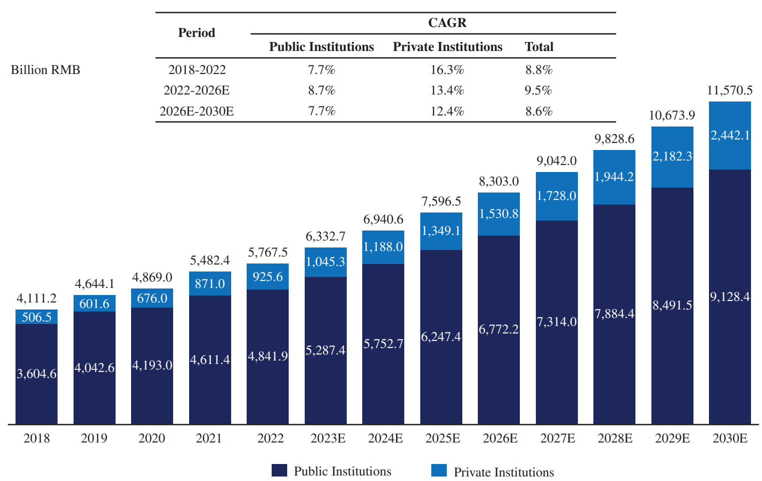
Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Industry Report. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period. Our Directors confirm that there is no material adverse change in the overall market information since the date of the Industry Report that would materially qualify, contradict or have an impact on such data and forecasts.

OVERVIEW OF THE HEALTHCARE SERVICE MARKET IN CHINA

Driven by an increasing aging population and rising public health awareness, the healthcare market in China has experienced rapid growth in terms of total and per capita expenditure. On the one hand, the total healthcare expenditure in China has grown from RMB5,912.2 billion in 2018 to RMB8,484.7 billion in 2022 at a CAGR of 9.5%, and it is forecasted that the total healthcare expenditure in China will grow to RMB11,826.9 billion in 2026 at a CAGR of 8.7% and further to RMB15,116.3 billion at a CAGR of 6.3% in 2030.

In terms of revenue, the revenue of private healthcare institutions in China grew significantly at a CAGR of 16.3% from RMB506.5 billion in 2018 to RMB925.6 billion in 2022. It is forecasted that the figure will grow at a CAGR of 13.4% (versus 8.7%, being the CAGR of the public healthcare institutions) from 2022 to 2026 and 12.4% (versus 7.7%, being the CAGR of the public healthcare institutions) from 2026 to 2030, and will reach RMB1,530.8 billion by 2026 and RMB2,442.1 billion by 2030. Although public healthcare institutions currently dominate China's healthcare services, private institutions in China are expected to make increasingly more important contributions to the overall market growth.

Revenue of Healthcare Institutions in China – Public and Private Institutions, 2018-2030E

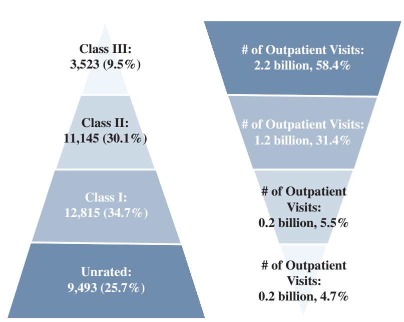


Note: Private institutions include those that are private as well as those jointly operated by public entities and private entities.

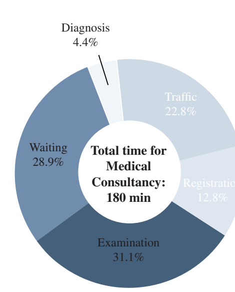
Source: NHC, Frost & Sullivan analysis

The medical resources in the PRC are concentrated in large Class-III hospitals and patients also preferentially seek healthcare services in large hospitals whether they have a cancer or a cold, which leads to the severe inversion of medical resources and diagnosis demands. Due to the scarcity of medical resources in China, the effective diagnosis time among the total time consumption in diagnosis process only accounts for 4.4% (i.e. 8 minutes). The diagrams below illustrate the severe inversion of medical resources and diagnosis demands and the time structure for medical consultancy in China in 2022:

Severe Inversion of Medical Resource and Diagnosis Demand, 2022



Time Structure for a Diagnosis Process, 2022

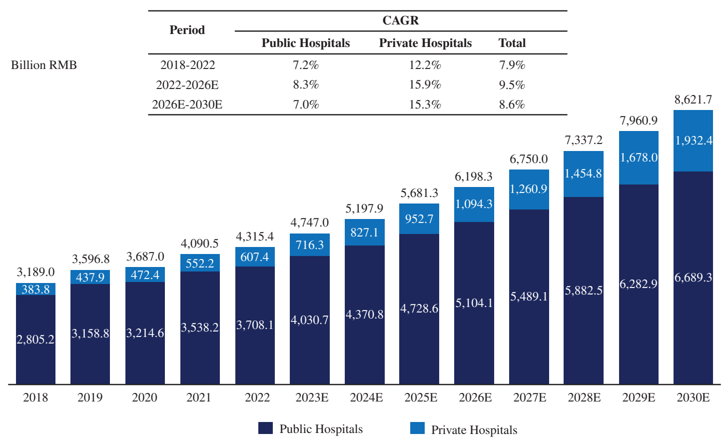


Source: NHC, Frost & Sullivan analysis

PRIVATE HOSPITAL MARKET IN CHINA

According to the China Health Statistics Yearbook, the hospitals in China can be divided into public hospitals and private hospitals by ownership. Public hospitals are state-owned, while private hospitals are owned by independent companies or individuals. In terms of the revenue of all hospitals in China, the private hospital segment is growing at a faster rate than the public hospital segment. The revenue of private hospitals has increased from RMB383.8 billion in 2018 to RMB607.4 billion in 2022 at a CAGR of 12.2%. During the same period, the revenue of public hospitals has only increased from RMB2,805.2 billion to RMB3,708.1 billion at a CAGR of 7.2%. It is forecasted that the revenue of private hospitals will further increase to RMB1,094.3 billion in 2026 at a CAGR of 15.9% and to RMB1,932.4 billion in 2030 at a CAGR of 15.3%.

Revenue of Hospitals in China, 2018-2030E

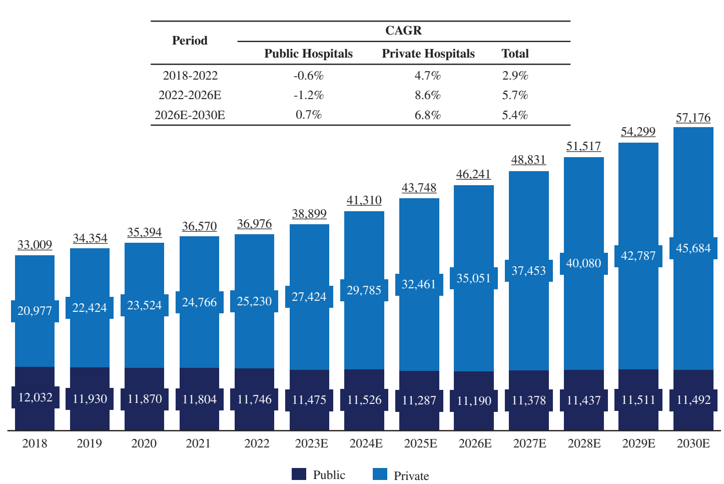


Note: Private hospitals include those that are private as well as those jointly operated by public entities and private entities.

Source: NHC, Frost & Sullivan analysis

From 2018 to 2022, the total number of hospitals in China increased from 33,009 to 36,976, with a CAGR of 2.9%. With growing demand for healthcare services in China, the number of hospitals is estimated to increase to 46,241 in 2026, with a CAGR of 5.7% from 2022. Meanwhile, private hospital has experienced a rapid growth, increasing from 20,977 in 2018 to 25,230 in 2022, showing a CAGR of 8.6%, and it is estimated that the number of private hospitals will continue to grow rapidly in the future. However, the number of public hospitals decreased from 2018 to 2022 and is estimated to continue to decrease in the future.

Number of Hospitals in China, 2018-2030E



Note: Private hospitals include those that are private as well as those jointly operated by public entities and private entities.

Source: NHC, Frost & Sullivan analysis

ONCOLOGY HEALTHCARE SERVICE MARKET IN CHINA

Features of the Oncology Healthcare Service Industry in China

The main features of the oncology healthcare service industry in China include the following:

- ***Low rate of screening and early detection of cancer.*** In China, the number of new oncology patients keeps increasing. The therapeutic efficacy of cancer is related to the time of diagnosis. If tumors can be detected early, monitored and treated in time, the five-year survival rate will be greatly improved. At present, the five-year survival rate in China is only about 40.5%, which is much lower than that of the United States, which is around 67.1%, mainly resulting from the insufficient awareness of prevention for cancer and low rate of screening and early detection of cancer.

- ***Shortage and uneven distribution of cancer medical resources.*** China's cancer medical resources are unevenly distributed, where high-quality medical resources are concentrated in the first-tier cities, and medical resources in the second-, the third-tier and other low-tier cities are relatively scarce. For example, the number and advanced degree of radiotherapy equipment is significantly higher in developed cities than in underdeveloped cities. At the same time, compared with developed countries, China's oncology medical resources are short-handed. The number of radiotherapy machines per million people was around one to two in China, much lower than that of the United States.

- ***Public hospitals place more attention on treatment, but not screening and rehabilitation.*** Public hospitals are generally undertaking more oncology healthcare service needs in China. However, these hospitals mainly focus on oncology treatment, but usually allocate less medical resources into the cancer screening and post-treatment rehabilitation. This contributes to the fact that many of the patients are diagnosed at later stage of tumor and miss the best treatment window. On the other hand, the physical and mental health of the patients after oncology treatment, which affects the quality of life of patients, are also under shortage of professional staff and facilities.

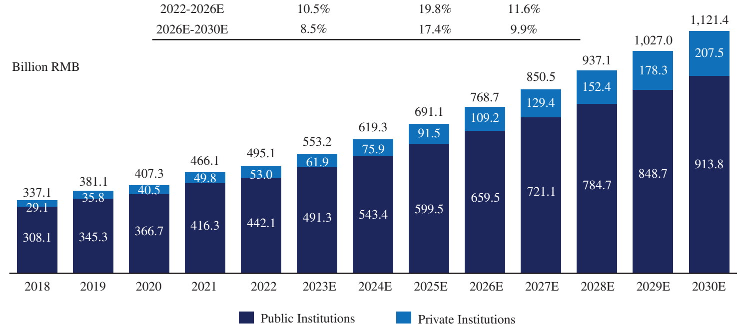
- ***Long treatment cycle and heavy burden.*** Due to the lack of screening and early detection of cancer, many oncology patients are diagnosed at late stage of cancer, the treatments are usually more complicated and requires longer hospital stay. Besides, due to the unevenly distributed medical resources, patients usually need to be transferred to hospitals in other cities with better treatment facilities and more skilled medical professionals, which results in higher treatment cost and a heavy financial burden on the patients.

Market Growth

The market size of China's oncology healthcare service market in terms of revenue increased from RMB337.1 billion in 2018 to RMB495.1 billion in 2022, with a CAGR of 10.1%. With the growing demand and improving access for oncology treatment, the market size of China's oncology healthcare service market in terms of revenue is projected to reach RMB768.7 billion in 2026, growing at a CAGR of 11.6% from 2022 to 2026. Meanwhile, the market size of China's oncology healthcare service market in terms of revenue will reach RMB109.2 billion in 2026, growing at a CAGR of 19.8% from 2022 to 2026. The market size of China's oncology healthcare service market in terms of revenue will continue to grow from RMB768.7 billion in 2026 to RMB1,121.4 billion in 2030, with the private sector growing from RMB109.2 billion to RMB207.5 billion for the same period.

Oncology Revenue of Healthcare Institutions in China, 2018-2030E

Period	CAGR		
	Public Institutions	Private Institutions	Total
2018-2022	9.4%	16.2%	10.1%
2022-2026E	10.5%	19.8%	11.6%
2026E-2030E	8.5%	17.4%	9.9%



Note: Private Institutions include those that are private as well as those jointly operated by public entities and private entities.

Source: NHC, Frost & Sullivan analysis

Entry Barriers of the Oncology Healthcare Service Market

Those who wish to enter the oncology healthcare service market face the following five major entry barriers:

- ***Abundant capital.*** New entrants who wish to enter oncology healthcare service industry need to have sufficient capital. Tumor detection and treatment usually require high-end and sophisticated equipment, which cost millions or even tens of millions. New entrants need to invest a lot to buy diagnostic and therapeutic equipment. Oncology hospitals also need to hire professional doctors and nurses to improve the level of treatment and accumulate brand awareness in the industry.

  Moreover, oncology medical institutions need to maintain continuing investment in order to construct their academic research platform, train their personnel and build up marketing channels. Therefore, new entrants have to prepare an abundant amount of capital from the very beginning to support the operations of their oncology healthcare service businesses.

- ***Seasoned talents.*** The oncology healthcare service professionals in China are currently scarce, and talents are still concentrated in public hospitals out of consideration of factors, such as resources and career development. In addition, since oncology treatment often requires multidisciplinary experts, medical institutions also need to strengthen the development of other disciplines to support the oncology treatment for their patients. Oncology medical institutions need to undergo long research periods and clinical practice in order to cultivate medical teams of high competence. Therefore, new entrants will be confronted with difficulties in recruiting and retaining excellent talents.

- ***Brand reputation and customer acquisition.*** Cancer is a severe disease, which can cause death, and oncology patients are therefore usually very cautious when choosing the hospitals to go to, with the reputation of doctors and hospitals being the key factor considered. It also takes a long time to build up a hospital's reputation before that hospital can have a stable flow of patients. It can be difficult for new entrants to establish a good brand reputation in a short period of time.

- ***Licenses for conducting radiotherapy.*** Radiotherapy treatments for cancer require a high standard of hospital operation environment due to safety and compliance concerns. The Provisions on the Administration of Radiological Diagnosis and Treatment (《放射診療管理規定》), which was issued by the National Health and Family Planning Commission of China, impose on the hospitals requirements of conducting radiotherapy treatments in relation to the operation room, radiotherapy equipment, standard of medical professionals as well as the need to obtain the relevant licenses, such as the Radiation Treatment License (放射診療許可證) from the relevant provincial authorities.

In May 2018, the NHC and NMPA introduced a large-scale medical equipment quota in the Circular on Issuing the Administrative Measures for Allocation allocation and Use of Large-scale Medical Equipment (for Trial Implementation). It indicates that the quota of large-scale medical equipment in China is allocated based on regional demand, such as linear accelerator, which makes it more difficult to apply for a radiotherapy equipment license.

- ***Professional management.*** Hospital management can be challenging in many aspects, which include but not limited to financial planning, customer acquisition, supply of medical devices and medical professional team-building. Therefore, a management team with rich relative experiences, proven operating system, efficient decision-making process, and great vision are essential for the success of the hospital.

PRIVATE ONCOLOGY SPECIALIST HOSPITALS IN CHINA

In China, private oncology medical institutions generally consist of private comprehensive hospitals with oncology departments and private oncology specialist hospitals. Many private comprehensive hospitals set oncology departments as key departments, and they generally rely on their ability to provide personalized and comprehensive healthcare services to compete with public hospitals.

Advantages of Private Oncology Specialist Hospitals

Private oncology specialist hospitals enjoy the following four major advantages:

- ***Flexible management system and service.*** Private hospitals are originally developed in the form of enterprises and are generally managed like an enterprise, so they can more easily adapt to market developments and can make timely adjustments to their service contents and prices according to the actual needs of the patients and changes in the healthcare service market. Private oncology specialist hospitals usually have a higher doctor-patient ratio, and they can improve the patient treatment experience by offering faster access to medical resources and high-end personalized care.

- ***Alternative pharmaceuticals and equipment.*** Public hospitals tend to provide pharmaceuticals produced by manufacturers, which won the bidding process, and doctors in public hospitals have to prescribe those pharmaceuticals in order to meet the quantity commitment. However, patients in private oncology specialist hospitals have access to pharmaceuticals, which cannot be procured by public hospitals. Meanwhile, with the capital provided by the investors, some private oncology specialist hospitals can equip themselves with more advanced large-scale oncology diagnosis and treatment equipment, such as proton therapy.

- ***Advanced training system for radiation oncology physicists.*** Public hospitals focus on training general practitioners through measures, such as clinical rotation and professional training. Private oncology specialist hospitals, which operates under a flexible management system, can establish a reasonable distribution system according to their own conditions and the market environment. For example, some private oncology specialist hospitals in China have introduced advanced training system from top specialized hospitals from other parts of the world to train their professionals working in radiation oncology.

- ***Full-cycle oncology healthcare services.*** The complete full-cycle oncology healthcare services usually cover cancer screening, oncology diagnosis, oncology treatment and oncology rehabilitation. Traditional public hospital usually focus on oncology diagnosis and treatment, but lack the resources and facilities for cancer screening and oncology rehabilitation. Private hospitals are more flexible in terms of management systems and department arrangement, and can fulfill the unmet demand of cancer screening and oncology rehabilitation. For example, some private healthcare groups, including our Group, are building a full-cycle oncology healthcare services covering each step from cancer screening to oncology rehabilitation services, providing tailored on-stop service for oncology patients.

Growth Drivers

The private oncology specialist hospitals in private oncology healthcare service market in China could potentially benefit from the following five major growth drivers:

- ***Increasing oncology patients and huge market demand***. It is expected that the accelerating ageing trend, prolonged life expectancy and prevalence of chronic diseases will further increase the demand for healthcare services in China. The number of new incident cases of cancers has increased from 4.3 million in 2018 to 4.8 million in 2022 at a CAGR of 2.9%. The huge demand for oncology healthcare services originates from the increasing number of oncology patients.

  However, China's oncology medical resources are still in short supply, and the use of beds has also been maintained at an overload level for a long time. The continuous release of oncology healthcare services demands will drive more social funds and medical resources into the market, which will enhance the development of the oncology healthcare service market.

- ***Uneven distribution of oncology medical resources.*** China's oncology healthcare service market is characterized by a shortage of medical resources and uneven geographical distribution. China's current oncology medical resources are mainly concentrated in the first- and the second-tier cities, while the medical resources in the third-tier and other cities with large populations and pool of patients are in short supply.

  Many patients can only go to the first- and the second-tier cities for treatment, resulting in large hospitals being overcrowded and causing inconvenience to patients. As oncology healthcare service market continues getting investments from social capital, the non-first-tier cities markets will be able to receive more funds and resources to meet the rising healthcare services needs, leading to a rapid development in the oncology healthcare service market.

- ***Continuous advancement of technology.*** With the development of science and technology, many new oncology treatment technologies have emerged. Such developments have led to creation of more individualized and precise treatment plans, which could be tailormade in accordance with the characteristics of the patients and improve the five-year survival rate. Taking radiotherapy technology as an example, in recent years, radiotherapy has adopted computer technology and medical imaging technology to achieve a more precise blow to the tumor and to better protect the normal tissues of the human body while killing the tumor cells. The continuous advancement of technology will promote a rapid development of China's oncology healthcare service market.

- ***Increasing income level of residents and expanding coverage of medical insurance.*** According to the National Bureau of Statistics of China, China's per capita disposable income increased from RMB28,228 in 2018 to RMB36,883 in 2022 at a CAGR of 6.9%. With an improving income level, more people are able to afford the cost of oncology diagnosis and treatment. Meanwhile, along with the rapid development of commercial medical insurance, the areas covered by medical insurance have been further enlarged. Commercial insurance companies have started to pay more attention to critical diseases, such as cancer, and have launched vast amount of new insurance types. The expanding coverage of medical insurance will further increase the affordability of patients in China.

- ***Incentive policies made by the PRC Government.*** The PRC Government has launched a good number of policies since 2009, which encourage social forces to focus on specialized healthcare services, and such policies have created a batch of healthcare service institutions with a high-quality brand in the specialized fields, such as oncology. With the implementation of such policies, the number of private oncology specialist hospitals has increased from 42 in 2009 to 76 in 2021. The private oncology healthcare service market, with more incentive polices launched in the future, is expected to face a fast growth.

Future Trends

The private oncology specialist hospitals in private oncology healthcare service market in China could potentially face the following five major future trends:

- ***Private hospitals playing a more important role.*** Currently, public hospitals still dominate the oncology healthcare service market, but they are often overcrowded and have difficulties meeting existing demands due to the growing number of patients. Private hospitals enjoy the advantage of having a flexible management mechanism and a higher quality of service. With the incentive policies implemented by the PRC Government and sustained improvement in the level of healthcare services, it is expected that an increasing number of patients will turn to private institutions for diagnosis and treatment.

- ***Popularity of the multidisciplinary treatment model.*** Oncology treatment can be rather complex, and unidisciplinary treatment therapy simply cannot meet the treatment needs of complicated oncology patients. However, the multidisciplinary treatment model, which consists of a fixed working group composed of doctors from any related disciplines, can propose a more systematic and comprehensive therapy that is more suitable for the oncology patients.

  In light of the fact that the PRC Government will implement more policies catered for multidisciplinary treatment and that hospitals will perform multidisciplinary treatment in a more advanced and mature fashion, it is expected that the multidisciplinary treatment will become more popular in the future.

- ***Full-cycle management of cancerous disease.*** Full-cycle management can maximize the benefits of the treatment and overall health management for patients, which will, in turn, attract further attention and implementation. In addition, medical institutions can also apply the data collected to improve the efficiency and accuracy of the treatments.

- ***Patient flow generated by cancer early screening.*** With the increasing health awareness and the development of cancer screening technology, the penetration of early screening service will continue to increase among high-risk and healthy population. It is expected that institutions, which have integrated medical resources as well as cancer diagnosis-level screening capabilities would be able to generate steady and continuous flow of patients through the provision of cancer screening service.

- ***Constantly expanding competitive advantage.*** Oncology-related disciplines usually have strong profitability and have therefore attracted attention from social capital. With the current policy adjustment of the PRC Government, the policy of private oncology institutions in the allocation of large-scale medical instruments in relation to oncology is gradually relaxed. Combined with the rapid influx of capital, private hospitals will be able to equip themselves with more advanced diagnosis and treatment equipment more quickly than public hospitals. In addition, medical talents are more willing to work in private hospitals as private hospitals have more advantages in salary setting.

CANCER SCREENING

Cancer screening is the use of a clinical test on at-risk individuals. Cancer can be prevented or more likely cured if the risks could be detected at early or precancerous stages. Therefore, effective cancer screening tests deliver clinical value, economic value, and social value. Costs for oncology treatment are generally lower when the cancer is detected at an earlier stage or identified at the precancerous stage. Late detection of cancer leads to significantly higher treatment cost and higher mortality rate, which could become a significant economic and social burden. Early detection of cancers generally allows for the option of surgical resection rather than pharmaceutical treatment, or the use of standard, the first-line pharmaceuticals rather than the more expensive, experimental regimens. Precancerous lesions identified by cancer screening can generally be surgically removed, thereby preventing the occurrence of cancer altogether.

It is well-recognized that cancer screening is generally correlated with a higher survival rate. The screening and early detection of cancer rate in China is still low, and it is one of the reasons why the overall five-year survival rate in China, which is approximately 40.5%, lags far behind, for example, the United States, which is approximately 67.1%.

It is evidenced that cancer screening is effective in increasing the five-year survival rate. For example, for colorectum, cervix and breast cancers, the five-year relative survival rates at early stage are over 80%, and for all selected cancer types, the five-year relative survival rates at advanced stage decline significantly compared with those at early stage.

Cancer screening services are generally provided by four types of institutions, namely screening and early detection of cancer and prevention center, private medical examination institution, private hospital physical examination center, and public hospital physical examination center, and each of them has its own features.

Institution type	Whether diagnostic level service available	Target clients	Whether integrated medical report analysis service available	Medical resources	Unified clients databased
Screening and Early Detection of Cancer and Prevention Center	Yes, oncology specialist analysis report can be given directly, and clients can be directed to oncology specialist hospitals for subsequent treatment	Healthy people with high-risk influencing factors for tumors and low-risk healthy people with high concern on oncology	Yes, detailed and professional medical report analysis service	High-quality medical resources from oncology specialist hospitals	Enabling data for the screening and early detection of cancer with the capability of lateral correlation by unified database across different centers based on patients' consent
Private Medical Examination Institution	No, potential clients need to go to hospital to confirm	Usually limited to clients who visit to conduct physical examination	Usually available for high-value clients	Mixed level of expertise	Enabling data lateral correlation by unified database of chained examination center
Private Hospital Physical Examination Center	No, clients need to visit the oncology department of hospital to confirm diagnosis	Usually limited to clients who visit to conduct physical examination	Usually available for high-value clients	Mixed level of expertise	Usually not shared across different hospitals
Public Hospital Physical Examination Center	No, clients need to visit the oncology department of hospital to confirm diagnosis	Usually limited to clients who visit to conduct physical examination	Limited service due to staff shortness	Reliable medical professionals	Usually shared among some hospitals in the same area

Source: Frost & Sullivan analysis

Indeed, the number of preventative healthcare visits made in China was generally in a rising trend from 2017 to 2021. The number has increased from 406.1 million in 2017 to 548.7 million in 2021 at a CAGR of 7.8%. In terms of the cancer screening market, the cancer screening revenue of private healthcare institutions increased from RMB0.8 billion in 2018 to RMB2.3 billion in 2022.

CANCER SCREENING SERVICES OF PRIVATE HEALTHCARE INSTITUTIONS IN CHINA

Cancer screening service revenue of private healthcare institutions in China increased at a CAGR of 29.3% from 2018 to 2022, pushing the figure from RMB0.8 billion in 2018 to RMB2.3 billion in 2022. With the issuance of favorable policies on promoting screening and early detection of cancer, such as "Healthy China Initiative – Implementation Plan for Cancer

Prevention and Control (2019-2022)", and the increasing awareness of the population on benefits of screening and early detection of cancer, together with the establishment and expansion of novel cancer screening institutions such as screening and early detection of cancer centers, the cancer screening service revenue of private healthcare institutions in China is forecasted to grow at a high speed from 2022 to 2026, reaching RMB7.5 billion in 2026 with a CAGR of 34.1%, and RMB19.3 billion in 2030 with a CAGR of 26.5%.

Among all private oncology healthcare groups in China, we ranked the first in terms of the number of screening and early detection of cancer centers as of December 31, 2022. All our In-network Hospitals had established their screening and early detection of cancer centers save for Taiyuan Wanbailin District Peace Community Health Service Center at the end of 2022.

Among all private oncology healthcare groups in China, we ranked the third in 2022 in terms of the cancer screening revenue.

Rankings by Cancer Screening* Revenue of Self-owned Hospitals in China, 2022

Ranking	Company	Cancer Screening Revenue
		(RMB'000'000)
1	Company A	59.5
2	Company B	23.5
3	Our Group	15.0
4	Company C	13.0
5	Company D	11.8
6	Company E	6.9

* cancer screening services include screening and early detection of cancer services and diagnosis services.

Source: Frost & Sullivan analysis

AN OVERVIEW OF MAIN TREATMENT METHODS FOR CANCER

There are six major treatment methods for cancer, which include:

- ***Surgery:*** a procedure in which a surgeon removes cancer from a patient's body;
- ***Minimally invasive interventional therapy:*** an oncology treatment that encompasses surgical techniques that limit the size of incisions needed, thereby reducing wound healing time, associated pain and risk of infection;
- ***Radiotherapy:*** an oncology treatment that uses high doses of radiation to kill cancer cells and shrink tumors;
- ***Chemotherapy:*** a category of oncology treatment that uses one or more anti-cancer cytotoxic agents;
- ***Targeted therapy:*** an oncology treatment that targets the changes in cancer cells that help them grow, divide, and spread; and
- ***Immunotherapy:*** an oncology treatment applies biological agent to induce the patients' own immune system to fight cancer.

ONCOLOGY REHABILITATION SERVICES OF PRIVATE HEALTHCARE INSTITUTIONS IN CHINA

Oncology rehabilitation service revenue of private healthcare institutions in China increased at a CAGR of 30.1% from 2018 to 2022, pushing the figure from RMB0.8 billion in 2018 to RMB2.3 billion in 2022. With the implementation of favorable policies including "Notice on Printing and Distributing Opinions on Accelerating the Development of Rehabilitation Medical Work", and the increasing income level of residents and expanding coverage of medical insurance, the oncology rehabilitation service revenue of private healthcare institutions in China is forecasted to grow at a high speed from 2022 to 2026, reaching RMB8.5 billion in 2026 with a CAGR of 39.4%, and RMB23.7 billion in 2030 with a CAGR of 29.1%.

Among all private oncology healthcare groups in China, we ranked the fourth in 2022 in terms of the oncology rehabilitation revenue.

Rankings by Oncology Rehabilitation Revenue of Self-owned Hospitals in China, 2022

Ranking	Company	Oncology Rehabilitation Revenue
		(RMB'000'000)
1	Company B	110.0
2	Company A	59.0
3	Company D	37.6
4	Our Group	26.5
5	Company C	23.4
6	Company E	6.3

Source: Frost & Sullivan analysis

COMPETITIVE LANDSCAPE

China's private oncology healthcare service market is rather fragmented, and the top six players in the market only accounted for 6.7% in terms of revenue in 2022. Among all private oncology healthcare groups in China, we ranked the fifth in 2022 in terms of revenue.

Rankings by Total Oncology Revenue of Self-owned Hospitals in China, 2022

Ranking	Company	Total Oncology Revenue	Market Share of Oncology Revenue of Private Healthcare Institutions
		(million RMB)	
1	Company A	1,438.4	2.7%
2	Company B	1,010.0	1.9%
3	Company D	483.6	0.9%
4	Company C	248.3	0.5%
5	Our Group	242.7	0.5%
6	Company E	146.4	0.3%

Source: Frost & Sullivan analysis

Among all private oncology healthcare groups in China, we ranked the first in terms of the number of gastrointestinal endoscopy cases for the year ended December 31, 2022. The total number of gastrointestinal endoscopy cases in our In-network Hospitals was more than 25,000 for the year ended December 31, 2022.

Among all private oncology healthcare groups in China, we ranked the third in 2022 in terms of the number of self-owned hospitals with oncology services.

Rankings by Number of Self-owned Hospitals with Oncology Services in China, 2022

Ranking	Company	Number of Self-owned* Hospitals with Oncology Services
1	Company A	12
2	Company B	8
3	Our Group	6
4	Company E	4
5	Company C	3
5	Company D	3

Source: Frost & Sullivan analysis

* an institution is regarded as self-owned if the group owns more than 50% of its equity

OVERVIEW

Our business in the PRC is subject to oversight and regulations from the PRC Government. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

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: (i) improve the treatment guarantee mechanism; (ii) establish the robust and sustainable financing operation mechanism; (iii) establish the feasible and efficient medical insurance payment mechanism; and (iv) 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.

Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening Reform of the Medical and Healthcare System

The Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening Reform of the Medical and Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) (the "**Opinions**"), which was promulgated by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, advocates a range of measures to reform medical institutions in China and to establish a basic healthcare system covering urban and rural residents. The Opinions encourage social 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 social capital investment.

Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital

On November 26, 2010, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Forwarding the Opinions of the NDRC, the MOH and Other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構的意見》) (the "**Notice**"). The Notice sets out the following measures with respect to expanding the scope for social capital to set up medical institutions, including that social capital is encouraged and supported to establish various medical institutions. Social capital may, based on the purpose of its operations, independently set up for-profit medical institutions (the "**PMIs**") or not-for-profit medical institutions (the "**NMIs**"); priority shall be given to social capital when adjusting or increasing medical and health resources; reasonably determine the scope of practice for NMIs; foreign medical institutions, enterprises and other economic organizations are permitted to enter into equity joint ventures or contractual joint ventures with domestic medical institutions, enterprises and other economic organizations to build medical institutions and gradually remove the restrictions on percentage of stock ownership imposed on foreign capital. Simplifying and regulating the procedures for the examination and approval of hospitals run by foreign investors. The establishment of Sino-foreign joint venture and cooperative joint venture medical institutions shall be subject to the examination and approval of provincial health departments and commercial department. In addition, in order to further improve the practice environment for the establishment of medical institutions by social capital, the Notice also implements tax and pricing policies for non-profit medical institutions, access policies for the inclusion of service providers in the scope of medical insurance, policies for optimizing the employment environment and support policies for the purchase of large-scale medical equipment, as well as improving land policies for the NMIs.

Several Opinions on Accelerating the Development of Establishment Medical Institutions by Social Capitals

The Several Opinions on Accelerating the Development of Establishment 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 State Administration of Traditional Chinese Medicine (the "**SATCM**") on December 30, 2013, stipulates the policies to support the development of private-invested healthcare institutions, including but not limited to the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; (iii) acceleration of the approval procedures regarding the establishment and operation of private medical institutions; (iv) relaxation of requirements for the deployment and use of large-scale medical equipment in private hospitals; and (v) improvement of the support policies for the development of private hospitals in the areas of medical insurance and price control.

Guiding Opinions on Innovating the Investment and Financing Mechanisms in Key Areas and Encouraging Social Investment

On November 16, 2014, the Guiding Opinions 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 Opinions**") was promulgated by the State Council, which encourages the investment of social capital in certain key sectors. The 2014 Opinions 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 the NMIs and the exemption policies of administrative and institutional fees on the constructions of the NMIs, and half exemption policies of administrative and institutional fees on the constructions for the PMIs; 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.

Circular on Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Established by Social Capital

Circular on Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Established by Social Capital (《關於促進社會辦醫加快發展若干政策措施的通知》), which was promulgated by the General Office of the State Council on June 11, 2015 and came into effect on the same day, stipulates (i) the elimination and cancellation of unreasonable preceding items for examination and approval and the reduction in the time required for making such examination and approval; (ii) the reasonable control of the number and scale of the public medical institutions and the exploration of the space for development of the medical institutions invested by social capital; and (iii) the support for the listing and financing of such eligible and qualified PMIs invested by social capital.

The Circular on Issuing Guiding Principles for the Establishment and Planning of Medical Institutions (2021-2025)

The Circular on Issuing Guiding Principles for the Establishment and Planning of Medical Institutions (2021-2025) (《國家衛生健康委員會關於印發醫療機構設置規劃指導原則(2021-2025年)的通知》), which was promulgated by the NHC on January 12, 2022, encourages the establishment of medical institutions by social capital and stipulates no planning restrictions on the total number and space for establishment of medical institutions with social capital.

REGULATIONS ON THE ADMINISTRATION AND CATEGORIZATION OF MEDICAL INSTITUTIONS

Regulations on Administration of Medical Institutions and its Implementation Measures

The Regulations on Administration of Medical Institutions (《醫療機構管理條例》), which was promulgated on February 26, 1994 by the State Council and came into effect on September 1, 1994 and amended on February 6, 2016 and March 29, 2022 and the Implementation Measures of the Regulations on Administration of Medical Institutions (《醫療機構管理條例實施細則》), promulgated by the MOH on August 29, 1994 and came into effect on September 1, 1994 and last amended on February 21, 2017 by NHFPC, stipulate that any entity or individual that intends to establish a medical institution must comply with the relevant application and approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證). The Medical Institution Practicing Licenses shall not be fabricated, altered, sold, transferred or lent. Where a Medical Institution Practicing License is fabricated, altered, sold, transferred or lent in violation of this Law, the health department of the people's government at or above the county level shall order the violator to take corrective action, confiscate any illegal proceeds, and impose a fine of not less than five nor more than 15 times the illegal proceeds on it; if the amount of illegal proceeds is under RMB10,000, the fine shall be calculated based on illegal proceeds of RMB10,000; and if the circumstances are serious, the violator shall forfeit its Medical Institution Practicing License. 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 the relevant laws and regulations on health.

Administrative Measures for the Examination of Medical Institutions (for Trial Implementation)

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》) (the "**Administrative Measures for Examination**"), which was promulgated by the MOH and came into effect on June 15, 2009, stipulate that a medical institution's Medical Institution Practicing License (醫療機構執業許可證) is subject to periodic verifications by the registration authorities. For general hospitals, TCM hospitals, TCM and western medicine integrated hospitals, ethnomedicine hospitals and specialty hospitals, nursing homes, rehabilitation hospitals, maternity and child health care hospitals, emergency centers, clinical testing centers and specialty disease prevention and treatment institutions with more than 100 beds, validation period is three years; for other medical institutions, validation period is one year. If a medical institution fails to apply for verification within the prescribed time limit, still fails to apply for completing the verification procedures or fails to pass the verification again, the registration authority shall cancel its Medical Institution Practicing License.

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》), jointly promulgated by the MOH, SATCM, the MOF and NDRC on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as PMIs and NMIs, and NMIs is further divided into public NMIs and private NMIs. NMIs and PMIs shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate the PMIs. On the other hand, NMIs must comply with the pricing guidance for medical service stipulated by governments from time to time, and the rules and policies issued by the NHC and the MOF including Hospital Finance System and Hospital Accounting System. PMIs can distribute the profits to their investors as economic returns. Based on their marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services. In establishing internal control system, PMIs can apply the finance and accounting system and other policies suitable for corporate enterprise. The not-for-profit/for-profit status of a medical institution is decided based on the source of its investment and the nature of its business by the health administration and other relevant government authorities and such status is recorded in the registration files of such medical institution.

The Grading of Medical Institutions

The Basic Standard for Medical Institutions (For Trial Implementation) (《醫療機構基本標準(試行)》), which was promulgated by the MOH on September 2, 1994, amended on August 2, 2010, March 3, 2011 and December 5, 2011, Interim Measures for the Assessment of Hospitals (《醫院評審暫行辦法》), which was promulgated by the MOH on September 21, 2011 and the Measures for the Assessment of Medical Institutions (《醫療機構評審辦法》), which was promulgated by the MOH on July 21, 1995, stipulate that medical 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 Class-IIIA (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.

Law on the Promotion of Basic Medical Care, Hygiene and Health

Pursuant to the Law on the Promotion of Basic Medical Care, Hygiene and Health (《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, 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 adopts various measures to encourage and guide non-governmental sectors to establish medical and health institutions pursuant to the law, support and standardize cooperation on various types of medical operations, discipline development, personnel training between medical and health institutions established by non-governmental sectors and government-run medical and health institutions, etc. The law also stipulates that the government will take measures to encourage and guide social forces to organize medical and health-care institutions, and that such medical and health-care institutions will enjoy the same rights as government-organized medical and health-care institutions in a number of areas, such as the designation of basic medical insurance, scientific research and teaching, access to specific medical technologies, and the evaluation of medical and the titles of health-care personnel.

Administrative Measures for the Clinical Application of Medical Technologies

According to the Administrative Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》), which was promulgated by the NHC on August 13, 2018 and took effect on November 1, 2018, a negative management system is established for the clinical application of medical technologies. More specifically, those listed on the Negative List for Medical Technologies (《醫療技術負面清單》, the "**Negative List**") are deemed to be prohibited medical technologies and the clinical application of which is prohibited; certain medical technologies that are beyond the Negative List but possess certain prescribed characteristics are subject to strict record-filing management by the relevant health administrative department which require self-assessment of the medical technologies in question and submission of certain prescribed materials; and those medical technologies that are not categorized as prohibited or restricted medical technologies may be subject to clinical application by medical institutions according to their own functions, objectives, technical capabilities and so on and be strictly managed by the medical institutions themselves.

Interim Regulations on the Management of Registration for Private Non-enterprise Entities and Interim Measures for the Registration for Private Non-enterprise Entities

Interim Regulations on the Management of Registration for Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) promulgated and implemented by the State Council on October 25, 1998 and Interim Measures for the Registration for Private Non-enterprise Entities (《民辦非企業單位登記暫行辦法》) promulgated on December 28, 1999 and amended on December 27, 2010 by the Ministry of Civil Affairs provide that the establishment of private non-enterprise entities shall be subject to the review and approval of the competent authority for the activities that such entities engage in and be registered in accordance with relevant requirements. Such private non-enterprise entities may not engage in profit-making operational activities, and the income legally obtained from activities provided in the Articles of Association in compliance with the relevant requirements stipulated by the national government shall only be used in activities provided therein. Private non-enterprise entities shall specify in its draft Articles of Association or partnership agreement that the profit of the entities shall not be distributed, and the property shall not be privately divided upon disintegration. Particularly, the organizers of private non-enterprise entities have the right to supervise and the right to know according to the Articles of Association of such private non-enterprise entities, such as the right to appoint a council or a supervisor, to know about the operating and financial status, to access the minutes of councils meeting and the financial report of the entities. Such organizers' rights are roughly the same as shareholders' rights.

Provisions on the Administration of Radiological Diagnosis and Treatment

According to the Provisions on the Administration of Radiological Diagnosis and Treatment (《放射診療管理規定》), which were promulgated by the NHFPC on January 24, 2006, came into effect on March 1, 2006 and amended on January 19, 2016, medical institutions engaged in the radio diagnosis and radiotherapy shall be equipped with the conditions required for conducting radio diagnosis and radiotherapy, and apply for the Radiation Treatment License (放射診療許可證) issued by the competent health administrative authorities. After obtaining the Radiation Treatment License, medical institutions shall undertake registration of the relevant diagnosis and treatment subject with health administrative authorities, which issued the Medical Institution Practicing License. The Permit for Radiological Diagnosis and Treatment and the Practicing License for a Medical Institution shall be verified concurrently and testing reports on the performance of radiological diagnosis and treatment equipment and radiation work venues shall be submitted in applying for verification. A medical institution shall make emergency response plan for preventing and disposing radiation. A medical institution shall investigate and handle the incidents in a timely manner incidents if certain radiation incidents occur. Medical institutions that fail to obtain the Radiation Treatment License or carry out the registration of diagnosis and treatment subjects shall not carry out radiodiagnosis and radiotherapy. During the course of radiotherapy, medical institutions shall take protective measures in accordance with the applicable laws and regulations. Where a medical institution provides any services in relation to radiological diagnosis and treatment without obtaining a Radiation Treatment License, the health authority at or above the county level shall give it a warning and order it to make corrections within a prescribed time limit, and may impose a fine of less than RMB3,000 on it as the case may be; if the circumstance is serious, its Medical Institution Practicing License shall be revoked.

Regulations 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 Regulations on the Safety and Protection of Radioisotopes and Radiation-emitting Devices (《放射性同位素與射線裝置安全和防護條例》), which was promulgated by the State Council on September 14, 2005 and amended on July 29, 2014 and March 2, 2019, 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, amended on December 6, 2008, December 20, 2017, August 22, 2019 and January 4, 2021 by the Ministry of Environmental Protection and Ministry of Ecology and Environment respectively, any entity conducts activities of production, sale, and use of radioactive isotopes or radial equipment within the territory of the PRC shall obtain the Radiation Safety License (輻射安全許可證).

Regulations on the Control of Narcotic Drugs and Psychotropic Drugs

According to the Regulations on the Control of Narcotic Drugs and Psychotropic Drugs (《麻醉藥品和精神藥品管理條例》), which was promulgated by the State Council on August 3, 2005, amended on December 7, 2013 and February 6, 2016, any medical institution needs to use narcotic drugs and the psychotropic drugs of category I shall be subject to the approval of the relevant health authority, and obtain the seal card for purchasing narcotic drugs and the psychotropic drugs of category I (麻醉藥品、第一類精神藥品購用印鑒卡). For any narcotic drug or psychotropic drug which is needed for clinical use but with no supply in the market, if any medical institution which holds the license of preparations of medical institution and the seal card needs to prepare the preparations, it shall be subject to the approval of the department of drug supervision and administration of the people's government at the province, autonomous region, and municipality directly under the Central Government at its locality. The preparations of narcotic drugs and psychotropic drugs prepared by any medical institution may only be used in its own medical institution, and shall not be sold to others.

Administrative Measures for Food Operation Licensing and Record-filing

According to Administrative Measures for Food Operation Licensing and Record-filing (《食品經營許可和備案管理辦法》) which was promulgated on June 15, 2023 by SAMR and came into effect on December 1, 2023, a Food Operation License (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 PRC.

REGULATIONS ON PHARMACEUTICALS IN MEDICAL INSTITUTIONS AND MEDICAL DEVICES

Drug 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 effective on December 1, 2019, the Regulations for the Implementation of the Drug Administration Law (《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 CFDA and came into effect on October 11, 2011, medical institutions must purchase drugs from enterprises qualified to produce and deal in drugs. Drugs used by medical institutions must be purchased uniformly by special departments in accordance with the provisions, and other departments and medical staff members of medical institutions are forbidden to purchase drugs on their own. Medicinal products shall be imported at a port allowing the import of medicinal products, and enterprises importing medicinal products shall undergo recordation with the medicinal product regulatory department of the place where the port is located.

Regulations on Supervision and Administration of Medical Devices

In the PRC, medical devices are classified into three categories according to their risk levels. Class I medical devices means the medical devices with low risks, whose safety and effectiveness can be ensured through routine administration. Class II medical devices refer to the medical devices with moderate risks, which shall be strictly controlled and administered to ensure their safety and effectiveness. Class III medical devices refer to the medical devices with relatively high risks, which shall be strictly controlled and administered through special measures to ensure their safety and effectiveness. 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 and May 4, 2017 and February 9, 2021 and took effective on June 1, 2021, for Class I medical devices, the record-filing management shall be implemented, while for Class II and Class III devices, the registration management shall be implemented. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the relevant authority. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Operation License (醫療器械經營許可證).

Administrative Measures on the Deployment and Use of Large-scale Medical Equipment (For Trial Implementation)

According to the 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 the National Medical Products Administration on May 22, 2018 and came into effect on the same day, 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 (2018)

The Notice of the Issuance of Large-scale Medical Equipment Allocation and Management Catalogue (2018) (《關於發佈大型醫用設備配置許可管理目錄(2018年)的通知》) and 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 29, 2018 and March 3, 2023, stipulate the Category A and Category B of large-scale medical equipment.

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 Technical Services Licensing and Personnel Qualification of Maternal and Infant Healthcare (《母嬰保健專項技術服務許可及人員資格管理辦法》), which was promulgated by the 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 MEDICAL TESTING AND CLINICAL LABORATORIES

The Administration of Medical Institution Clinical Gene Amplification Test Laboratories

The Administration of Medical Institution Clinical Gene Amplification Test Laboratories (《醫療機構臨床基因擴增檢驗實驗室管理辦法》), which was promulgated by the MOH and became effective from December 6, 2010, stipulates that the health administration department at the provincial level is responsible for the supervision and administration of clinical gene amplification test laboratories of medical institutions within its respective governmental territory. A clinical gene amplification test laboratory shall register its clinical testing items with the health administration department at the provincial level after technical verification passed by the center for clinical laboratories at the provincial level. In the event that any clinical testing items conducted by any clinical gene amplification test laboratory exceed the scope of clinical testing items registered with the health administration department, or clinical testing reagents used by any clinical gene amplification test laboratory for clinical gene amplification test are not registered with the administrative department of health, such laboratory may potentially be required to suspend its business of clinical gene amplification testing.

Regulation on the Bio-safety Management of Pathogenic Microbe Labs

Bio-safety management of clinical laboratories of medical institutions shall comply with Regulation on the Bio-safety Management of Pathogenic Microbe Labs (《病原微生物實驗室生物安全管理條例》) which was promulgated by the State Council on November 12, 2004, amended on February 6, 2016 and March 19, 2018. Labs are classified into Level 1, Level 2, Level 3 and Level 4 in light of their pathogenic microbe bio-safety protection levels as well as in accordance with the national standards for the bio-safety of labs. Any entity newly builds, rebuilds or expands a Level 1 or 2 lab, shall file with the competent health department or veterinary department of the municipal government with districts. Level 3 and 4 labs that have been built and passed the national accreditation of laboratories shall be filed with the competent environmental protection department of the local people's government at the county level. No Level 1 or 2 lab may conduct experimental activities relating to highly pathogenic microbes. Where a Level 3 or 4 lab needs to conduct experimental activities relating to any highly pathogenic microbes or suspected highly pathogenic microbes, medical institutions report to the NHC or health authorities at the provincial level or above for approval.

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 Ministry of Human Resources and Social Security (the "**MHRSS**"), the price of healthcare services provided by non-public medical institutions to be set with reference to the market level. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-profit in nature shall set the price list for their healthcare services according to the National Standard Price List of Healthcare Services (《全國醫療服務價格項目規範》). For non-public medical institutions qualified to become designated medical institutions covered by medical insurance, they should be included as a designated service 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 Notice on the Pilot Scheme for Deepening the Reform of Medical Service Price (《關於<深化醫療服務價格改革試點方案>的通知》), 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.

Regulations on Medical Insurance and Medical Liability Insurance

According to the Interim Measures for the Administration of Medical Insurance Designated Medical Institutions and the Provision of Basic Medical Insurance for Urban Employees (《城鎮職工基本醫療保險定點醫療機構管理暫行辦法》), which was promulgated by the MOH, the Ministry of Labor and Social Security and the SATCM on May 11, 1999, and the Decision of the State Council on Canceling the First Batch of 62 Items Subject to Administrative Examination and Approval of Local Governments Designated by the Central Government (《國務院關於第一批取消62項中央指定地方實施行政審批事項的決定》), which was promulgated by the State Council on October 11, 2015 and the Guiding Opinions of the MHRSS on Improving the Management of Designated Medical Institutions and Pharmacies of Basic Medical Insurance through Agreements (《人力資源和社會保障部關於完善基本醫療保險定點醫藥機構協議管理的指導意見》) promulgated by MHRSS on December 2, 2015, and became effective on the same day, the license for qualifying a medical institution as a designated medical institution to provide medical service to urban employees with basic medical insurance was cancelled. Agencies and the medical institutions should strictly comply with the stipulations in the service agreement and perform the agreement seriously. The defaulting party shall be held liable to the violations of the agreement.

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 Groups standards suitable for China's medical service system and medical insurance management capabilities, and has launched a pilot program of paying by DRG in certain cities. The National Health Security Administration 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.

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 on Centralized Procurement

According to the Notice on Issuance of the Pilot Plan Regarding the Organization of Centralized Procurement and Use of Drugs by the State Council (《國務院辦公廳關於印發國家組織藥品集中採購和使用試點方案的通知》), which was promulgated by the State Council on January 1, 2019 and the Implementation Opinions on Region Expansion of the Organization of Centralized Procurement and Use of Drugs by the State Council (《關於國家組織藥品集中採購和使用試點擴大區域範圍的實施意見》), which was promulgated National Healthcare Security Administration, NHC and other relevant departments on September 25, 2019, the State Council planned to organize centralized procurement and the use of certain types of pilot drugs to lower drug prices, reduce patients' drug cost burden, and lower the transaction costs of pharmaceutical enterprises. On January 22, 2021, the State Council published an updated policy Opinion on Promoting the Normalization and Institutionalization of Centralized Volume-Based Procurement of Drugs (《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》) to provide additional details and clarification on the centralized procurement scheme. The scheme included an initial procurement scope covering drugs listed in the Drug Catalog for Basic Medical Insurance, which exhibited widespread usage and high procurement prices, with the goal of gradually expanding to additional drugs which are deemed to be clinical necessities with widespread demand. In principle, all holders of registration certificates of drugs falling under the scope of the centralized volume-based drug procurement and meet the requirements for the centralized volume-based drug procurement in terms of quality standards, production capacity, and supply stability, may participate in such procurement. In addition, all public medical institutions are required to participate in the centralized volume-based drug procurement.

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.

REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

The Law on Practicing Physicians of the People's Republic of China

Pursuant to the Law on Physicians of the People's Republic of China (《中華人民共和國醫師法》) promulgated by the SCNPC on August 20, 2021, became effective on March 1, 2022, medical physicians in the PRC must obtain licenses of medical professional qualifications. Anyone who has been awarded the qualifications as a medical physician may apply to the competent health department under the local people's government at or above the county level for registration. Physicians may, upon registration, work in medical and health institutions according to the registered place, category, and scope of business to engage in the corresponding medical and health services, while assistant practicing physicians should, under the supervision of practicing physicians, practice according to the registered categories and scope of practice at medical and health institutions. Physicians shall adhere to the principle of safe, effective, economical and reasonable medication, and rationally use drugs under the guiding principle of clinical application of drugs and the guidelines for clinical diagnosis and treatment, and according to the drug package inserts. Under special circumstances such as there is no effective or better treatment, after obtaining a patient's express informed consent, a doctor may give treatment by adopting the drug usage that is not specified in the drug package insert but has evidence-based medical evidence.

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 are not registered or have not obtained the Physician Practicing Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of practicing physicians include place of practice, type of registered specialty and scope of practice. The place of practice refers to the county and provincial administrative region of the medical, preventive and healthcare institutions where the physician is practicing. For practicing physician who wants to practice in multiple institutions within the same place of practice, he/she shall determine a specific institution as the main practicing institution, apply for registration with the competent health authority which approved the aforesaid institution's operation; as to other institutions where the practitioner is to practice, the practicing physician shall apply the record filing with the health authorities competent to approve the institutions' operation and indicate the name of the institutions.

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital and Several Opinions on Promoting and Standardizing Multi-Institution Practice of Medical Practitioners

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (《關於加快發展社會辦醫的若干意見》), promulgated on December 30, 2013 by the NHFPC and the SATCM, specifically stipulate that multi-institution practices of medical practitioners shall be permitted and relevant authorities should permit the orderly movements of the medical personnel among medical institutions of various sponsorships. The Several Opinions on Promoting and Standardizing Multi-Institution Practice of Medical Practitioners (《關於印發推進和規範醫師多點執業的若干意見的通知》), jointly issued by the NHFPC, the NDRC, the Ministry of Human Resources and Social Security, the SATCM and the China Insurance Regulatory Commission on November 5, 2014, stipulate that the clinical, dental and TCM practitioners are allowed to practice in multiple places. According to the Administrative Measures for the Registration of Practicing Physicians, for any other institution in which the medical practitioner intends to practice, such medical practitioner shall apply to the health administrative authority for approval on the practice of such institution for separate registration, in which the name of such institution shall be indicated. Physicians practicing in multiple locations should have intermediate or higher professional and technical qualifications, and should have been engaged in the same specialty for five years. Physicians practicing in medical institutions other than the first place of practice, the category of practice should be the same as the first place of practice, the scope of practice involves the same specialty as the first place of practice of the medical institutions of the second level of diagnosis and treatment subjects.

Regulations on Nurses

The Regulations on Nurses (《護士條例》), promulgated by the State Council on January 31, 2008 and came into effect on May 12, 2008 and amended on March 27, 2020, provide that a nurse must obtain a Nurse Practicing Certificate (護士執業證書), which is valid for five years. The number of nurses on duty at a medical institution shall not be less than the standard number as prescribed by the public health administrative authority of the State Council. Medical institutions shall be equipped with at least a sufficient number of nurses as specified by the health administrative department of the State Council; otherwise, the health administrative department of the local people's government at or above the county level shall order rectification within a specified period of time and give a warning. If it fails to do so, it shall reduce the number of diagnostic and therapeutic subjects and the number of nurses legally practicing in the medical and health institution, or suspend its practice for a period of not less than six 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 on January 8, 2021, nurses must register and obtain the Nurse Practicing Certificate before they practice nursing at the registered practicing place. Those who are not registered or have not obtained the Nurse Practicing Certificate are not allowed to engage in nursing activities regulated by medical treatment standards.

REGULATIONS ON MEDICAL INCIDENTS

Civil Code of the People's Republic of China

The Civil Code of the People's Republic of China (《中華人民共和國民法典》) promulgated on May 28, 2020 and effective from January 1, 2021, requires tortfeasor to assume the responsibilities of infringement if the civil interests of any people has been infringed. If a medical institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. A medical institution shall be presumed to be at fault under (i) violating laws, administrative regulations, rules or other applicable provisions on diagnosis and treatment practices; (ii) concealing or refusing to provide medical records relating to the dispute; or (iii) losing, forging, tampering with or illegally destroying medical records. If the medical personnel fail to perform diagnosis and treatment obligations corresponding to the prevailing medical standards in diagnosis and treatment activities and cause a patient suffer damage, the medical institution shall bear compensation liability. Medical institutions and their medical personnel should protect the privacy of their patients and will be liable for the damage caused by divulging the patients' private or medical records without consent.

Regulations on Handling Medical Malpractice

The Regulations on Handling Medical Malpractice (《醫療事故處理條例》), which was promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, and the Regulations for the Prevention and Handling of Medical Disputes (《醫療糾紛預防和處理條例》), which was promulgated on July 31, 2018 and came into effect on October 1, 2018, provides a legal framework and detailed provisions regarding the prevention, technical identification, disposition, supervision, compensation and penalties of medical malpractice. For the purpose of the Regulation, medical malpractice refers to an accident involving personal injury to patients caused by medical institutions or medical personnel due to malpractice as a result of violation of the laws, administrative regulations or departmental rules on medical and health administration, or of standards or procedures of medical treatment.

REGULATIONS ON INFORMATION SECURITY

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》) (the "**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.

The Cybersecurity Law also stipulates that (i) to collect and use personal information, network operators shall follow the principles of legality, rightfulness and necessity, disclose the rules for collection and use, explicitly indicate the purposes, means and scope of collecting and using information, and obtain the consent of the persons whose information is collected; (ii) network operators shall not collect personal information irrelevant to the services provided by them, shall not collect or use personal information in violation of the provisions of any law or administrative regulation or the agreement of both parties, and shall dispose of personal information preserved by them in accordance with the provisions of laws and administrative regulations and agreements with users; and (iii) network operators shall not divulge, tamper with or damage the personal information collected by them, and shall not provide personal information to any other person without the consent of the persons whose information is collected, except that the information has been processed in a manner that it is impossible to distinguish a specific person and it cannot be retraced.

The 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 propose the following key matters: (i) the CSRC is included as one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review working mechanism; (ii) the Internet 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; (iii) 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 Cybersecurity Review Measures; and (iv) furthermore, 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 conduct a review in accordance with the Cybersecurity Review Measures.

Regulations on the Administration of Network Data Security (Draft for Comments)

On November 14, 2021, the Regulations on the Administration of Network 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 applicable laws and regulations: (i) the merger, reorganization or division of Internet platform operators that have gathered a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) the data processor intends to be listed in Hong Kong, which affects or may affect the national security; and (iii) other data processing activities that affect or may affect national security.

Notice on Carrying out the Filing of Mobile Internet Applications

On July 21, 2023, the Ministry of Industry and Information Technology issued the Notice on Carrying out the Filing of Mobile Internet Applications (《關於開展移動互聯網應用程序備案工作的通知》), requiring APP operators engaged in Internet information services within the territory of the People's Republic of China to complete filing formalities in accordance with the Anti-Telecommunications Network Fraud Law of the People's Republic of China (《中華人民共和國反電信網絡詐騙法》) and the Measures for the Administration of Internet Information Services (《互聯網信息服務管理辦法》). App operators shall complete filing formalities with the provincial-level communications administration bureau where they are domiciled, and their network access service providers and app distribution platforms (including the distribution platforms of mini programs, quick applications and others) shall submit such applications online for inspection and review through the National Internet Basic Resources Management System.

Administrative Measures for the Cybersecurity of Medical and Healthcare Institution

On August 8, 2022, the NHC, National Administration of Traditional Chinese Medicine, 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 strengthening management of cyber security and data security, including but not limited to strengthening management of system development, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

REGULATIONS ON PERSONAL INFORMATION AND 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, effective from September 1, 2021, stipulates that relevant entities carrying out data processing activities should comply with laws and regulations to establish and improve the whole process data security management system in the process of data processing activities, strengthen risk monitoring mechanism, conduct regular risk assessments and report to the competent authorities.

Several Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》), which were promulgated by the MIIT on December 12, 2011 and came into effect on March 15, 2012, provides that an Internet information service provider may not collect information which is relevant to users and can serve to identify users independently or in combination with other information, or provide any such information to the third parties without such user's consent. Pursuant to the Several Provisions on Regulating the Market Order of Internet Information Services, Internet information service providers are required to, among others, (i) clearly inform the users of the method, content and purpose of the collection and processing of such users' personal information and may only collect such information necessary for the provision of its services; and (ii) properly store the users' personal information, and in case of any leak or possible leak of a user's personal information, Internet information service providers must take immediate remedial measures and, in severe circumstances, make an immediate report to the telecommunication administrative authority which approved the Internet information service licensing or record-filing.

In addition, the Cybersecurity Law provides that: (i) 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 telecommunication scope of collecting and using the personal information, and obtain the consent of the persons whose data is gathered; (ii) 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 scope of consent given by the persons whose data is gathered; and shall process personal information they have saved in accordance with the provisions of laws and administrative regulations and agreements reached with users; and (iii) 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, operators of critical information infrastructure generally shall, during their operations in the PRC, store within the territory of the PRC the personal information and important data collected and produced within the territory of the PRC.

Measures for Data Security Management in the Industrial and Information Technology Sector (Trial)

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 lifecycle 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, important 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 according to the identification criteria for important data and core data in industrial and information technology sector.

Notice on Further Improving the Service Capabilities of Mobile Internet Applications

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.

Measures for Data Cross-border Transfer Security Assessment

On July 7, 2022, the CAC promulgated the Measures for Data Cross-border Transfer Security Assessment (《數據出境安全評估辦法》), which became effective on September 1,2022. According to the Measures for Data Cross-border Transfer Security Assessment, where a data processor transfers data abroad, the data processor shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level when: (i) a data processor transfers important data abroad; (ii) a critical information infrastructure operator or a data processor processing the personal information of more than one million persons transfers personal information abroad; (iii) a data processor has provided a total of 100,000 persons' personal information or 10,000 persons' sensitive personal information to overseas since January 1 of the previous year, and (iv) other circumstances in which the data processor shall apply for a data cross-border transfer security assessment as stipulated by the CAC.

Provision on the Standard Contract on Cross-border Transfer of Personal Information

On February 22, 2023, the Provision on the Standard Contract on Cross-border Transfer of Personal Information (the "**Provisions on Standard Contract**") were promulgated by the CAC, which took effect on June 1, 2023. The provisions on Standard Contract attach the Standard Contract for cross-border transfer of personal information that could be used to satisfy one of the conditions for cross-border transfer of personal information under Article 38 of the Personal Information Protection Law.

Regulations on Promoting and Regulating Cross-border Data Flow

On March 22, 2024, the CAC promulgated the Regulations on Promoting and Regulating Cross-border Data Flow (hereinafter referred to as the "**New Data Outbound Regulations**"), which further clarified the implementation and connection of the existing data outbound security assessment, personal information cross-border standard contract and personal information protection certification regarding data outbound. Conditions for cross-border data flow is appropriately relaxed, and the scope of data cross-border transfer security assessment is appropriately narrowed. Among them, the two types of data outbound activity conditions that should be reported for data outbound security assessment are: (i) the operator of critical information infrastructure provides personal information or important data overseas and (ii) data processors other than critical information infrastructure operators provide important data overseas, or provide personal information of more than 1 million people (excluding sensitive personal information) or more than 10,000 sensitive personal information overseas since January 1 of the year.

Personal Information Protection Law of the PRC

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 subjects and regulate the processing activities of personal information. The Personal Information Protection Law stipulates certain important concepts with respect to personal information processing activities: (i) "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; (ii) "personal information processing activities" include the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information; and (iii) "personal information processor" refers to an organization or individual that independently determines the purpose and methods in the processing of personal information. The Personal Information Protection Law also stipulates the obligations in the circumstance of entrusting processing of personal information. Where a personal information processor entrusts others with the processing of personal information, (i) the personal information processor shall enter into an agreement with the entrusted party on substantial matters like purpose, method of entrusted processing, type of personal information and protection measures, as well as right to supervise the processing activities of the entrusted party; and (ii) the entrusted party shall process personal information strictly within the scope as agreed, and ensure the security of the personal information processed and assist the personal information processor to perform his legal obligations.

Decision on Strengthening the Protection of Online Information

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 on December 28, 2012 and came into effect on the same day, 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 on July 16, 2013 and came into effect on September 1, 2013, any collection and use of any user's personal information must be subject to the consent of the user, in a lawful and proper manner and following principle of minimality and necessity and shall not process personal information beyond the scope of agreed purpose and method. 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》) on March 12, 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 disagrees with the collection of unnecessary personal information.

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 list 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 "failing to expressly state the purpose, method and scope of collecting and using personal information."

Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests, etc.

The MIIT issued the Notice on the Further Special Rectification of App Infringing upon Users' Personal Rights and Interests (《關於開展縱深推進App侵害用戶權益專項整治行動的通知》) on July 22, 2020, which requires that certain conducts of app service providers should be rectified, including, among others, (i) collecting or using personal information without the user's consent, collecting or using personal information beyond the necessary scope of providing services, and forcing users to receive personalized advertisements; (ii) requesting user's permission in a compulsory and frequent manner, or excessively request system permission or frequently launching the third-parties Apps; and (iii) deceiving and misleading users into downloading Apps or providing personal information. It also sets forth the rectification period and the MIIT will order the non-compliant entities to complete the rectification within five business days, or otherwise the MIIT will make public announcement, remove the apps from the app stores or impose other administrative penalties.

Pursuant to the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案（九)》), issued by the SCNPC on August 29, 2015, which became effective in November 1, 2015, persons who sell or provide personal information of citizens to others in violation of relevant national provisions, in serious circumstances, shall be subject to criminal penalty. In addition, on May 8, 2017, the Supreme People's Court and the Supreme People's Procuratorate issued the Interpretations on Several Issues Concerning the Application of Law in the Handling of Criminal Cases Involving Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》), which became effective on June 1, 2017 and defines the scope of personal information under the Criminal Law of the PRC and clarifies other issues relevant to the criminal offense of infringement of personal information.

Pursuant to the Regulations for Medical Institutions on Medical Records Management (《醫療機構病歷管理規定》) jointly released by NHFPC and National Administration of Traditional Chinese Medicine on November 20, 2013, and effective from January 1, 2014, the medical institutions and medical practitioners shall strictly protect the privacy information of patients, and any leakage of patients' medical records for non-medical, non-teaching or non-research purposes is prohibited. The NHFPC released the Measures for Administration of Population Health Information (Trial) (《人口健康信息管理辦法（試行)》) on May 5, 2014, which refers population health information to the basic population information, medical and health service information and other population health information generated in the process of service provision and administration by medical, health and family planning service agencies at all levels and according to laws, regulations and their job responsibilities, and emphasizes that such information cannot be stored in offshore servers, and the responsible organizations shall not store population health information in hosting servers or renting servers deployed abroad. Pursuant to the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial) (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》), promulgated by the NHC on July 12, 2018, the medical institutions should establish relevant safety management systems, operation procedures 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 the secure and reliable servers within the territory of the PRC and shall not be provided overseas without safety assessment and review.

On February 22, 2023, the CAC promulgated Measures for the Standard Contract for Outbound Transfer of Personal Information (《個人信息出境標準合同辦法》), which came into effect on June 1, 2023. Pursuant to Measures for the Standard Contract for Outbound Transfer of Personal Information, personal information processor transferring personal information abroad shall conclude Standard Contract if satisfy all the following conditions: (1) the data processor who intends to transfer personal information abroad is not a critical information infrastructure operator; (2) the data processor processes personal information of less than one million individuals; (3) the data processor has cumulatively transferred abroad the personal information of less than 100,000 individuals since January 1 of the previous year; and (4) the data processor has cumulatively transferred abroad the sensitive personal information of less than 10,000 individuals since January 1 of the previous year.

On August 3, 2023, the CAC published the Administrative Measures for the Compliance Audit of Personal Information Protection (Draft for Comments) (《個人信息保護合規審計管理辦法(徵求意見稿)》), which is open for public consultations until September 2, 2023. According to the Administrative Measures for the Compliance Audit of Personal Information Protection (the "**Draft for Comments**"), the term "compliance audit of personal information protection" refers to the supervision activities that review and evaluate whether the personal information processing activities by personal information processors comply with laws and administrative regulations. And personal information processors that process the personal information of more than 1 million individuals shall carry out the compliance audit of personal information protection at least once a year, other personal information processors shall conduct the compliance audit of personal information protection at least once every two years.

REGULATIONS ON MEDICAL ADVERTISEMENT

Advertisement Law of the PRC

The Advertisement Law of the PRC (《中華人民共和國廣告法》) (the "**Advertisement Law**"), which was promulgated by the SCNPC on October 27, 1994 and came into effect on February 1, 1995 and last amended on April 29, 2021, provides that advertisements shall not contain false statements and be deceitful or misleading to consumers. Advertisements legally required to receive censorship, including those that are relating to medical treatment, pharmaceuticals and medical equipment, shall be reviewed by relevant authorities in accordance with applicable rules before being published.

Measures for the Administration of Internet Advertisement

The Measures for the Administration of Internet Advertisement (《互聯網廣告管理辦法》), which was promulgated by the State Administration for Market Regulation (the "**SAMR**") on February 25, 2023 and came into effect on May 1, 2023, provides that Internet advertisement shall be identifiable and clearly identified as an "advertisement" so that consumers will identify it is as such. Paid search advertisements shall be clearly distinguished from natural search results. It is prohibited to publish advertisements for prescription drugs and tobaccos via the Internet. No advertisement of any medical treatment, medicines, foods for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to review by advertisement examination authorities as stipulated by laws and regulations shall be released unless it has passed such examination.

Administrative Measures on Medical Advertisement

The Administrative Measures on Medical Advertisement (《醫療廣告管理辦法》), jointly promulgated by the SAIC and the MOH on September 27, 1993, took effect on December 1, 1993, amended on November 10, 2006 and came into effect on January 1, 2007, require that medical advertisements shall be reviewed by relevant health authorities and obtain a Medical Advertisement Examination Certificate (醫療廣告審查證明) before they may be released by a medical institution. Medical Advertisement Examination Certificate has an effective term of one year and may be renewed upon application.

Circular on Further Strengthening the Management of Medical Advertisements

The provisions of the Circular on Further Strengthening the Management of Medical Advertisements (《關於進一步加強醫療廣告管理的通知》), issued by the MOH on July 17, 2008, stipulate that the Certificate of Examination of Medical Advertisements should be strictly examined, that a monitoring system for medical advertisements should be gradually established and perfected, and that penalties for unlawful medical advertisements should be increased.

REGULATIONS ON INTELLECTUAL PROPERTY RIGHTS

Trademark Law of the PRC and its Implementing Rules

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and subsequently amended in February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019 (the latest revised version became effective from November 1, 2019) and the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council on August 3, 2002 and amended on April 29, 2014 (the latest revised version became effective from May 1, 2014), registered trademarks including commodity trademarks, service marks, collective trademarks and certification marks, refer to trademarks that have been approved and registered by the Trademark Office. The trademark registrants shall enjoy the exclusive right to use the marks, which shall be protected by the law. Any natural person, legal person or other organization, intending to acquire the exclusive right to use a trademark for his/her/its goods or service in the course of their manufacturing and business activities, shall file an application for the registration of the trademark with the Trademark Office. The Trademark Office of the State Intellectual Property Office (SIPO) is responsible for handling the registration of trademarks. Registered trademarks are valid for 10 years, and may be renewed every 10 years if the validity period has expired and the trademark needs to continue to be used.

Patent Law of the PRC and its Implementing Rules

Pursuant 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 subsequently amended on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 (the latest revised version became effective from June 1, 2021) and the Implementation 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 Council on January 19, 1985 and last amended on January 9, 2010 (the latest revised version became effective from February 1, 2010, patents in China are divided into invention patent, utility patent and design patent. Invention patent refers to new technical solutions for a product, method or its improvement; utility patent refers to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use; design patent refers to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, the shape and pattern of a product with esthetic feeling and industrial application value. Invention patent shall be valid for 20 years from the date of application while utility patent shall be valid for ten years from the date of application and design patent shall be valid for fifteen years from the date of application. The patent right entitled to its owner shall be protected by the laws. Any person shall be licensed or authorized by the patent owner before using such patent. Otherwise, the use constitutes an infringement of the patent right.

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 Ministry of Industry and Information Technology (the "**MIIT**") on August 24, 2017 and became effective on November 1, 2017. According to The Administrative Measures for Internet Domain Names, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet protocol (IP) address of that computer. The principle of "first come, first serve" is for the domain name registration service.

Copyright Law of the PRC and Measures for the Registration of Computer Software Copyright

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 (the latest revised version became effective from June 1, 2021), 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 RELATED TO MEDICAL INSTITUTIONS

Environmental Protection Law of the PRC and Environmental Impact Assessment Law of the PRC

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

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

Administrative Measures for Pollutant Discharge Licensing

Administrative Measures for Pollutant Discharge Licensing (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, stipulate that the enterprises, public institutions and other production operators (hereinafter referred to as the "pollutant discharge entities") included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources shall apply for and obtain a pollutant discharge permit 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.

Pursuant to the Classified Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which was promulgated by the Ministry of Ecology and Environment on December 20, 2019 and became effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register with its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

Regulations on the Management of Medical Waste and the Implementation Measures of the Management of Medical Waste

The Regulations on the Management of Medical Waste (《醫療廢物管理條例》), promulgated by the State Council on June 16, 2003 and came into effect on the same day and further amended and came into effect on January 8, 2011, and the Implementation Measures for the Management of Medical Waste of Medical and Health Institutions (《醫療衛生機構醫療廢物管理辦法》), promulgated by the MOH on October 15, 2003 and came into effect on the same day, stipulate that medical institutions must categorise the medical waste in accordance with the Classified Catalogue of Medical Waste (《醫療廢物分類目錄》) for management purpose and timely deliver medical waste to a medical waste disposal entity approved by the environmental protection administrative department at or above the county level for centralized disposal. The sewage generated by medical institutions and the excretion of the infectious patients or suspect infectious patients shall be strictly disinfected pursuant to the provisions of the state; and only after those wastes have met the discharge standards set forth by the state, may they be discharged into the sewage disposal system.

The Law of the People's Republic of China on Prevention and Control of Radioactive Pollution and the Regulations on the Safety Management of Radioactive Waste

Pursuant to The Law of the People's Republic of China on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) promulgated by the SCNPC on June 28, 2003 and became effective on October 1, 2003, stipulates that, an entity generating radioactive waste liquid must, in accordance with the requirements of the national standards on the prevention and control of radioactive pollution, dispose or store the radioactive waste liquid which shall not be discharged to the environment. An entity generating radioactive solid wastes shall, in accordance with the provisions of the competent administrative department of environmental protection under the State Council, deliver the radioactive solid wastes it generates to the entity disposing the radioactive solid wastes for disposition after having them treated, and shall assume the disposition expense.

In accordance with the Regulations on the Safety Management of Radioactive Waste (《放射性廢物安全管理條例》) which were promulgated by the State Council on December 20, 2011 and came into effect on March 1, 2012, China adopts the classified management of radioactive waste. According to the characteristics and the potential hazardous exposure of the human health and environment, radioactive wastes are divided into high-level radioactive waste, medium-level radioactive waste and low-level radioactive waste. Entities of utilization of nuclear technology shall conduct relevant treatment procedures of the liquid radioactive waste (which was generated but couldn't be discharged after purifications), and then transformed to solid radioactive waste. Entities of utilization of nuclear technology shall deliver disused radioactive sources and other solid radioactive wastes generated by them to any qualified entity for centralized storage, or to a solid radioactive waste disposing entity possessing the applicable licenses for disposal.

Regulations on Urban Drainage and Sewage Treatment

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which were promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with applicable rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with applicable rules.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Company Law of the People's Republic of China

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

Laws and Regulations in Relation to Foreign Investment

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**Foreign Investment Law**") was promulgated by the SCNPC on March 15, 2019 and became effective on January 1, 2020. According to the Foreign Investment Law, "foreign-invested enterprises" refers to enterprises that are wholly or partly invested by foreign investors and registered under the PRC law within China, and "foreign investment" refers to any foreign investor's direct or indirect investment activities in China, including: (i) establishing foreign-invested enterprises in China either individually or jointly with other investors; (ii) obtaining stock shares, equity shares, shares in properties or other similar interests of Chinese domestic enterprises; (iii) investing in new projects in China either individually or jointly with other investors; and (iv) investing through other methods provided by laws. "Pre-establishment national treatment" means the treatment accorded to foreign investors and their investments no less favorable to that accorded to domestic investors and their investments at the stage of investment access; and "negative list" as mentioned in the following paragraph means a special administrative measure for access of foreign investment in specific fields as imposed by the state. The state accords national treatment to foreign investment outside of the negative list. The negative list shall be issued by or with the approval of the State Council.

The Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》, the "**Implementing Regulation for the Foreign Investment Law**") was promulgated by the State Council on December 26, 2019 and became effective on January 1, 2020. And the Implementing Regulation of the Foreign Investment Law also set forth that foreign investors shall not invest in fields for which investment is prohibited by the Special Management Measures for Access of Foreign Investment (Negative List) (2021 Version) (《外商投資准入特別管理措施 (負面清單) (2021年版)》, the "**2021 Negative List**").

Investments by foreign investors in fields for which investment is restricted by the 2021 Negative List shall comply with the restrictive admission special administrative measures such as equity requirements, senior management personnel requirements etc. stipulated by the 2021 Negative List.

The 2021 Negative List, which was promulgated by the NDRC and MOFCOM on December 27, 2021 and came into effect on January 1, 2022, limited the joint venture and co-operation of medical institutions.

The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises

The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2018 Revision) (《外商投資企業設立及變更備案管理暫行辦法(2018年修正)》), which was promulgated by the MOFCOM on June 29, 2018 and implemented on June 30, 2018, set out the prescribed procedures for the establishment and modifications of foreign-invested enterprises which are not subject to the special management measures on admission as stipulated by the PRC to be filed for records with the delegated commerce authorities and specify the procedures and requirements for such filing in detail. Foreign-invested enterprises and their investors shall provide information for filing and completing the declaration form for filing application truthfully, accurately and completely according to such provisional measures without any false records, misleading statements or material omission. On January 1, 2020, the Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2018 Revision) was terminated and replaced by the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》).

The Measures on the Reporting of Foreign Investment Information

According to the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) which was jointly promulgated by the MOFCOM and the State Administration for Market Regulation on December 30, 2019 and became effective on January 1, 2020, foreign investors carrying out investment activities in China directly or indirectly shall submit investment information to the commerce administrative authorities pursuant to these measures. The investment information includes, among others, initial reports, change reports, deregistration reports and annual reports.

The Industry Catalogue for Guiding Foreign Investment and Provisions on Guiding Foreign Investment Direction

The Special Administrative Measures for Foreign Investment Entry (Negative List) (《外商投資準入特別管理措施（負面清單）》, " **Negative List**"), which was jointly promulgated by the Ministry of Commerce ("**MOFCOM**") and the National Development and Reform Commission ("**NDRC**") on June 28, 2018 and amended on June 30, 2019, June 23, 2020 and December 27, 2021, with the most recent version taking effect on January 1, 2022, replaces the Catalogue of Industries for Restriction of Foreign Investment (《限製外商投資產業目錄》, "**CRI-FI**") and Catalogue of Industries for Prohibition of Foreign Investment (《禁止外商投資產業目錄》, "**CIP-FI**") under the Foreign Investment Catalog, and 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: (i) encouraged projects, (ii) permitted projects, (iii) restricted projects, and (iv) 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. According to the current Foreign Investment Catalogue, foreign investment in medical institutions shall be restricted to the form of joint venture or Sino-foreign cooperation.

Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions and its Supplementary Provisions

The Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), which was jointly promulgated by the MOH and the Ministry of Foreign Trade and Economic Cooperation on May 15, 2000 and came into effect on July 1, 2000, and its Supplementary Provisions allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors

The Provisions on Foreign-funded Mergers and Acquisitions of Domestic Enterprises (《關於外國投資者併購境內企業的規定》,the "**M&A Rules**") was promulgated jointly by the MOFCOM, the SASAC, the SAT, the CSRC, and the SAFE on August 8, 2006 and became effective on September 8, 2006 and was amended and became effective on June 22, 2009, when (i) a foreign investor purchases the equity interest of an enterprise in the PRC other than a foreign-invested enterprise; or (ii) increases the capital of a domestic enterprise, and thus converting such domestic enterprise into a foreign-invested enterprise; or (iii) a foreign investor establishes a foreign-invested enterprise in the PRC for operating assets purchased from a domestic enterprise; or (iv) a foreign investor purchase assets from a domestic enterprise and uses this asset to invest and establish a foreign-invested enterprise and operate such assets, the foreign investors shall obtain the necessary approval. Where a domestic company, enterprise or natural person intends to take over his/her/its related domestic company through an offshore company which he/she/it lawfully established or controls, the takeover shall be subject to the examination and approval of the MOFCOM.

According to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》), issued by the MOFCOM on December 18, 2008 and became effective on the same day, for foreign-invested enterprises already established, the transfer of equity from a Chinese party to a foreign party is not subject to the M&A Rules, whether or not there is a relationship between the two parties, or whether the foreign party is an original shareholder or a new investor. Under the M&A Rules, the target company of merger and acquisition only includes domestic enterprises.

REGULATIONS ON LEASING HOUSING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), which was promulgated by the SCNPC on July 5, 1994, took effect on January 1, 1995 and last amended on August 26, 2019 (the latest revised version became effective from January 1, 2020), lessors and lessees are required to enter into a written lease contract, containing such provisions as the term of the lease, the use of the premises, liability for rent and repair, and other rights and obligations of both parties. Pursuant to Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development on December 1, 2010 and came into effect on February 1, 2011, the lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with competent authority, otherwise individuals or organizations who violate the provision shall be ordered to make correction within a stipulated period. Where the individual or organization failed to make correction within the stipulated period, a fine shall be imposed.

REGULATIONS ON EMPLOYMENT AND SOCIAL SECURITY

Labor Law of the PRC

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994 and became effective on January 1, 1995, last amended on December 29, 2018 and came into effect on the same date, an employer shall establish a comprehensive management system to safeguard the rights of its employees, including developing and improving its labor safety and health system, stringently implementing national protocols and standards on labor safety and health, conducting labor safety and health education for workers, guarding against labor accidents and reducing occupational hazards. An employer must provide employees with the necessary labor protection equipment that comply with labor safety and health conditions stipulated under national regulations, as well as provide regular check-ups for workers that engage in operations with occupational hazards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

Labor Contract Law of the PRC and its Implementation Regulations

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007 and became effective 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 of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated and became effective on September 18, 2008, regulate employer and employee relations and contain specific provisions on the terms of the labor contract. Labor contracts must be made in writing. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Employers in most cases are also required to provide severance payment to their employees after their employment relationships are terminated. In addition, if an employer intends to enforce a non-compete provision in an employment contract or non-competition agreement with an employee, it has to compensate the employee on a monthly basis during the term of the restriction period after the termination or expiry of the labor contract.

REGULATIONS ON SUPERVISION OVER THE SOCIAL SECURITY AND HOUSING FUNDS

Pursuant to the Social Insurance Law of the PRC (《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, the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in China are required by the PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government at locations where they operate their businesses or where they are located.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated by the State Council and last amended on March 24, 2019, employers are required to contribute to housing provident funds for the benefit of their employees.

REGULATIONS ON TAXATION

Enterprise Income Tax

According to the EIT Law, which was promulgated by the NPC on March 16, 2007 and came into effect on January 1, 2008, and further amended on February 24, 2017 and December 29, 2018, and the Implementation Regulations on the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the "**PRC EIT Rules**"), which was promulgated by the State Council on December 6, 2007 and came into effect on January 1, 2008 and revised on April 23, 2019, the tax rate for both domestic-funded enterprises and foreign-invested enterprises is 25%. Under the EIT Law and the PRC EIT Rules, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Enterprises established outside the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" and subject to the uniform 25% PRC EIT rate for their global income. According to the PRC EIT Rules, a "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. Dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises shall be tax-free income.

The EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. The PRC EIT Rules provide that after January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-resident enterprise investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with such establishment or place of business, to the extent such dividends are derived from source within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between the PRC and the jurisdiction in which the non-resident enterprise investors is located if the non-resident enterprise investor is determined by the competent PRC tax authority to have satisfied relevant conditions and requirements.

The Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the "**SAT Circular 7**") was issued by the SAT on February 3, 2015 and last amended on December 29, 2017, provides comprehensive guidelines heightening the PRC tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets, including assets of organizations and premises in the PRC, immovable property in the PRC, equity investments in the PRC resident enterprises. On October 17, 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得稅源泉扣繳有關問題的公告》), which took effect on December 1, 2017 and amended on June 15, 2018, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income.

Under the SAT Circular 7 and the Law of the People's Republic of China on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》), which was promulgated by the SCNPC on September 4, 1992 and amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation.

Value-added Tax

The Interim Provisions on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and last amended on November 19, 2017, and the Implementing Rules of the Interim Provisions on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》), promulgated by the MOF and became effective on December 25, 1993, and last amended on October 28, 2011, set out that all taxpayers selling goods or providing processing, repairing or replacement services and importing goods in the PRC shall pay a value-added tax. The tax rate for taxpayers engaging in the sales of goods, labour services, tangible movables lease services or the importation of goods shall be 17% unless otherwise stipulated.

According to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and the SAT on November 16, 2011, the government launched gradual taxation reforms starting from January 1, 2012, whereby it collected value-added tax in lieu of business tax on a trial basis in regions and industries showing strong economic performance, such as transportation and certain modern service industries.

Furthermore, according to the Circular 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 by the MOF and the SAT on March 23, 2016 and became effective on May 1, 2016, further amended on April 1, 2019 and July 1, 2017, all business tax payers in consumer service industry shall pay value-added tax in lieu of business tax from May 1, 2016 and the medical service provided by the medical institution could be the exempted from value-added tax.

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 applicable provisions.

Tax Treaties

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Tax Treaty**") entered into between Mainland China and HKSAR on August 21, 2006, if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities.

Pursuant to the Notice of the SAT on the Issues concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the SAT and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements for enjoying a lower withholding tax rate under a tax treaty. Pursuant to the Administrative Measures for Tax Treaty Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which was promulgated by the SAT on August 27, 2015 and amended on June 15, 2018, and further replaced by the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈<非居民納稅人享受協定待遇管理辦法>的公告》), which took effect on January 1, 2020, any non-resident taxpayer satisfying the conditions for enjoying the tax treaty treatment may be entitled to the tax treaty treatment on its own when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

The Announcement of the SAT on Issues Relating to "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) issued by the SAT on February 3, 2018 and came into effect on April 1, 2018, provides that the "beneficial owner" shall mean a person who has the ownership and control over the income and the rights and property from which the income is derived. When an individual who is a resident of the treaty counterparty derive dividend income from the PRC, the individual may be determined as a "beneficial owner."

REGULATIONS ON FOREIGN EXCHANGE CONTROL

The Regulations on the Control of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and amended on January 14, 1997 and August 5, 2008, set out that foreign exchange receipts of domestic institutions or individuals may be transferred to China or deposited abroad and that the SAFE shall specify the conditions for transfer to China or depositing overseas and other requirements in accordance with the international receipts, payments status and requirements of foreign exchange control. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaged in the settlement or sale of foreign exchange. Domestic institutions or individuals that make direct investments abroad, are engaged in the distribution, sale of valuable securities or derivative products overseas should register according to the SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with relevant authorities shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

The Regulations on the Administration of the Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the People's Bank of China on June 20, 1996 and came into effect on July 1, 1996, provides that foreign exchange receipts under the current account of foreign-invested enterprises may be retained to the fullest extent specified by the foreign exchange bureau. Any portion in excess of such amount shall be sold to a designated foreign exchange bank or through a foreign exchange swap center.

On March 30, 2015, the SAFE promulgated Notice on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which came into effect on June 1, 2015 and was amended on December 12, 2019 and March 3, 2023. According to the Circular 19, the foreign exchange capital of FIEs shall be subject to the discretional foreign exchange settlement (the "**Discretional Foreign Exchange Settlement**") and its proportion is temporarily determined as 100%. Furthermore, the Circular 19 stipulates that the use of capital by FIEs shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of an FIE and capital in RMB obtained by the FIE from foreign exchange settlement shall not be used for certain purposes as prescribed in the Circular 19. On June 9, 2016, the SAFE promulgated the Circular on Reforming and Regulating Policies on the Management of the Settlement of Foreign Exchange of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which unifies policies on discretionary settlement of foreign exchange receipts under capital accounts of domestic institutions.

The Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**Circular 37**"), which was issued and effected on July 4, 2014, provides that the PRC residents shall register with the SAFE and its local branches 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. Following the initial registration, any change of basic information such as individual shareholder, name and term of operation or upon capital increase or deduction, share transfer or swap, merger or division and other significant change, shall report to the SAFE for foreign exchange alteration of the registration formality for offshore investment in time.

The Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued on February 13, 2015 and effected on June 1, 2015, further amended on December 30, 2019, provides that the PRC residents may register with qualified banks instead of the SAFE in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

The Notice of the SAFE on the Relevant Issues Concerning the Administration of Foreign Exchange for Domestic Individuals' Participation in Equity Incentive Programs of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) which was promulgated by the SAFE on February 15, 2012 and came into effect on the same date, a PRC citizen who participates in the equity incentive plan of an overseas listed company or an individual who participates in such plan and has resided in China for a consecutive period of not less than one year, shall go through relevant procedures with the SAFE or its local counterpart, through a qualified PRC agent (which could be a PRC subsidiary of the overseas listed company), save for a few exceptions. A signing participant shall appoint an overseas trustee to handle matters in relation to their exercise of share options, purchase and sale of corresponding shares or interests, and transfer of funds. In addition, in case of any major change of the equity incentive plan, the PRC agent or overseas trustee or other major changes, the PRC agent shall register the change with the SAFE in respect of the equity incentive plan. The PRC agent shall, on behalf of a PRC resident who has the right to exercise the employee share option, apply to the SAFE or its local counterpart for an annual quota for foreign exchange payment with respect to foreign currency payment in relation to exercise by the PRC resident of the employee share option. Foreign exchange earnings obtained by a PRC resident from sale of shares according to the equity incentive plan and the dividend distributed by an overseas listed company shall be remitted to a bank account opened by the PRC agent in China prior to distribution to the PRC resident.

REGULATIONS ON OVERSEAS [REDACTED]

The Opinions on Strictly Scrutinizing 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 issued by the PRC governmental authorities on July 6, 2021. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas [**REDACTED**] by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

The 2021 Negative List was jointly issued by the National Development and Reform Commission and the MOFCOM on December 27, 2021 and became effective on January 1, 2022. Pursuant to that, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas [**REDACTED**], it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company's operation and management, and their shareholding percentage shall be subject, *mutatis mutandis*, to the applicable regulations on the domestic securities investments by foreign investors.

A set of regulations consisting of six documents, including the Trial Administrative Measures of Overseas Securities Offering and [**REDACTED**] by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), (the **"Trial Measures"**), and five supporting guidelines (5項配套指引) (collectively, the **"Filing Measures"**) was released by the CSRC on February 17, 2023 and came into effect on March 31, 2023. The Filing Measures establishes a new filing-based regime to regulate overseas [**REDACTED**] by domestic companies. According to the Filing Measures, the overseas [**REDACTED**] by a domestic company, whether directly or indirectly, shall be filed with the CSRC. The overseas [**REDACTED**] shall be considered as an indirect overseas [**REDACTED**] by a domestic enterprise, if the issuer meets both of the following conditions: (i) the operating revenue, gross profit, total assets, or net assets of the domestic operating entities in the most recent fiscal year accounts more than 50% of the relevant line item in the issuer's audited consolidated financial statement for that year; and (ii) the business operation is mainly carried out in the PRC or the main places of business are located in the PRC, or senior management personnel responsible for business operations and management are mostly the PRC citizens or are ordinarily resident in the PRC. The determination of an indirect [**REDACTED**] will be conducted on a "substance over form" basis.

According to the Trial Measures, an overseas [**REDACTED**] is prohibited under any of the following circumstances: (i) if the intended securities [**REDACTED**] is specifically prohibited by laws, regulations and applicable provisions; (ii) if the intended securities [**REDACTED**] constitutes endangers to national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy; (iv) if the domestic enterprise is under investigation according to law for suspected crimes or major violations of laws and regulations, but no clear conclusions have been reached; or (v) if there are material ownership disputes over the equity held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

The Filing Measures, among others, require the issuer or its main operational entity in the PRC to: (i) file with the CSRC for its initial [**REDACTED**] within three working days after the submission of [**REDACTED**] application documents outside mainland China; (ii) file with the CSRC for its follow-on securities [**REDACTED**] in the same offshore market within three working days after the completion of such [**REDACTED**]; (iii) file with the CSRC for its [**REDACTED**] in offshore stock market other than the stock market of its initial [**REDACTED**] within three working days after the submission of [**REDACTED**] outside mainland China; and (iv) report material events to the CSRC within three working days after the occurrence and announcement of such events, including, among others, the change of control, investigation or penalties imposed by relevant authorities, the conversion of [**REDACTED**] status or the transfer of [**REDACTED**] board.

Furthermore, non-compliance with the Trial Measures or an overseas [**REDACTED**] completed in breach of the Trial Measures may result in (i) relevant domestic companies being required to correct the illegal behavior, and a warning and a fine of RMB1 million to RMB10 million imposed on the them; and (ii) a warning and a fine of RMB500,000 to RMB5,000,000 being imposed on the directly responsible supervisors and other directly responsible person. And if the controlling shareholder or actual controller of the domestic enterprise organizes or incites the aforesaid illegal acts, a fine of RMB1 million to RMB10 million shall be imposed on them, and a fine of RMB500,000 to RMB5,000,000 shall be imposed on the directly responsible supervisors and other directly responsible person.

The Revised Provisions on Strengthening Confidentiality and Archives Management of Overseas Securities Issuance and [**REDACTED**] by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the **"Confidentiality and Archives Management Provisions"**), was jointly promulgated by the CSRC and other relevant governmental authorities on February 24, 2023 and came into effect on March 31, 2023. Such provisions supersede the previous Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities [**REDACTED**]. According to the Confidentiality and Archives Management Provisions, domestic companies, whether [**REDACTED**] securities overseas directly or indirectly, must strictly abide by the applicable laws and regulations, enhance the sense of confidentiality, improve the archives management system, and take necessary measures to implement the confidentiality and archive management responsibilities when providing or publicly disclosing, either directly or through their overseas listed entities, documents and materials to securities services providers such as securities companies and accounting firms or overseas regulators in the process of their overseas [**REDACTED**]. In the event that such documents or materials contain any information related to state secrets or governmental authorities work secrets, domestic companies must obtain the approval from competent governmental authorities according to the applicable laws, and file with the secrecy administrative department at the same level with the approving governmental authority; and in the event that such documents or materials, if divulged, will jeopardize national security or public interest, domestic companies should strictly fulfill relevant procedures stipulated by applicable laws and regulations. Furthermore, domestic companies should also provide a written statement about whether they have completed the approval or filing procedures as above when providing documents and materials to securities companies and securities service providers, and the securities companies and securities service providers should properly retain such written statements for inspection. Securities companies and securities service providers shall also fulfill the applicable legal procedures according to the Confidentiality and Archives Management Provisions when providing overseas regulatory institutions and other relevant institutions and individuals with documents or materials containing any state secrets or governmental authorities work secrets or other documents or materials that, if divulged, will jeopardize national security or public interest.

OVERVIEW

We are a leading oncology healthcare group that principally engages in the investment in, and provision of, medical and healthcare related services in the PRC. Our Company was incorporated in the Cayman Islands on December 9, 2021 as an exempted company with limited liability, following which we implemented a series of corporate restructurings and our Company became the holding company of our current business.

According to Frost and Sullivan, among all private oncology healthcare groups in the PRC, we ranked (i) the fifth in 2022 with corresponding market share of 0.5% in terms of oncology revenue of our self-owned hospitals for the year ended December 31, 2022; (ii) the first in terms of the number of screening and early detection of cancer centers as of December 31, 2022; and (iii) the first in terms of the number of gastrointestinal endoscopy cases for the year ended December 31, 2022. For details of our business development and corporate restructurings, please see "– Our Milestones" and "– Corporate Reorganization" in this section.

OUR MILESTONES

The following table sets out our major milestones in the development of our business to date:

Year	Event
2018	• We completed the acquisition of Western Beijing Cancer Hospital, a for-profit Class-II hospital specialized in oncology and our first principal operating hospital.
2019	• We completed the acquisition of Tianjin Nankai Jixing Hospital, a for-profit Class-I comprehensive hospital.
2019	• We established the Screening and Early Detection of Cancer and Prevention Center in Western Beijing Cancer Hospital, an early cancer screening base of Beijing Anti-Cancer Association in Beijing.
2019	• We entered into the investment cooperation agreement and acquired the predecessor of Taiyuan Peace Hospital (being a not-for-profit hospital at the material time).
2020	• We completed the acquisition of Anhui Shoukang Investment, and started to provide hospital management service to Huangshan Shoukang Hospital.
2020	• We obtained the approval from Beijing Medical Management Data Quality Control and Improvement Center* (北京市醫療管理數據質量控制和改進中心) for conducting "Internet Diagnosis" (互聯網診療) at Western Beijing Cancer Hospital.
2020	• We obtained the license for the operation of Tianjin Shishi Hospital, a for-profit Class-II comprehensive hospital and the first for-profit hospital that we built on our own.
2021	• We completed the acquisition of Hefei Bayway Changrong Hospital, a for-profit Class-II comprehensive hospital.
2021	• Our Company was incorporated in the Cayman Islands.
2022	• We obtained the approval for operating "Internet Hospital" (互聯網醫院) through Tianjin Nankai Jixing Hospital.
2022	• Taiyuan Peace Hospital was changed to a for-profit Class-IIA comprehensive hospital.
2022	• We completed the acquisition of Wuzhi Jimin Hospital, a then for-profit Class-IIA comprehensive hospital.
2023	• Taiyuan Peace Hospital became a for-profit Class-III rehabilitation specialist hospital.

Year	Event
2024	• Wuzhi Jimin Hospital has obtained the approval of the local PRC Government for the upgrade to Class-III comprehensive hospital from Class-IIA comprehensive hospital.

Please see "Business – Major Awards and Recognitions" in this document for further details of the major awards, recognitions and accreditations received by our In-network Hospitals.

OUR CORPORATE DEVELOPMENT

The history of our Group can be traced back to the completion of the acquisition of Western Beijing Cancer Hospital, our first self-owned hospital, in June 2018, to actually commence business operation. The major historical development, governance and operations of the Group were mainly operated by a professional management team with extensive investment, management and operational experience in the healthcare service industry, led by, amongst others, Ms. Xu (our executive Director, senior vice president and Controlling Shareholder) and Mr. Zhao Yongkai (趙永凱) (our executive Director and chairman of our Board). In light of the high level of professional knowledge required and technical threshold in the healthcare service industry, the majority of our Shareholders are passive investors.

Prior to joining the Group, Ms. Xu, as the president of Western Beijing Cancer Hospital, was aware of the intention of one of the shareholders at that time to sell its interest in Western Beijing Cancer Hospital. Based on her extensive experience in modernized hospital operation and management and her optimism about the development prospects of Western Beijing Cancer Hospital, Ms. Xu planned to seek external resources and build a team to further develop Western Beijing Cancer Hospital. Therefore, under Ms. Xu's coordination efforts, Bayzed Medical Investment, being a principal operating subsidiary of us, acquired the interests of Western Beijing Cancer Hospital, and Ms. Xu continued to participate in the hospital operation and management of Western Beijing Cancer Hospital through the establishment of the management team of Bayzed Medical Investment. In early 2018, Ms. Xu invited Mr. Zhao Yongkai (our executive Director and chairman of our Board, who being highly experienced in the financial management and strategic planning as well as the operation, management and development of medical, pharmaceutical and healthcare institutions) to join our Group.

Under the leadership of Ms. Xu and Mr. Zhao Yongkai, the Group negotiated the acquisition with the then shareholders of Western Beijing Cancer Hospital and entered into the relevant equity interest transfer agreement in February 2018. At the same time, Guangdong Guancheng Industrial Investment Co., Ltd.* (廣東貫成實業投資有限公司) (formerly known as Dongguan Guancheng Industrial Investment Co., Ltd.* (東莞貫成實業投資有限公司)), which was owned by Huang Zhuguang (黃柱光) and Jiang Yanrong (蔣艷榮) (who are spouses) was introduced to invest in our Group as a new shareholder of Bayzed Medical Investment and had acquired 40.0% equity interest of Bayzed Medical Investment to further strengthen the Group's share capital. The remaining 60.0% equity interest of Bayzed Medical Investment was held by Baicheng Baixin.

After the said changes in the shareholding structure, and the capital contributions by relevant shareholders in Bayzed Medical Investment, the Group successfully completed its first self-owned hospital acquisition, i.e. Western Beijing Cancer Hospital, in June 2018.

Since then, we have been engaging in the provision of medical and healthcare related services, especially oncology-related healthcare services. In addition to Ms. Xu and Mr. Zhao Yongkai, we have also successively brought in other professional management personnel with ample experience in investment and management or professional qualifications in the healthcare service industry (including Dr. Chen Haoyang (陳昊陽), Mr. Lu Jizhong (盧繼忠), Mr. Feng Yu (馮宇), Mr. Yao Le (姚樂) and Dr. Jiang Zheng (姜錚)) to manage and enhance the operation of our Group. For details of the background and biographies of our senior management, please see "Directors and Senior Management" in this document.

As our Group's historical development is mainly through mergers and acquisitions to expand our business, considering the corresponding capital needs and in light of the high level of professional knowledge and technical threshold in the healthcare service industry, our management team proposed to the then shareholders of the Group the adoption of a partnership fund operational model where our Group will be able to raise funds from other investors (as passive investors) who are interested in investing our Group while retaining managerial and major operating decision-making power and authority of the Group with a professional management team to facilitate the overall development of our Group in the future.

As such, after a few rounds of equity transfers in the early stage of its establishment, Suzhou Beiyi Baihui became the controlling shareholder of Bayzed Medical Investment in September 2018. For details, please see "– Our Group – Our Principal Operating Subsidiaries – Bayzed Medical Investment" in this section. At the relevant time, Ms. Xu was holding 29.0% of equity interests in the general partner (執行事務合夥人) (being Baihui Investment Fund) of Suzhou Beiyi Baihui[(1)]. With trust and confidence in our senior management team's decision-making capability, most of our major investors at our initial development stage have opted for holding their interests in our Group as limited partners of Suzhou Beiyi Baihui. In addition to the aforementioned, Baicheng Baixin and Guangdong Guancheng Industrial Investment Co., Ltd.*, Dongguan Changshi Particle Investment Co., Ltd.* (東莞市長實粒子投資有限公司), Shanghai Yu'an Investment Group Co., Ltd.* (上海裕安投資集團有限公司) and Suzhou Baihui Tongxin Hospital Management Co., Ltd.* (蘇州佰惠同欣醫院管理有限公司) have also gradually joined Suzhou Beiyi Baihui as limited partners to invest in the Group. For the shareholding structure of the Group prior to the reorganisation, see the paragraph headed "– Corporate Reorganization" in this section. Moreover, as the business of our Group has continued to expand, the structure of our Group has been strengthened by further capital injections from new investors. For details of the background of the Pre-[**REDACTED**] Investors, please refer to paragraph headed "– Pre-[**REDACTED**] Investments" in this section. In August 2021 when the then majority shareholder of Baihui Investment Fund, being an Independent Third Party, divested from Baihui Investment Fund, Ms. Xu took the opportunity to increase her shareholding in Baihui Investment Fund to 80.0%[(2)]. After such acquisition, Ms. Xu became the ultimate controlling shareholder of our Group and is able to exercise the decision making power over our Group through her control over Baihui Investment Fund, the general partner of Suzhou Beiyi Baihui which was interested more than 60% of the share capital of Bayzed Medical Investment then.

In terms of business development, since the establishment of the partnership fund and the introduction of various investors, the Group has expanded its business through mergers and acquisitions in accordance with its long-adopted development strategy. Since the end of 2018, in order to further our growth, we began to expand regionally, including but not limited to acquiring Tianjin Nankai Jixing Hospital in 2019, completing the construction of Tianjin Shishi Hospital in 2020, acquiring Hefei Bayway Changrong Hospital in 2021, completing the change of Taiyuan Peace Hospital to a for-profit hospital in 2022, acquiring Wuzhi Jimin Hospital in 2022, and managing two non-profit hospitals, Huangshan Shoukang Hospital and Taiyuan Wanbailin District Peace Community Health Service Center during the Track Record Period. The abovementioned acquisitions and management rights allow us to expand our business presence from Beijing to Tianjin, Shanxi Province, Anhui Province and Henan Province, thereby implementing our vision in providing high-quality and comprehensive full-cycle oncology healthcare services to our customers and patients.

After years of development, investments, mergers and acquisitions coupled with the post-investment management of our Group, our businesses have been in a continuous and steady expansion evidenced by the growth of our In-network Hospitals. As of the Latest Practicable Date, we operated and managed a network of eight hospitals through direct ownership in the equity interest of six private for-profit hospitals and provision of management services to two private not-for-profit hospitals.

Notes:

1. At the relevant time, Ms. Cao Qian (being an Independent Third Party), Mr. Cui Yong (our minority Shareholder) and Ms. Xu, were the equity holders of the general partner (執行事務合夥人) (being Baihui Investment Fund) of Suzhou Beiyi Baihui (as to approximately 51%, 20% and 29%, respectively).

2. In August 2021, Ms. Cao Qian (the then controlling shareholder of Baihui Investment Fund) transferred 51.0% equity interests in Baihui Investment Fund (being the entire equity interests such controlling shareholder then held in Baihui Investment Fund) to Ms. Xu at a consideration of approximately RMB5.2 million, which was determined mainly with reference to the amount of the then paid-up capital of Baihui Investment Fund.

OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands on December 9, 2021 as an exempted company with limited liability with an authorised share capital of US$50,000 divided into 5,000,000,000 shares with a par value of US$0.00001 each, of which one Share was allotted and issued at par to an initial subscriber, an Independent Third Party. On even date, (i) the said one Share was transferred by the initial subscriber to Bayway Fund L.P. at a nominal consideration of US$0.00001; and (ii) 677,717,785 Shares were allotted and issued at par to Bayway Fund L.P.. On September 14, 2022, our Company further allotted and issued 4,548,442 Shares to Bayway Fund L.P. at a price of US$0.2136 per Share. Since its incorporation, our Company has been majority-owned by Bayway Fund L.P.. For details of subsequent changes in share capital of our Company, please see "– Corporate Reorganization" in this section.

Our Principal Operating Subsidiaries

The date of establishment or completion of acquisition and principal business activities of each member of our Group that made a material contribution to our results of operations during the Track Record Period are set forth below:

Name of company	Date of establishment	Date of completion of the acquisition	Principal business activities
Bayzed Medical Investment	July 31, 2017	–	Investment in the healthcare service industry
Western Beijing Cancer Hospital Company	October 17, 2011	June 2018(1)	Provision of medical and healthcare related services
Wuzhi Jimin Hospital Company	April 13, 2017	April 2022(1)	Provision of medical and healthcare related services
Taiyuan Peace Hospital Company(2)	May 11, 2021	–	Provision of medical and healthcare related services
Tianjin Nankai Jixing Hospital Company	November 23, 2015	February 2019(1)	Provision of medical and healthcare related services
Huangshan Bohong	May 24, 2018	April 2020(3)	Wholesale of medicines and sales of medical devices
Anhui Ruizhong	December 31, 2020	–	Sales of medical devices and equipment
Tianjin Shishi Hospital Company	March 4, 2020	–	Provision of medical and healthcare related services
Hefei Bayway Changrong Hospital Company(2)	November 13, 2020	–	Provision of medical and healthcare related services

Notes:

(1) This company/hospital was in operation prior to our acquisition. The date of completion of the acquisition refers to the completion of the registration with the competent authority in respect of the relevant equity changes; and for entities acquired during the Track Record Period, being also the date when the financial results of the said entities having been consolidated into our Group's financial statement according to the applicable accounting standards. The registration with the competent authority in respect of the relevant equity changes of Tianjin Nankai Jixing Hospital Company was completed at the end of January 2019, and Tianjin Nankai Jixing Hospital Company has started to generate revenue in the financial statements of our Group since February 1, 2019.

(2) Each of Taiyuan Peace Hospital Company and Hefei Bayway Changrong Hospital Company was established pursuant to the arrangement of acquiring its not-for-profit predecessor by our Group, and was majority-owned by our subsidiaries at the time of its establishment. See "– Acquisitions during the Track Record Period – Taiyuan Peace Hospital Company" and "– Acquisitions during the Track Record Period – Hefei Bayway Changrong Hospital Company" for further details.

(3) Huangshan Bohong was controlled by Anhui Shoukang Investment at the time when we acquired Anhui Shoukang Investment in April 2020.

Bayzed Medical Investment

Bayzed Medical Investment is a limited liability company established in the PRC on July 31, 2017 and was set up by its initial investor, being a PRC limited company (the "**Initial Investor Company**"). Shortly after its establishment, Baicheng Baixin, currently a limited partner of Suzhou Beiyi Baihui, one of our Controlling Shareholders acquired the entire equity interest in Bayzed Medical Investment from the Initial Investor Company in December 2017. To the best knowledge of our Directors, at the time of the transfer, the then ultimate shareholders of each of the Initial Investor Company and Baicheng Baixin were the same group of investors and are Independent Third parties. Baicheng Baixin completed the contribution of paid-up capital of RMB300.0 million in February 2018, representing approximately 60.0% of the registered capital in Bayzed Medical Investment at that time.

On March 21, 2018, Baicheng Baixin agreed to transfer unpaid 40.0% equity interests in Bayzed Medical Investment to Guangdong Guancheng Industrial Investment Co., Ltd.* (廣東貫成實業投資有限公司) (formerly known as Dongguan Guancheng Industrial Investment Co., Ltd.* (東莞貫成實業投資有限公司), which was owned as to 90.0% by Huang Zhuguang (黃柱光) and 10.0% by Jiang Yanrong (蔣艷榮) whom are spouses) at a nominal consideration of RMB1, and Guangdong Guancheng Industrial Investment Co., Ltd.* shall subsequently pay up the RMB200.0 million registered capital of Bayzed Medical Investment. Immediately following completion of the said transfer, Bayzed Medical Investment was owned as to 60.0% by Baicheng Baixin and 40.0% by Guangdong Guancheng Industrial Investment Co., Ltd.*.

As for the reasons stated in "– Our Corporate Development" in this section, our major investors decided to adopt the partnership fund operation model to invest in and hold the equity interests of our Group; therefore, as an internal shareholding structure adjustment, on September 17, 2018, Baicheng Baixin and Guangdong Guancheng Industrial Investment Co., Ltd.* transferred their equity interests in Bayzed Medical Investment to Suzhou Beiyi Baihui respectively (at the material time, the general partner of Suzhou Beiyi Baihui was Baihui Investment Fund, with Baicheng Baixin, Guangdong Guancheng Industrial Investment Co., Ltd.* and Dongguan Changshi Particle Investment Company Limited* (東莞市長實粒子投資有限公司) being the limited partners). Immediately after the completion of the aforesaid transfer, Bayzed Medical Investment was owned as to 99.8% and 0.2% by Suzhou Beiyi Baihui and Baicheng Baixin, respectively[(1)].

During the period from September 2018 to August 2019, in order to support the operation and capital needs of the Group, Suzhou Beiyi Baihui completed several rounds of capital contributions of approximately RMB192.0 million in aggregate in Bayzed Medical Investment. Apart from the capital contribution provided by Suzhou Beiyi Baihui, with our Group's business continued to grow, during the period from March 2020 to April 2021, Bayzed Medical Investment, being the then onshore holding company of our Group, completed several rounds of Pre-[**REDACTED**] investments prior to our Group's internal reorganization in August 2021. Please see "– Pre-[**REDACTED**] Investments" in this section for details. Notwithstanding the relevant Pre-[**REDACTED**] Investments, Suzhou Beiyi Baihui remained as the largest equity holder of Bayzed Medical Investment holding no less than 68.2% equity interests in Bayzed Medical Investment prior to the said internal reorganization in August 2021.

On August 10, 2021, as part of our Group's internal reorganization, the then equity holders of Bayzed Medical Investment, namely, Suzhou Beiyi Baihui[(2)], Shanghai Xukun Management, Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司), Anhui Beiyi Huijin, Anhui Beiyi Huifang, Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)), Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司) and Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)) transferred all the equity interests they respectively held in Bayzed Medical Investment to Beiyi Baihui Medical Management (Shanghai) Co., Ltd.* (北醫

Note:

(1): According to the applicable laws, a limited partnership cannot be the sole shareholder of a limited company. Therefore, Baicheng Baixin has retained a direct holding of 0.2% equity interests in Bayzed Medical Investment.

(2): During the period from April 2021 to July 2021, as part of internal reorganization, Baicheng Baixin (one of the limited partners of Suzhou Beiyi Baihui at that time) carried out two equity interest transfers. After such equity interest transfers, the ultimate beneficial owners of the partnership interests in Suzhou Beiyi Baihui of approximately RMB361.3 million were changed from Li Yi (李一) and Zhang Zhengang (張振剛) (as to 60% and 40%, respectively) to Chen Hua (陳樺) and Li Yi (李一) (as to 90% and 10%, respectively). For more details, please refer to "- Corporate Reorganization – Note (5)".

佰惠醫療管理(上海)有限公司) ("**Beiyi Baihui Medical (Shanghai)**"), a limited liability company established in the PRC on July 29, 2021 which was set up to serve as the then new onshore holding company of our Group. Immediately following completion of the said transfers, Bayzed Medical Investment became wholly-owned by Beiyi Baihui Medical (Shanghai), and has remained so since then up to the Latest Practicable Date.

Western Beijing Cancer Hospital Company

Western Beijing Cancer Hospital Company is a limited liability company established in the PRC on October 17, 2011 by its initial investors, who are all Independent Third Parties.

On February 9, 2018, Bayzed Medical Investment entered into an equity interest transfer agreement with New Journey Hospital Group Ltd. (新里程醫院集團有限公司), the then 70.0% equity holder of Western Beijing Cancer Hospital Company, and Beijing New Journey Hospital Management Company Limited* (北京新里程醫院管理有限公司) which, to the best knowledge of our Directors, was an affiliated company of the former (both being an Independent Third Party, collectively "**New Journey Group**") pursuant to which the parties agreed that New Journey Group would sell and Bayzed Medical Investment would acquire the said 70.0% equity interests in Western Beijing Cancer Hospital Company then held by New Journey Group at a consideration of RMB300.0 million. The said consideration was fully settled on February 28, 2018, and was determined through arm's length negotiation between the parties with reference to various factors such as the geographical location, medical equipment, financial indicators, and external cooperative relationships of Western Beijing Cancer Hospital Company. Meanwhile, as an ancillary transaction of such equity transfer, Bayzed Medical Investment agreed to acquire all the creditor's rights of New Journey Group and its related parties in Western Beijing Cancer Hospital Company at an adjusted consideration of approximately RMB197.0 million, which was fully settled on December 28, 2018.

Subsequently, as part of our Group's internal reorganization, in December 2018, Bayzed Medical Investment transferred the 70.0% equity interests in Western Beijing Cancer Hospital Company held by Bayzed Medical Investment to Bayway Early Screening at its acquisition cost (being RMB300.0 million).

On August 6, 2019, all the then shareholders of Western Beijing Cancer Hospital Company resolved that, as an incentive to its employees, Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership)* (天津醫眾君安醫院管理合夥企業(有限合夥)) ("**Tianjin Yizhong Partnership**"), a limited partnership established in the PRC on July 30, 2019, shall serve as a platform for implementing the share incentive plan of Western Beijing Cancer Hospital Company where Bayway Early Screening shall transfer 10.0% equity interests in Western Beijing Cancer Hospital Company held by Bayway Early Screening to Tianjin Yizhong Partnership at its acquisition cost. As of the Latest Practicable Date, Bayway Early Screening was the sole general partner (as to approximately 58.0% of the partnership interests) of Tianjin Yizhong Partnership and the limited partners of Tianjin Yizhong Partnership are all employees of Western Beijing Cancer Hospital (including Ms. Xu, one of our Controlling Shareholders, executive Director and senior vice president as to approximately 14.6% of the partnership interests).

Upon completion of the said transfer and as of the Latest Practicable Date, Western Beijing Cancer Hospital Company was held as to 60.0% by Bayway Early Screening, 30.0% by Beijing Beizhong Science and Technology Development Center (北京北腫科技發展中心) (a minority shareholder holding 30.0% equity interests in Western Beijing Cancer Hospital Company since the establishment of Western Beijing Cancer Hospital Company) and 10.0% by Tianjin Yizhong Partnership, and thus our Group was able to control approximately 65.8% interests in Western Beijing Cancer Hospital Company.

Wuzhi Jimin Hospital Company

Wuzhi Jimin Hospital Company is a limited liability company established in the PRC on April 13, 2017 by Chang Xiaosong (常小松), an Independent Third Party at relevant time.

Prior to our acquisition of Wuzhi Jimin Hospital Company, Wuzhi Jimin Hospital Company was held as to 80.0% equity interests by Zhengzhou Baikang Hospital Management Company Limited* (鄭州佰康醫院管理有限公司) ("**Zhengzhou Baikang**"), a then Independent Third Party (and currently a non-wholly owned subsidiary of our Group).

On March 2, 2022, Henan Baihui Medical Investment Management Co., Ltd.* (河南佰惠醫療投資管理有限公司) ("**Henan Baihui Medical Management**"), a non-wholly owned subsidiary of our Group, entered into an equity interest transfer agreement with Chang Lan (常嵐), being the then sole equity holder of Zhengzhou Baikang, the daughter of Chang Xiaosong and an Independent Third Party at the material time, pursuant to which Chang Lan agreed to sell and Henan Baihui Medical Management agreed to acquire the entire equity interests in Zhengzhou Baikang, at a cash consideration of RMB151.0 million, which was settled on April 27, 2022. The said consideration was determined through arm's length negotiation between the parties with reference to various factors including the major assets owned by Zhengzhou Baikang i.e. the equity interest in Wuzhi Jimin Hospital Company and the geographical location, medical equipment, financial indicators, and external cooperative relationships of Wuzhi Jimin Hospital Company.

Upon completion of the said transfer and as of the Latest Practicable Date, Wuzhi Jimin Hospital Company was held as to 80.0% by Zhengzhou Baikang and 20.0% by Chang Xiaosong (常小松) and our Group's effective interests in Wuzhi Jimin Hospital Company is approximately 68.0% through the holding of 85% equity interests of Henan Baihui Medical Management (the remaining 15% equity interests of Henan Baihui Medical Management was held by Qi Shaohao (齊劭豪)). Based on the facts that: i) the foreign effective equity ratio of Wuzhi Jimin Hospital Company did not exceed 70% in the course of the above transactions; and ii) the consultations with the local Department of Commerce and Health Commission confirmed that the equity structure of Wuzhi Jimin Hospital Company complies with the laws and regulations in relation to foreign investment in the PRC, our PRC Legal Advisor is of the view that the acquisition of 80% equity interests in Wuzhi Jimin Hospital Company complies with the PRC foreign ownership restrictions under the Foreign Investment Catalogue.

The Sole Sponsor has reviewed the interview notes of the aforementioned consultations with the local Department of Commerce and Health Commission and discussed with the Company's PRC Legal Advisor to understand its view. Based on the due diligence work conducted by the Sole Sponsor and taking into account the PRC Legal Advisor's opinion above, nothing has come to the attention of the Sole Sponsor that would cause the Sole Sponsor to disagree with the PRC Legal Advisor's view above.

Taiyuan Peace Hospital Company

Taiyuan Peace Hospital Company is a limited liability company established in the PRC on May 11, 2021 by Taiyuan Peace Hospital Management Company Limited* (太原市和平醫院管理有限公司) ("**Taiyuan Peace Management**"), our non-wholly owned subsidiary. For details of the establishment of Taiyuan Peace Hospital Company, please see "– Acquisitions during the Track Record Period – Taiyuan Peace Hospital Company" in this section.

As of the Latest Practicable Date, Taiyuan Peace Hospital Company was held as to 100.0% by Taiyuan Peace Management, and our Group's effective interest in Taiyuan Peace Hospital Company is approximately 59.4%.

Tianjin Nankai Jixing Hospital Company

Tianjin Nankai Jixing Hospital Company is a limited liability company established in the PRC on November 23, 2015 by its initial investor Li Tong (李彤), who was an Independent Third Party at the material time. Further to certain changes in its shareholding structure since its establishment, in October 2018, Tianjin Baihui Medical Management, our non-wholly owned subsidiary, entered into several equity interest transfer agreements with Jixingtang (Tianjin) Technology Development Partnership (Limited Partnership)* (濟興堂(天津)科技發展合夥企業(有限合夥)) ("**Jixingtang Tianjin Partnership**") and Li Tong (to the best knowledge of our Directors, Jixingtang Tianjin Partnership was an affiliated entity of Li Tong, both being an Independent Third Party at the material time) pursuant to which, (i) Jixingtang Tianjin Partnership agreed to sell and Tianjin Baihui Medical Management agreed to acquire 39.9% equity interests in Tianjin Nankai Jixing Hospital held by Jixingtang Tianjin Partnership; and (ii) Li Tong agreed to sell and Tianjin Baihui Medical Management agreed to acquire 0.1% equity interests in Tianjin Nankai Jixing Hospital held by Li Tong, and the total transaction consideration was RMB20,000,000.0, which was settled on February 19, 2019. The said consideration was determined with reference to various factors such as the Tianjin Nankai Jixing Hospital Company's geographical location, medical equipment, financial indicators, and external cooperative relationships and the decision was made through arm's length negotiation between the parties. Meanwhile, Tianjin Nankai Jixing Hospital Company increased its registered capital from RMB3.0 million to RMB6.0 million which was subscribed by Tianjin Baihui Medical Management for a consideration of RMB50.0 million. Following the said transfer and capital injection, Tianjin Baihui Medical Management held 70.0% equity interests in Tianjin Nankai Jixing Hospital Company, while Jixingtang Tianjin Partnership was interested in 30.0% equity interests in Tianjin Nankai Jixing Hospital Company.

On February 3, 2021, we further increased our equity holding in Tianjin Nankai Jixing Hospital Company and entered into an equity interest transfer agreement with Jixingtang Tianjin Partnership, pursuant to which Jixingtang Tianjin Partnership agreed to sell and Tianjin Baihui Medical Management agreed to acquire 30.0% equity interests in Tianjin Nankai Jixing Hospital Company held by Jixingtang Tianjin Partnership at a cash consideration of RMB18.0 million, which was settled on June 27, 2022. Upon completion of the said transfer and as of the Latest Practicable Date, Tianjin Nankai Jixing Hospital Company was held as to 100.0% by Tianjin Baihui Medical Management, and our Group's effective interests in Tianjin Nankai Jixing Hospital Company is 70.0%.

Huangshan Bohong

Huangshan Bohong is a limited liability company established in the PRC on May 24, 2018 by its initial investors, who are all Independent Third Parties.

Prior to our acquisition of Anhui Shoukang Investment, the said initial investors had agreed to transfer all the equity interests in Huangshan Bohong to Anhui Shoukang Investment at a total consideration of RMB5.2 million. As of the Latest Practicable Date, Huangshan Bohong was owned as to 100.0% by Anhui Shoukang Investment.

Anhui Ruizhong

Anhui Ruizhong is a limited liability company established in the PRC on December 31, 2020 and has been wholly-owned by Anhui Shoukang Investment, our non-wholly owned subsidiary, since its incorporation up to the Latest Practicable Date.

Tianjin Shishi Hospital Company

Tianjin Shishi Hospital Company is a limited liability company established in the PRC on March 4, 2020, which was at its establishment wholly-owned by Tianjin Nankai Jixing Hospital Company, our non-wholly owned subsidiary at the material time.

On May 12, 2022, as part of our Group's internal reorganization, Tianjin Nankai Jixing Hospital Company transferred the entire equity interests in Tianjin Shishi Hospital Company held by it to Tianjin Baihui Medical Management (our then wholly-owned subsidiary) at a consideration with reference to the registered capital of Tianjin Shishi Hospital Company.

On May 16, 2022, Tianjin Baihui Medical Management entered into an equity interest transfer agreement with Shi Xuemin (石學敏), a then Independent Third Party pursuant to which Tianjin Baihui Medical Management agreed to sell and Shi Xuemin agreed to acquire 20.0% equity interests in Tianjin Shishi Hospital Company held by Tianjin Baihui Medical Management at a nominal consideration of RMB1. The above nominal consideration was determined with reference to the profile of Shi Xuemin, who is an academician of the Chinese Academy of Engineering (中國工程院院士), a great master in TCM and a maestro of TCM (國醫大師) (one of the highest honors in China's TCM industry), and the added value and contribution he and his team will bring to Tianjin Shishi Hospital. Upon completion of the said transfer, Tianjin Shishi Hospital Company was held as to 80.0% by Tianjin Baihui Medical Management and 20.0% by Shi Xuemin, and our Group's effective interest in Tianjin Shishi Hospital Company is approximately 56.0% as of the Latest Practicable Date.

Hefei Bayway Changrong Hospital Company

Hefei Bayway Changrong Hospital Company is a limited liability company established in the PRC on November 13, 2020 by Bayway Rehabilitation and Health Management Company Limited* (佰惠康復健康管理有限公司) ("**Bayway Rehabilitation and Health**"), our wholly-owned subsidiary and Ye Guobing (葉國兵), a then Independent Third Party and currently the substantial shareholder and chairman of the board of directors of Hefei Bayway Changrong Hospital Company, which was owned as to 67.0% and 33.0% by Bayway Rehabilitation and Health and Ye Guobing, respectively since its establishment and up to the Latest Practicable Date. For details of the establishment of Hefei Bayway Changrong Hospital Company, please see "– Acquisitions during the Track Record Period – Hefei Bayway Changrong Hospital Company" in this section.

Acquisitions during the Track Record Period ("TRP Acquisitions")

It is the Group's long-adopted development philosophy to expand the Group's business through the strategic acquisition of suitable targets of medical institutions and ancillary and related supporting service industry to integrate into our hospital network. During the Track Record Period, the Group made the following acquisitions:

Hefei Bayway Changrong Hospital Company

For details of Hefei Bayway Changrong Hospital Company, please see "– Our Group – Our Principal Operating Subsidiaries – Hefei Bayway Changrong Hospital Company" in this section.

Hefei Bayway Changrong Hospital Company is a private for-profit Class II comprehensive hospital. For details of its operation, please refer to "Business – Summary of Our Self-owned Hospitals – Hefei Bayway Changrong Hospital" in this Document. Hefei Bayway Changrong Hospital Company is a newly established hospital, the predecessor of which can be traced back to Hefei Changrong Hospital (a private non-enterprise entity), and is owned as to 100% organizer's interest by Ye Guobing (葉國兵) (an Independent Third Party at the relevant time and currently the substantial shareholder and chairman of Hefei Bayway Changrong Hospital Company). Hefei Changrong Hospital is located in Hefei, the capital of Anhui Province and a key city where the Group prioritizes the implementation of the full-cycle oncology healthcare services. Through the acquisition of Hefei Changrong Hospital combined with the quality medical resources in our In-network hospitals, the Group intends to focus on filling the market demand gap caused by the scarcity of medical resources in oncology treatment available from local public hospitals. In addition to its advantageous geographical location, the well-equipped facilities, equipment and other hardware of Hefei Changrong Hospital constitute the reasons for the Group to consider incorporating it in the network of the Group.

In such connection, on November 19, 2020, Bayway Rehabilitation and Health, our wholly-owned subsidiary, entered into an investment cooperation agreement with Ye Guobing, Hefei City Changrong Hospital Limited* (合肥市長榮醫院有限公司) (an affiliate of Ye Guobing) and Hefei Changrong Hospital (合肥長榮醫院) (the "**Investment Cooperation Agreement**") to acquire Hefei Changrong Hospital and change it to a for-profit hospital. According to the Investment Cooperation Agreement, Bayway Rehabilitation and Health and Ye Guobing shall jointly establish Hefei Bayway Changrong Hospital Company. Bayway Rehabilitation and Health and Ye Guobing subscribed and contributed RMB20.1 million and RMB9.9 million to Hefei Bayway Changrong Hospital Company, holding 67.0% and 33.0% of the equity interests in Hefei Bayway Changrong Hospital Company, respectively. Meanwhile, Hefei Bayway Changrong Hospital Company agreed to acquire certain long-term assets from Hefei City Changrong Hospital Limited (such assets were used for the operation of Hefei Changrong Hospital) and certain assets and liabilities from Hefei Changrong Hospital at a total cash consideration of approximately RMB113.3 million, which was determined with reference to the valuation report prepared by an independent valuer, shall be paid by instalments upon the satisfaction of various conditions. The conditions include the completion of the deregistration of Hefei Changrong Hospital and the completion of the acquisition of all its audited assets and liabilities as at the time of deregistration, and Hefei Bayway Changrong Hospital Company being changed to a for-profit hospital. On September 27, 2021, Hefei Changrong Hospital was deregistered and Hefei Bayway Changrong Hospital Company was registered as a for-profit hospital. All payments for the acquisition of Hefei Changrong Hospital were settled by July 25, 2023 upon the satisfaction of the aforesaid relevant conditions.

Taiyuan Peace Hospital Company

For details of Taiyuan Peace Hospital Company, please see "– Our Group – Our Principal Operating Subsidiaries – Taiyuan Peace Hospital Company" in this section.

Taiyuan Peace Hospital Company is a private for-profit Class III rehabilitation hospital. For details of its operation, please refer to "Business – Summary of Our Self-owned Hospitals–Taiyuan Peach Hospital" in this Document. The history of the Taiyuan Peace Hospital Company can be traced back to its two predecessors, namely, Taiyuan City Peace Hospital (太原市和平醫院), a not-for-profit medical institution whose nature is a non-independent legal person, and Taiyuan Peace Hospital (太原和平醫院), a private non-enterprise entity. Considering the history of Taiyuan City Peace Hospital and its high recognition at the local area, in particular its business development focusing on the field of rehabilitation, coupled with its location in Taiyuan, the capital of Shanxi Province and a key city for the

Group to prioritize its layout to implement full-cycle oncology healthcare services, it is believed that through the acquisition of Taiyuan City Peace Hospital combined with the quality medical resources in our In-network Hospitals, the Group intends to focus on filling the market demand gap caused by the scarcity of medical resources in full-cycle oncology healthcare services available from local public hospitals.

In such connection, in order to integrate it into the medical network of the Group, on May 24, 2019, Bayzed Medical Investment entered into a cooperation agreement (the "**Investment Cooperation Agreement**") with Shanxi Xingye Investment Holding Group Co., Ltd.* (山西興業投資控股集團有限公司) ("**Shanxi Xingye Investment**"), the then controller of Taiyuan City Peace Hospital (太原市和平醫院), which was an Independent Third Party at that time and is currently a substantial shareholder of Taiyuan Peace Management.

Pursuant to the Investment Cooperation Agreement, Shanxi Xingye Investment shall first establish Taiyuan Peace Management and then transfer its 60.0% equity interest (which was unpaid capital) to Bayzed Medical Investment (or its designated entity) at a nominal consideration of RMB1. Each of Shanxi Xingye Investment and Bayzed Medical Investment (or its designated entity) shall contribute an aggregate of approximately RMB17.7 million and RMB30.0 million, respectively, capital in cash to Taiyuan Peace Management. Taiyuan Peace Management will accordingly establish Taiyuan Peace Hospital (a private non-enterprise entity) with a registered capital of RMB5.0 million. Upon completion of the establishment of the organizational structure and the above-mentioned change in legal status, Taiyuan Peace Hospital, a private non-enterprise entity, shall acquire all businesses (including relevant assets, equipment and facilities, etc.) of Taiyuan City Peace Hospital (太原市和平醫院) from Shanxi Xingye Investment, and continue to operate the hospital at the same premise. Bayzed Medical Investment finally designated Shanxi Bayway Hospital Management Partnership (Limited Partnership)* (山西佰惠醫院管理合夥企業(有限合夥)) (a limited partnership established in the PRC on November 16, 2018, whose general partner is Bayzed Medical Investment, which holds 99.0% equity interest in the partnership) to perform the Investment Cooperation Agreement and acquired 60.0% equity interest in Taiyuan Peace Management pursuant to the terms of the Investment Cooperation Agreement.

Subsequently, we have decided to change the category of Taiyuan Peace Hospital (a private non-enterprise entity) from a not-for-profit hospital to a for-profit hospital. On March 20, 2022, Taiyuan Peace Hospital Company entered into the Assets and Liabilities Transfer Agreement with Taiyuan Peace Hospital (a private non-enterprise entity), pursuant to which Taiyuan Peace Hospital (a private non-enterprise entity) has agreed to sell and Taiyuan Peace Hospital Company has agreed to purchase the assets and assume the liabilities of the former at a consideration of approximately RMB12.7 million. The consideration was determined with reference to the valuation report as prepared by an independent valuer, and was settled on May 19, 2022. In June 2022, Taiyuan Peace Hospital (a private non-enterprise entity) was changed from a not-for-profit hospital to a for-profit hospital (i.e. Taiyuan Peace Hospital Company), with its Medical Institution Practicing License renewed by the local health commission.

Wuzhi Jimin Hospital Company

For details of Wuzhi Jimin Hospital Company, please see "– Our Group – Our Principal Operating Subsidiaries – Wuzhi Jimin Hospital Company" in this section.

Wuzhi Jimin Hospital Company is a private for-profit Class-III comprehensive hospital. For details of its operation, please refer to "Business – Summary of Our Self-owned Hospitals – Wuzhi Jimin Hospital" in this Document. Considering that Wuzhi Jimin Hospital Company's top ranking and reputation in local hospitals, as well as benefiting from the high recognition from the local society and the huge population base, we believe that the acquisition of Wuzhi Jimin Hospital Company enables us with a huge potential customer base and to carry out full-cycle oncology healthcare services at that area by leveraging on our excellent medical resources in our In-network Hospitals. As such, in March 2022, the Group indirectly held the equity interest in Wuzhi Jimin Hospital Company through the acquisition of Zhengzhou Baikang Hospital Management Company Limited* (鄭州佰康醫院管理有限公司), the then holding company of Wuzhi Jimin Hospital Company. For details, please refer to "– The Group – Our Principal Operating Subsidiaries – Wuzhi Jimin Hospital Company" in this section.

Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司) ("Beijing Medical Creation")

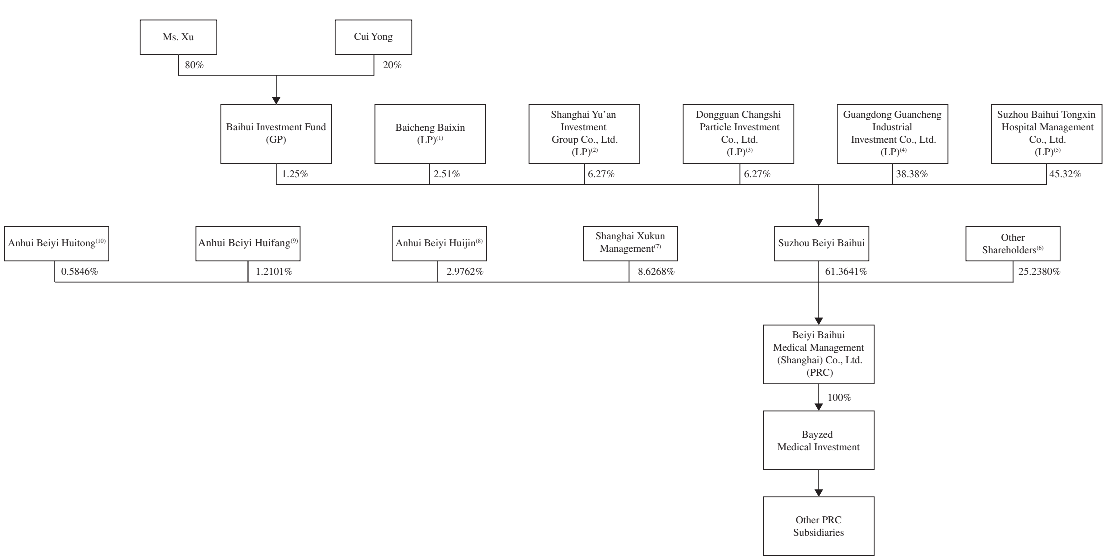
Beijing Medical Creation was first established in December 2016 by its initial investor, who is an Independent Third Party. On May 26, 2021, Beijing Baize Medical Management Co., Ltd.* (北京佰澤醫療管理有限公司), our wholly-owned subsidiary, entered into equity interest transfer agreements with Beijing Baihui Investment Management Co., Ltd.* (北京佰惠投資管理有限公司, formerly known as Beijing Kaiyuan Investment Management Company Limited* (北京開沅投資管理有限公司)) and Suzhou Luhesheng Investment Partnership (Limited Partnership)* (蘇州律和升投資合夥企業(有限合夥)), pursuant to which Beijing Baihui Investment Management Co., Ltd.* and Suzhou Luhesheng Investment Partnership (Limited Partnership)* agreed to sell their entire equity interests in Beijing Medical Creation to Beijing Baize Medical Management Co., Ltd.*, at a total cash consideration of approximately RMB24.9 million, which was settled on June 7, 2021. Beijing Medical Creation is committed to integrating the top medical resources in the PRC, building a bridge of communication between medical experts and scientific research teams and social resources, and providing all-round services for the transformation of scientific and technological achievements and the incubation of innovation and entrepreneurship. The acquisition of Beijing Medical Creation is mainly to assist the Group's full-cycle oncology development strategy by providing advanced cancer screening and oncology diagnosis, treatment and rehabilitation technologies, and to provide industry, academia and research support and services for the transformation and application of scientific and technological achievements, so as to further facilitate the overall operation and development of the Group. The said consideration was determined with reference to the above reason and arm's length negotiation between parties. Upon completion of the said transfer and as of the Latest Practicable Date, Beijing Medical Creation was held as to 100.0% by Beijing Baize Medical Management Co., Ltd.*.

The Directors believe that the TRP Acquisitions are essential to the business growth of the Group. They represent a good opportunity for the Group to expand its business leveraging the expertise, reputation, knowledge and experience of the Group. Each of the TRP Acquisitions enables the Group to enhance productivity, efficacy and performance. The Directors consider that the terms of the TRP Acquisitions, which are determined under arm's length negotiations between the parties are fair and reasonable and in the interests of the Shareholders as a whole.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any major acquisition, disposal or merger.

CORPORATE REORGANIZATION

In order to optimize our corporate structure and to more readily access the international [**REDACTED**] markets, we underwent a corporate reorganization in preparation for the [**REDACTED**]. Set out below is the simplified corporate and shareholding structure of our Group immediately prior to the Reorganization:



Notes:

(1) Baicheng Baixin is a limited liability company established in the PRC on April 25, 2017 and is owned as to 60.0% by Li Yi (李一) and 40.0% by Zhang Zhengang (張振剛). To the best knowledge of our Directors, save for the indirect interests in our Group through their holding of the partnership interests in Suzhou Beiyi Baihui, each of Baicheng Baixin and its ultimate shareholders is an Independent Third Party.

(2) Shanghai Yu'an Investment Group Co., Ltd.* (上海裕安投資集團有限公司) is a limited liability company established in the PRC on September 22, 2004 and is wholly-owned by Anhui Provincial Investment Group Holdings Co., Ltd.* (安徽省投資集團控股有限公司), a state-owned enterprise in the PRC. To the best knowledge of our Directors, save for the indirect interests in our Group through their holding of the partnership interests in Suzhou Beiyi Baihui, each of Shanghai Yu'an Investment Group Co., Ltd.* and its ultimate shareholders is an Independent Third Party.

(3) Dongguan Changshi Particle Investment Co., Ltd.* (東莞市長實粒子投資有限公司) is a limited liability company established in the PRC on July 13, 2018 and is owned as to 60.0% by Yin Bingsen (尹炳森) and 40.0% by Liang Binghong (梁炳洪). To the best knowledge of our Directors, save for the indirect interests in our Group through their holding of the partnership interests in Suzhou Beiyi Baihui, each of Dongguan Changshi Particle Investment Co., Ltd.* and its ultimate shareholders is an Independent Third Party.

(4) Guangdong Guancheng Industrial Investment Co., Ltd.* (廣東貫成實業投資有限公司) is a limited liability company established in the PRC on April 11, 2016 and is owned as to 90.0% by Huang Zhuguang (黃柱光) and 10.0% by Jiang Yanrong (蔣艷榮). Guangdong Guancheng Industrial Investment Co., Ltd.* first became a limited partner of Suzhou Beiyi Baihui in August 2018. At the material time, Guangdong Guancheng Industrial Investment Co., Ltd.* was owned as to 90.0% by Huang Zhuguang and 10.0% by Jiang Yanrong. To the best knowledge of our Directors, since then and up to the Latest Practicable Date, there has been no change in the shareholding in Guangdong Guancheng Industrial Investment Co., Ltd.*. To the best knowledge of our Directors, Jiang Yanrong is the spouse of Huang Zhuguang, and save for the indirect interests in our Group through their holding of the partnership interests in Suzhou Beiyi Baihui, each of Guangdong Guancheng Industrial Investment Co., Ltd.* and its ultimate shareholders is an Independent Third Party.

(5) Suzhou Baihui Tongxin Hospital Management Co., Ltd.* (蘇州佰惠同欣醫院管理有限公司) is a limited liability company established in the PRC on May 17, 2018, and as of the Latest Practicable Date is owned as to 90.0% by Chen Hua (陳樺) and 10.0% by Li Yi (李一). Suzhou Baihui Tongxin Hospital Management Co., Ltd.* was wholly-owned by Baicheng Baixin (a company which was owned as to 60.0% by Li Yi (李一) and 40.0% by Zhang Zhengang (張振剛)) at the time of its establishment. In April 2021, as an internal reorganization, Baicheng Baixin agreed to transfer its partnership interests in Suzhou Beiyi Baihui of approximately RMB361.3 million to Suzhou Baihui Tongxin Hospital Management Co., Ltd.*. Subsequently, in July 2021, Baicheng Baixin transferred all the equity interests it held in Suzhou Baihui Tongxin Hospital Management Co., Ltd.* to Chen Hua (陳樺) (as to 90.0%) and Li Yi (李一) (as to 10.0%). The relevant consideration was determined with reference to the then paid-up capital of Suzhou Baihui Tongxin Hospital Management Co., Ltd.* at that time, which had primarily taken into consideration that, at the material time, Suzhou Baihui Tongxin Hospital Management Co., Ltd.* had yet to settle the aforementioned consideration with Baicheng Baixin in respect of the transfer of the partnership interests in Suzhou Beiyi Baihui (the aforementioned consideration was subsequently settled). To the best knowledge of our Directors, there has been no change in the equity interests in Suzhou Baihui Tongxin Hospital Management Co., Ltd.* since the completion of the said transfer up to the Latest Practicable Date. Chen Hua is the sister of our executive Director Chen Haoyang (陳昊陽). To the best knowledge of our Directors, save for the abovementioned and the indirect interests in our Group through their holding of the partnership interests in Suzhou Beiyi Baihui, each of Suzhou Baihui Tongxin Hospital Management Co., Ltd.* and its ultimate shareholders is an Independent Third Party.

(6) The other shareholders are Zhengqi (Beijing) Asset Management Co., Ltd.* (正奇(北京)資產管理有限公司) (as to 9.8118%), Shenzhen Qianhai Yuanming Medical Industry Investment Fund (L.P.)* (深圳前海元明醫療產業投資基金(有限合夥)) (as to 3.3360%), Shenzhen Zexin Management Center Partnership (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥) (as to 2.7582%), Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)) (as to 1.9624%), Wuxi Jintou Luxin Venture Capital Partnership (L.P.)* (無錫金投魯信創業投資合夥企業(有限合夥)) (as to 1.7988%), Shandong Luxin New and Old Kinetic Energy Conversion Venture Capital Fund Partnership (L.P.)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)) (as to 1.7988%), Chengdu Luxinjingrong Phase II Venture Capital Center (L.P.)* (成都魯信菁蓉貳期創業投資中心 (有限合夥)) (as to 1.7988%), Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥)) (as to 1.2925%) and Maisheng Medical Equipment Co., Ltd.* (邁勝醫療設備有限公司) (as to 0.6541%). Each of the above shareholders is a Pre-[**REDACTED**] Investor. To the best knowledge of our Directors, each of the abovementioned Pre-[**REDACTED**] Investors and their respective ultimate beneficial owners is an Independent Third Party, save for their respective interests in our Group.

(7) Pursuant to the arrangement under the Concert Party Agreements, Shanghai Xukun Management would act in concert with Suzhou Beiyi Baihui in relation to the matters of Beiyi Baihui Medical Management (Shanghai) Co., Ltd.* (北醫佰惠醫療管理(上海)有限公司). Shanghai Xukun Management was owned as to 67.0% by Zhu Hongbing (朱紅兵) and as to 33.0% by Cui Yifan (崔一帆), who is a director of each of Beiyi Baihui Medical Management (Shanghai) Co., Ltd.* and Bayzed Medical Investment, and the son of Zhu Hongbing (朱紅兵). Please see "Relationship with Our Controlling Shareholders – Concert Party Agreements" in this document for further details.

(8) Anhui Beiyi Huijin is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership)* (共青城鈺晟投資管理合夥企業(有限合夥)) being the limited partner. Baihui Investment Fund was owned as to 80.0% by Ms. Xu. To the best knowledge of our Directors, Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership)* is owned as to approximately 98.3% by an individual who is the father of

a substantial shareholder of Henan Baihui Medical Investment Management Co., Ltd.* (河南佰惠醫療投資管理有限公司), one of our Group's subsidiaries. Save for abovementioned, the said individuals are not otherwise connected with the Company or its connected persons.

(9) Anhui Beiyi Huifang is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Beijing Hopson Jiaye Property Management Company Limited* (北京合生嘉業物業管理有限公司) being the limited partner. Baihui Investment Fund was owned as to 80.0% by Ms. Xu. To the best knowledge of our Directors, save for the indirect interests in our Group through their holding of the partnership interest in Anhui Beiyi Huifang, each of Beijing Hopson Jiaye Property Management Company Limited* and its ultimate owners is an Independent Third Party.

(10) Anhui Beiyi Huitong is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Shanghai Yuzheng Zerong Enterprise Management Company Limited* (上海毓正澤榮企業管理有限公司) being the limited partner. Baihui Investment Fund was owned as to 80.0% by Ms. Xu. To the best knowledge of our Directors, save for the indirect interests in our Group through their holding of the partnership interest in Anhui Beiyi Huitong, as of the Latest Practicable Date, Shanghai Yuzheng Zerong Enterprise Management Company Limited* is also the largest limited partner of the immediate shareholder of SCYC Holdings Limited (one of our Pre-[**REDACTED**] Investors). Save for the aforementioned, each of Shanghai Yuzheng Zerong Enterprise Management Company Limited* and its ultimate owners is an Independent Third Party.

(i) Setting up of offshore structure by the partners of Suzhou Beiyi Baihui in view of the relevant requirements under SAFE Circular 37 and ODI Rules and the incorporation of our Company

Prior to the Reorganization, Suzhou Beiyi Baihui was interested in 61.3641% shareholding interests in our Group, with Baihui Investment Fund being its sole general partner (as to approximately 1.3% partnership interests), and Suzhou Baihui Tongxin Hospital Management Co., Ltd.* (蘇州佰惠同欣醫院管理有限公司) ("**Baihui Tongxin**"), Guangdong Guancheng Industrial Investment Co., Ltd.* (廣東貫成實業投資有限公司) ("**Guangdong Guancheng**"), Dongguan Changshi Particle Investment Co., Ltd.* (東莞市長實粒子投資有限公司) ("**Changshi Particle**"), Shanghai Yu'an Investment Group Co., Ltd.* (上海裕安投資集團有限公司) ("**Shanghai Yu'an**") and Baicheng Baixin being its then limited partners (as to approximately 45.3%, 38.4%, 6.3%, 6.3% and 2.5% partnership interests, respectively). In view of the [**REDACTED**], each of Baihui Investment Fund, Baihui Tongxin and Guangdong Guancheng decided to set up its own offshore structure to comply with the relevant requirements in respect of the SAFE Circular 37 and the ODI Rules while Changshi Particle, Shanghai Yu'an, Baicheng Baixin opted for remaining as limited partners in Suzhou Beiyi Baihui to hold the interests of our Company through Shanghai Minbei. As such, the following steps were taken:

On September 6, 2021, Crimson X was incorporated in the BVI as a company limited by shares and is wholly owned by Ms. Xu. On the even date, Gamboge C Limited was incorporated in the BVI as a company limited by shares and is wholly owned by Cui Yong (崔勇). On September 9, 2021, Wineberry X was incorporated in the BVI as a company limited by shares and is owned as to 80.0% by Crimson X and as to 20.0% by Gamboge C Limited. On September 10, 2021, Rose Violet X was incorporated in the Cayman Islands as an exempted company with limited liability and is a wholly owned subsidiary of Wineberry X.

On September 6, 2021, Yellow L Limited was incorporated in the BVI as a company limited by shares and is wholly owned by Li Yi (李一). On the even date, Marine Green C Limited was incorporated in the BVI as a company limited by shares and is wholly owned by Chen Hua (陳樺). Chen Hua is the sister of our executive Director Chen Haoyang (陳昊陽). On September 9, 2021, Verdancy C Limited was incorporated in the BVI as a company limited by shares and is owned as to 90.0% by Marine Green C Limited and as to 10.0% by Yellow L Limited. Verdancy C Limited, Marine Green C Limited and Yellow L Limited were set up to serve as the offshore structure designated to subscribe for the partnership interests in Bayway Fund L.P. in order to mirror the then partnership interests held by Suzhou Tongxin in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group before Reorganization.

On September 6, 2021, Ultramarine H Limited was incorporated in the BVI as a company limited by shares and is wholly owned by Huang Zhuguang (黃柱光). On the even date, Amethyst J Limited was incorporated in the BVI as a company limited by shares and is wholly owned by Jiang Yanrong (蔣豔榮). To the best knowledge of our Directors, Jiang Yanrong is the spouse of Huang Zhuguang. On September 9, 2021, Lavender J Limited was incorporated in the BVI as a company limited by shares and is owned as to 90.0% by Ultramarine H Limited and as to 10.0% by Amethyst J Limited. Lavender J Limited, Ultramarine H Limited and Amethyst J Limited were set up to serve as the offshore structure designated to subscribe for the partnership interests in Bayway Fund L.P. in order to mirror the then partnership interests held by Guangdong Guancheng in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group before Reorganization.

On September 15, 2021, Blue Crystal K was incorporated in the BVI as a company limited by shares and is wholly owned by Shanghai Minbei. Shanghai Minbei is a limited partnership established in the PRC on September 13, 2021 with Baihui Investment Fund being the sole general partner (as to 0.1464% of the partnership interests) and Suzhou Beiyi Baihui being the limited partner (as to 99.8536% of the partnership interests).

On October 8, 2021, Bayway Fund L.P. was registered in the Cayman Islands as an exempted limited partnership with Rose Violet X being the sole general partner (as to 1.25% of the partnership interests), and Blue Crystal K, Verdancy C Limited and Lavender J Limited being the limited partners (as to 15.05%, 45.32% and 38.38% of the partnership interests, respectively) of Bayway Fund L.P. On December 9, 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and was wholly owned by Bayway Fund L.P.

On December 20, 2021, Purple Sapphire was incorporated in the BVI as a company limited by shares and was wholly owned by our Company. On December 28, 2021, Bayway Medical Group was incorporated in Hong Kong as a company limited by shares and was wholly owned by Purple Sapphire.

***(ii) Setting up of offshore structure by Fairy Tale, one of our Pre-*[REDACTED]**

On December 9, 2021, Fairy Tale was incorporated in the BVI as a company limited by shares and was wholly owned by Renee Lynn. Both Fairy Tale and Renee Lynn are Pre-[**REDACTED**] and an Independent Third Party save for their interests in our Company.

On December 10, 2021, Unicorn Dash was incorporated in the BVI as a company limited by shares and was wholly owned by Fairy Tale.

On December 17, 2021, Venus Tale was incorporated in Hong Kong as a company limited by shares and was wholly owned by Unicorn Dash.

(iii) Capital contribution in Beiyi Baihui Medical Management (Shanghai) Co., Ltd.* (北醫佰惠醫療管理(上海)有限公司) ("Beiyi Baihui Medical (Shanghai)") by Venus Tale

In December 2021, Venus Tale entered into a capital injection agreement with Beiyi Baihui Medical (Shanghai) and its then shareholders, pursuant to which Venus Tale agreed to invest in Beiyi Baihui Medical (Shanghai) by way of capital injection of RMB25.0 million, of which RMB229,007.60 was credited to the registered capital and the remaining was credited to the capital surplus of Beiyi Baihui Medical (Shanghai), which was determined with reference to the then net asset value of Beiyi Baihui Medical (Shanghai) as appraised by an independent valuer and the consideration was fully settled by cash on March 24, 2022. Upon completion of the said capital injection, Venus Tale became interested in 2.0182% equity interests in Beiyi Baihui Medical (Shanghai).

(iv) Transfer of equity interest of Beiyi Baihui Medical (Shanghai) from Suzhou Beiyi Baihui to Bayway Medical Group

In February 2022, Suzhou Beiyi Baihui entered into an equity interest transfer agreement with Bayway Medical Group, pursuant to which Suzhou Beiyi Baihui agreed to sell and Bayway Medical Group agreed to acquire 60.1256% equity interests in Beiyi Baihui Medical (Shanghai) held by Suzhou Beiyi Baihui at a cash consideration of RMB6,822,662.0, which was settled on August 31, 2022. The said consideration was determined with reference to the then registered capital of Beiyi Baihui Medical (Shanghai). Upon completion of the equity interest transfer, Beiyi Baihui Medical (Shanghai) was owned by Bayway Medical Group, 13 other equity interest holders (including Anhui Beiyi Huijin, Anhui Beiyi Huifang and Anhui Beiyi Huitong) and Venus Tale as to 60.1256%, 37.8562% and 2.0182%, respectively.

(v) Further transfer of equity interest of Beiyi Baihui Medical (Shanghai) from the remaining shareholders of Beiyi Baihui Medical (Shanghai) other than Suzhou Beiyi Baihui and Venus Tale to Bayway Medical Group

On December 13, 2022, the remaining shareholders of Beiyi Baihui Medical (Shanghai) other than Suzhou Beiyi Baihui and Venus Tale (including Anhui Beiyi Huijin, Anhui Beiyi Huifang and Anhui Beiyi Huitong, etc.) entered into an equity interest transfer agreement with

Bayway Medical Group, pursuant to which the said remaining shareholders of Beiyi Baihui Medical (Shanghai) agreed to sell and Bayway Medical Group agreed to acquire 37.8562% equity interests in Beiyi Baihui Medical (Shanghai) held by the said remaining shareholders at a cash consideration of RMB4,295,670.0. The said consideration was determined with reference to the then registered capital of Beiyi Baihui Medical (Shanghai). Upon completion of the equity interest transfer, Beiyi Baihui Medical (Shanghai) was owned by Bayway Medical Group and Venus Tale as to 97.9818% and 2.0182%.

(vi) Allot and issuance of new Shares from our Company to the relevant Pre-[**REDACTED**] *(or their designated affiliated entities) and Fairy Tale*

On August 8, 2023, our Company allotted and issued a total of 429,567,106 new Shares to the relevant Pre-[**REDACTED**] (or their designated affiliated entities), at par, so as to mirror the then equity interests held by such relevant Pre-[**REDACTED**] in Beiyi Baihui Medical (Shanghai).

As a share swap arrangement, on July 24, 2023, Fairy Tale agreed to transfer the entire issued share capital of Unicorn Dash to our Company, at the consideration of 16,666,667 new Shares to be issued by our Company to Fairy Tale. And on August 8, 2023, our Company allotted and issued 16,666,667 Shares to Fairy Tale.

Upon completion of the said allotment and issuance of new Shares as the corporate reorganization of our Company, the shareholding structure of our Company was as follows:

No.	Name of shareholders	Number of Shares	Percentage of shareholding
			(%)
1.	Bayway Fund L.P.	682,266,228	60.4578%
2.	Shanghai Zhenghesheng Enterprise Management Partnership (Limited Partnership)* (上海正闔盛企業管理合夥企業(有限合夥))(1)	109,090,909	9.6669%
3.	Xuxi Holding	95,915,590	8.4994%
4.	Shanghai Shengren Enterprise Management Partnership (Limited Partnership)* (上海晟荏企業管理合夥企業(有限合夥))(2)	90,666,667	8.0343%
5.	QHYM Investment Ltd.(3)	37,090,909	3.2867%
6.	Sugar Berry	33,090,909	2.9323%
7.	Changshang Ltd(4)	21,818,182	1.9334%
8.	Fairy Tale	16,666,667	1.4769%
9.	Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥))(5)	14,666,667	1.2997%
10.	Cheery Smiley	13,454,545	1.1923%
11.	Maisheng Medical Equipment Co., Ltd.* (邁勝醫療設備有限公司)(6)	7,272,728	0.6445%
12.	Backspace	6,500,000	0.5760%
	Total:	1,128,500,001	100%

Notes:

(1) Shanghai Zhenghesheng Enterprise Management Partnership Limited Partnership* (上海正闔盛企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on August 10, 2022 and is an affiliated entity designated by Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司) to subscribe for the Shares in our Company in order to mirror the then equity interests held by Zhengqi (Beijing) Asset Management Company Limited* in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Zhenghesheng Enterprise Management Partnership Limited Partnership*, Zhengqi (Beijing) Asset Management Company Limited* and their ultimate shareholders is an Independent Third Party.

(2) Shanghai Shengren Enterprise Management Partnership Limited Partnership* (上海晟荏企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on December 12, 2022 and is an affiliated entity designated by each of Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)* (無錫金投魯信創業投資合夥企業(有限合夥)), Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)), Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* (成都魯信菁蓉貳

期創業投資中心(有限合夥)) and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥)) to subscribe for the Shares in our Company in order to mirror the then equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group, held by each of Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)*, Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)*, Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)*. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Shengren Enterprise Management Partnership Limited Partnership*, Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)*, Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)*, Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

(3) QHYM Investment Ltd. is a company incorporated in the BVI on August 29, 2017 and is wholly-owned by Shenzhen Qianhai Yuanming Healthcare Fund (LP)* (深圳前海元明醫療產業投資基金(有限合夥)), which is designated by Shenzhen Qianhai Yuanming Healthcare Fund (LP)* to subscribe for the Shares in our Company in order to mirror the then equity interests held by Shenzhen Qianhai Yuanming Healthcare Fund (LP)* in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of QHYM Investment Ltd., Shenzhen Qianhai Yuanming Healthcare Fund (LP)* and their ultimate shareholders is an Independent Third Party.

(4) Changshang Ltd is a company incorporated in the BVI on September 20, 2022 and is wholly-owned by Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)* (上海琿仲企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 28, 2022. Changshang Ltd is an affiliated entity designated by Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)) to subscribe for the Shares in our Company in order to mirror the then equity interests held by Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Changshang Ltd, Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)*, Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

(5) Shanghai Zhenmao Information Technology Center Limited Partnership* (上海箴茂信息科技中心(有限合夥)) is a limited partnership established in the PRC on August 25, 2021. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, Shanghai Zhenmao Information Technology Center Limited Partnership* and their ultimate shareholders is an Independent Third Party.

(6) Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司) is a limited company established in the PRC on June 5, 2020. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, Maisheng Medical Equipment Company Limited* and their ultimate shareholders is an Independent Third Party.

Following the completion of the allotment and issuance of new Shares to the relevant Pre-[**REDACTED**] (or their designated affiliated entities) and Fairy Tale as the corporate reorganization of our Company, our Company has conducted further Pre-[**REDACTED**]. Please see "– Pre-[**REDACTED**]" in this section for further details.

PRE-[REDACTED]

1. Principal terms of the Pre-[REDACTED]

We received four rounds of Pre-[**REDACTED**] since our establishment. The following table sets forth a summary of the details of the Pre-[**REDACTED**]:

	Seed Financing	Series A Financing	Series A+ Financing	Series B Financing
Percentage of equity interest/ shareholding acquired immediately after the round of investment	10.53%[(1)]	22.18%[(1)]	11.30%[(2)]	4.7969%[(3)]
Amount of consideration paid	RMB100.0 million (equivalent to approximately HKD[107.2 million])	RMB325.0 million (equivalent to approximately HKD[348.3 million])	Approximately RMB192.8 million (equivalent to approximately HKD[206.6 million])	Approximately RMB[125.6 million] (equivalent to approximately HKD[134.6 million])
Post-money valuation of our Company	RMB950.0 million	RMB1,375.0 million	Approximately RMB1,692.8 million	Approximately RMB2,624.7 million
Participants of the Pre-[**REDACTED**]	Shanghai Xukun Management	Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司); Anhui Beiyi Huijin; Anhui Beiyi Huifang; Shanghai Xukun Management; Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)); Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)); and Maisheng Medical Equipment Co., Ltd.* (邁勝醫療設備有限公司)	Anhui Beiyi Huitong; Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)* (無錫金投魯信創業投資合夥企業(有限合夥)); Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)); Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* (成都魯信菁蓉貳期創業投資中心(有限合夥)); Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥)); Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥); and Fairy Tale (through Venus Tale, which subsequently became our wholly-owned subsidiary)	SCYC Holdings Limited; Shanghai Duohou Enterprise Management Partnership (Limited Partnership)* (上海鐸厚企業管理合夥企業(有限合夥)); and Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥))

	Seed Financing	Series A Financing	Series A+ Financing	Series B Financing
Date of agreement(s)[1]	April 2020	November 2020 to April 2021	October 2021 to December 2021	April 2023 to August 2023
Date of payment of full consideration	April 2020	April 2021	July 2023	November 2023
Cost per Share	Approximately HKD[**REDACTED**]	Approximately HKD[**REDACTED**]	Approximately HKD[**REDACTED**]	Approximately HKD[**REDACTED**]
Discount to the [**REDACTED**][4]	Approximately [**REDACTED**]	Approximately [**REDACTED**]	Approximately [**REDACTED**]	Approximately [**REDACTED**]
Use of proceeds from the Pre-[**REDACTED**]	The [**REDACTED**] served the general working [**REDACTED**] of our Company and was utilized for the business development, acquisitions and expansion and operation of our Company's business. As of the Latest Practicable Date, approximately 83.08% of the net proceeds from the Pre-[**REDACTED**] by the Pre-[**REDACTED**] were utilised.			
[**REDACTED**] arrangement	The Pre-[**REDACTED**] are not subject to any [**REDACTED**] agreements pursuant to the agreements.			
Special rights	No special rights have been granted to the Pre-[**REDACTED**].			
Basis of consideration	The relevant consideration was determined after arm's length negotiations between our Company and the Pre-[**REDACTED**] with reference to the financial performance and the business valuation of our Company, the timing of the [**REDACTED**], the status of our business and operation and our future prospects.			
Strategic benefits to our Company	At the time of the Pre-[**REDACTED**], our Directors were of the view that our Company could benefit from the additional [**REDACTED**] that would be provided by each of the Pre-[**REDACTED**] in our Group. Our Directors were also of the view that the Company could benefit from the Pre-[**REDACTED**] commitments to our Company as their [**REDACTED**] demonstrates their confidence in the operations of our Company and serves as an endorsement our Company's performance, strength and prospects. We further consider that their respective [**REDACTED**] backgrounds and business management experience could provide insights and advice on our business and expansion.			
Shareholding in our Company immediately before the [**REDACTED**]	8.0917%	19.2615%	10.2922%	4.7969%
Shareholding in our Company immediately after the [**REDACTED**][5]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The percentage represents the equity interest acquired in Bayzed Medical Investment, the then onshore holding company of our Group and our first operating subsidiary.

(2) The percentage represents the equity interest acquired in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group.

(3) The percentage represents the shareholding acquired in our Company.

(4) Assuming the [**REDACTED**] will be conducted at the midpoint of the [**REDACTED**] range, being [**REDACTED**].

(5) Assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised.

2. Public Float

Pursuant to the Listing Rules, at least [**REDACTED**] of the total issued share capital of our Company must at all times be held by the public. As the Pre-[**REDACTED**] are not connected persons of our Company, the Shares held by the Pre-[**REDACTED**] will be counted towards the public float upon [**REDACTED**].

3. Information about the Pre-[REDACTED]

To the best knowledge of the Directors, information about the Pre-[**REDACTED**] is set out as follows:

Shanghai Xukun Management

Xuxi Holding, Shanghai Xuxi Management, Shanghai Xukun Management are the Pre-[**REDACTED**] Investors of our Company, and their ultimate beneficial owners are Cui Yifan (崔一帆) and Zhu Hongbing (朱紅兵) pursuant to the arrangement under the Concert Party Agreements. Shanghai Xukun Management is a limited liability company established in the PRC on March 3, 2020 and is owned as to 67.0% by Zhu Hongbing (朱紅兵) and 33.0% by Cui Yifan (崔一帆). Shanghai Xukun Management primarily engages in business management consulting and investment management. Cui Yifan (崔一帆) is a director of each of Beiyi Baihui Medical (Shanghai) and Bayzed Medical Investment, and the son of Zhu Hongbing (朱紅兵). Immediately prior to the Reorganization, Shanghai Xukun Management was interested in 8.4527% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, Xuxi Holding was designated to subscribe for the Shares in order to mirror the equity interests of Shanghai Xukun Management in our Group prior to the Reorganization. Pursuant to the Concert Party Agreements, each of Shanghai Xukun Management, and Xuxi Holding and their ultimate shareholders and Cui Yifan and Zhu Hongbing is the Controlling Shareholder of the Company. See "Relationship with Our Controlling Shareholders – Our Controlling Shareholders – The Concert Party Agreements" for more details.

Zhengqi (Bejing) Asset Management Company Limited* (正奇(北京)資產管理有限公司) ("Zhengqi Beijing")

Zhengqi Beijing is a limited liability company established in the PRC on January 23, 2017, which is a wholly-owned subsidiary of Zhengqi Holdings Company Limited* (正奇控股股份有限公司) ("**Zhengqi Holdings Company**"), which in turn is owned as to 94.62% by Legend Holdings Co., Ltd.* (聯想控股股份有限公司), a joint stock limited liability company established under the laws of PRC and its overseas listed shares are listed on the Main Board of the Stock Exchange (Stock Code: 03396). It is a leading industrial operations and investments company in the PRC, which focuses on technological innovation and the real economy. Prior to the Reorganization, Zhengqi Beijing was interested in 9.6138% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, Shanghai Zhenghesheng Enterprise Management Partnership (Limited Partnership)* (上海正闔盛企業管理合夥企業(有限合夥) ("**Shanghai Zhenghesheng Enterprise**"), a limited partnership established in the PRC on August 10, 2022, was designated to subscribe for the Shares in order to mirror the equity interests of Zhengqi Beijing in our Group, with Zhengqi Beijing being the sole general partner (as to 15.0% of the partnership interests) and Zhengqi Holdings Company being the limited partner (as to 85.0% of the partnership interests). To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Zhenghesheng Enterprise, Zhengqi Beijing and their ultimate shareholders is an Independent Third Party.

Anhui Beiyi Huijin

Anhui Beiyi Huijin is a limited partnership established in the PRC on January 15, 2020 with Baihui Investment Fund being the sole general partner holding 1.9608% of the partnership interests and Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership)* (共青城鈺晟投資管理合夥企業(有限合夥) ("**Gongqingcheng Yusheng Partnership**") being the sole limited partner (as to approximately 98.0392% of the partnership interests). Baihui Investment Fund in turn is owned as to 80.0% by Ms. Xu, our Controlling Shareholder. Prior to the Reorganization, Anhui Beiyi Huijin was interested in 2.9162% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, Sugar Berry was designated to subscribe for the Shares in order to mirror the equity interests of Anhui Beiyi Huijin in our Group prior to the Reorganization. Sugar Berry is a company incorporated in the BVI on August 4, 2022 and is a wholly-owned subsidiary of Shanghai Huijin, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huijin being the limited partner. Anhui Beiyi Huijin primarily focuses on making venture capital and private equity investments. Gongqingcheng Yusheng Partnership is owned as to 98.33% by an individual who is the father of a substantial shareholder of Henan Baihui Medical Investment Management Co., Ltd.* (河南佰惠醫療投資管理有限公司), one of our Group's subsidiaries and principally engages in investment management, asset management and project investment. Being intermediate shareholders controlled by Ms. Xu, Sugar Berry and its intermediate controlling entities, namely, Shanghai Huijin and Anhui Beiyi Huijin are Controlling Shareholders of the Company. See "Relationship with Our Controlling Shareholders – Our Controlling Shareholders" for more details.

Anhui Beiyi Huifang

Anhui Beiyi Huifang is a limited partnership established in the PRC on January 8, 2020 with Baihui Investment Fund being the sole general partner holding as to 4.7619% of the partnership interests and Beijing Hopson Jiaye Property Management Company Limited* (北京合生嘉業物業管理有限公司) ("**Hopson Jiaye Management**") being the limited partner, holding as to 95.2381% of the partnership interests. Baihui Investment Fund in turn is owned as to 80.0% by Ms. Xu, our Controlling Shareholder. Prior to the Reorganization, Anhui Beiyi Huifang was interested in 1.1857% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, Cheery Smiley was designated to subscribe for the Shares in order to mirror the equity interests of Anhui Beiyi Huifang in our Group prior to the Reorganization. Cheery Smiley is a company incorporated in the BVI on August 4, 2022 and is a wholly-owned subsidiary of Shanghai Huifang, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huifang being the limited partner. Anhui Beiyi Huifang primarily focuses on making venture capital and private equity investments. Hopson Jiaye Management, which principally engages in property management, consulting and investment management, is owned as to 97.79% by an individual who is an Independent Third Party. Being intermediate shareholders controlled by Ms. Xu, Cheery Smiley and its intermediate controlling entities, namely, Shanghai Huifang and Anhui Beiyi Huifang are Controlling Shareholders of the Company. See "Relationship with Our Controlling Shareholders – Our Controlling Shareholders" for more details.

Anhui Beiyi Huitong

Anhui Beiyi Huitong is a limited partnership established in the PRC on March 31, 2021 and whose primary purpose is to make venture capital and equity investments, with Baihui Investment Fund being the sole general partner holding 9.0909% of the partnership interests and Shanghai Yuzheng Zerong Enterprise Management Company Limited* (上海毓正澤榮企業管理有限公司) ("**Shanghai Yuzheng Zerong**") being the limited partner holding 90.9091% of the partnership interests. Prior to the Reorganization, Anhui Beiyi Huitong was interested in 0.5728% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, Backspace was designated to subscribe for the Shares in order to mirror the equity interests of Anhui Beiyi Huitong in our Group prior to the Reorganization. Backspace is a company incorporated in the BVI on August 4, 2022 and is a wholly-owned subsidiary of Shanghai Huitong, a limited partnership established in the PRC on June 9, 2022 with Baihui Investment Fund being the sole general partner (as to 13.3333% of the partnership interests) and Anhui Beiyi Huitong being the sole limited partner (as to approximately 86.6667% of the partnership interests). Baihui Investment Fund in turn is owned as to 80% by Ms. Xu, our Controlling Shareholder. Shanghai Yuzheng Zerong, principally engages in business management and consulting, is owned as to 80% by an individual who is an Independent Third Party. Being intermediate shareholders controlled by Ms. Xu, Backspace and its intermediate controlling entities, namely Shanghai Huitong and Anhui Beiyi Huitong are Controlling Shareholders of the Company. See "Relationship with Our Controlling Shareholders – Our Controlling Shareholders" for more details.

Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)) ("Yuanming Medical Fund")

Yuanming Medical Fund is a limited partnership established in the PRC on March 10, 2017, with Shenzhen Qianhai Yuanming Asset Management Company Limited* (深圳前海元明資產管理有限公司) ("**Shenzhen Qianhai Yuanming**") being the sole general partner holding 2.5% of the partnership interests and Zhuhai Hengqin Centennial Tianming Investment

Company Limited* (珠海橫琴百年天明投資有限公司) ("**Zhuhai Hengqin Investment**", formerly known as Zhuhai Hengqin Centennial Tianming Investment Management Company Limited* (珠海橫琴百年天明投資管理有限公司)) and Henan Xinggang Sunac Venture Capital Development Fund (Limited Partnership)* (河南興港融創創業投資發展基金(有限合夥)) ("**Henan Xinggang Fund**"), being the limited partners holding approximately 31.7% and 30.0% of the partnership interests, respectively. As of the Latest Practicable Date and to the best knowledge of our Directors, the other limited partners of Yuanming Medical Fund include corporate investors as well as individual investors, all of whom held minority interests in Yuanming Medical Fund. Prior to the Reorganization, Yuanming Medical Fund was interested in 3.2687% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, QHYM Investment Ltd. was designated to subscribe for the Shares in order to mirror the equity interests of Shenzhen Qianhai Yuanming in our Group. QHYM Investment Ltd. is a BVI company limited by shares incorporated in the BVI on August 29, 2017, which is wholly-owned by Yuanming Medical Fund. Shenzhen Qianhai Yuanming principally engages in equity investment and management. Zhuhai Hengqin Investment principally engages in equity investment and management. Henan Xinggang Fund principally engages in equity investment and management. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of QHYM Investment Ltd., Shenzhen Qianhai Yuanming Healthcare Fund (LP)* and their ultimate shareholders is an Independent Third Party.

Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership) (寧波長商昆仲投資合夥企業(有限合夥))* ("Ningbo Changshang Kunzhong")

Ningbo Changshang Kunzhong is a limited partnership established in the PRC on May 21, 2015 and primarily engages in industrial investment, investment management and investment consulting business, with Shoutaijinxin Changxing Investment Management Co., Ltd. (首泰金信(長興)投資管理有限公司) ("**Shoutai Jinxin Investment**") and Shoutai Jinxin (Beijing) Equity Investment Fund Management Company Limited* (首泰金信(北京)股權投資基金管理股份有限公司) ("**Shoutai Jinxin Beijing**") being the general partners holding 13.8539% and 0.5038% of the partnership interest, respectively and Hainan First Chengmei Medical Industry Group Company Limited* (海南第一成美醫療產業集團有限公司) ("**Hainan Chengmei Medical**"), Beijing Jinyuan Investment Co., Ltd. (北京晉源投資有限公司), Gu Ziguang (顧紫光), Jiang Tengfei (江騰飛), being the limited partners holding 25.1889%, 12.5945%, 12.5945%, 12.5945% of the partnership interest respectively. As of the Latest Practicable Date, to the best knowledge of our Directors, the other limited partners of Ningbo Changshang Kunzhong include corporate investors as well as individual investors, all of whom held minority interests in Ningbo Changshang Kunzhong. Prior to the Reorganization, Ningbo Changshang Kunzhong was interested in 1.9228% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. For the purpose of the ODI application, Changshang Ltd was designated to subscribe for the Shares in order to mirror the equity interests of Ningbo Changshang Kunzhong in our Group. Changshang Ltd is a limited company incorporated in the BVI on September 20, 2022, which is wholly-owned by Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)* (上海琿仲企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 28, 2022 and principally engaged in corporate management. To the best knowledge of our Directors, Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)* (上海琿仲企業管理合夥企業(有限合夥)) and Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)) are affiliated companies of the same group. Shoutai Jinxin Investment principally engages in equity investment, management and consulting. Shoutai Jinxin Beijing principally engages in investment management and consulting for non-securities businesses. Hainan Chengmei Medical principally engages in equity investment, management and consulting. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Ningbo Changshang Kunzhong, Hainan Chengmei Medical, Changshang Ltd, Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)*, and their ultimate shareholders is an Independent Third Party.

Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司) ("Maisheng Medical Equipment")

Maisheng Medical Equipment is a limited company established in the PRC on June 5, 2020, which primarily engages in the manufacture and sale of medical devices, private equity investment and asset management business and is owned by Mevion Medical Technology Group Limited ("**Mevion Medical Technology**") and Kunshan High-tech Group Company

Limited* (昆山高新集團有限公司) ("**Kunshan High-tech**") as to 68.75% and 31.25%, respectively. Prior to the Reorganization, Maisheng Medical Equipment was interested in 0.6409% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. Mevion Medical Technology principally engages in the manufacture and sale of medical equipment that focus on miniaturized proton radiotherapy for tumor treatment. Kunshan High-tech principally engages in equity investment and management. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Maisheng Medical Equipment, Mevion Medical Technology and Kunshan High-Tech and their ultimate shareholders is an Independent Third Party.

Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)* (無錫金投魯信創業投資合夥企業(有限合夥)) ("WX Jintou Luxin"), Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)) ("SD Luxin Momentum"), Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* (成都魯信菁蓉貳期創業投資中心(有限合夥)) ("CD Luxin Phase II") and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership) (深圳市澤信管理中心合夥企業(有限合夥))* ("SZ Zexin Management")

WX Jintou Luxin is a limited partnership established in the PRC on August 11, 2020 and principally engages in venture investments, with Shenzhen Huaxin Capital Management Company Limited* (深圳市華信資本管理有限公司) ("**Shenzhen Huaxin Capital Management**") being the sole general partner holding 0.7% of the partnership interest and Shandong High-tech Venture Capital Company Limited* (山東省高新技術創業投資有限公司) ("**Shandong Hi-tech Company**"), Wuxi Jiangxi Technology Venture Capital Company Limited* (無錫江溪科技創業投資有限公司), Shenzhen Huaxin Venture Capital Company Limited* (深圳市華信創業投資有限公司) being the limited partners (holding as to 35.0%, 15.0% and 12.0% of the partnership interests, respectively). As of the Latest Practicable Date and to the best knowledge of our Directors, the other limited partners of WX Jintou Luxin include limited partnerships and corporate investors, all of whom held minority interests in WX Jintou Luxin. Shenzhen Huaxin Capital Management principally engages in asset management and venture capital investment. To the best knowledge of our Directors and save for the shareholding interests, direct or indirect, in our Company, each of WX Jintou Luxin, Shenzhen Huaxin Capital Management, Shandong High-tech Venture Capital Company Limited*, Wuxi Jiangxi Technology Venture Capital Company Limited* and Shenzhen Huaxin Venture Capital Company Limited* and their ultimate shareholders is an Independent Third Party.

SD Luxin Momentum is a limited partnership established in the PRC on November 12, 2018 primarily engages in equity investments, with Shandong High-tech Company being the sole general partner holding 2.0% of the partnership interests and Luxin Venture Capital Group Company Limited* (魯信創業投資集團股份有限公司) ("**Luxin Venture**"), the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600783) and Shandong New Kinetic Energy Fund Management Company Limited* (山東省新動能基金管理有限公司) ("**Shandong Energy Management**"), being the limited partners holding 47.0% and 25.0% of the partnership interests, respectively. As of the Latest Practicable Date and to the best knowledge of our Directors, the other limited partners of SD Luxin Momentum include corporate investors and an individual, all of whom held minority interests in SD Luxin Momentum. Shandong Hi-tech Company principally engages in venture capital investment. Luxin Venture principally engages in venture investment, investment management and consulting. Shandong Energy Management principally engages in asset management, investment management and consulting. To the best knowledge of our Directors and save for the shareholding interests, direct or indirect, in our Company, each of SD Luxin Momentum, Shandong Hi-tech Company, Luxin Venture and Shandong Energy Management and their ultimate shareholders are Independent Third Parties.

CD Luxin Phase II is a limited partnership established in the PRC on April 1, 2021 principally engages in venture capital investment, with Chengdu Luxin Jingrong Equity Investment Fund Management Company Limited (成都魯信菁蓉股權投資基金管理有限公司)* ("**Luxin Jingrong Management**") being the sole general partner holding 1.3333% of the partnership interests and Shandong High-tech Company, Chengdu Jingrong Chuangfu Investment Company Limited* (成都市菁蓉創富投資有限公司) ("**Chengdu Jingrong Investment**") and Sichuan Guojing Innovation Investment Management Company Limited* (四川國經創新投資管理有限公司) ("**Sichuan Guojing Management**") being the limited partners holding 42.6667%, 21.3333%, 21.3333% of the partnership interests, respectively. As of the Latest Practicable Date and to the best knowledge of our Directors, the other limited partner of CD Luxin Phase II includes a corporate investor, which held minority interests in Chengdu Luxin Partnership. Luxin Jingrong Management principally engages in equity investment, investment management and business consulting. Chengdu Jingrong Investment principally engages in venture capital investment, asset management and investment consulting. Sichuan Guojing Management principally engages in equity investment, business management and investment consulting. To the best knowledge of our Directors and save for the shareholding interests, direct or indirect, in our Company, each of CD Luxin Phase II, Luxin Jingrong Management, Shandong High-tech Company, Chengdu Jingrong Investment and Sichuan Guojing Management and their ultimate shareholders is an Independent Third Party.

SZ Zexin Management is a limited partnership established in the PRC on September 23, 2021 primarily focus on equity investment, business management and investment consulting, with Chuhou (Shenzhen) Management Center (Limited Partnership)* (處厚(深圳)管理中心(有限合夥)) ("**Chuhou SZ**") being the sole general partner holding 0.1086% of the partnership interests and Mai Yangguang (麥楊光) and Guangzhou Hengda Chuangfu Phase I Health Industry Investment Fund Partnership (Limited Partnership)* (廣州恒達創富一期健康產業投資基金合夥企業(有限合夥)), which principally engages in equity investment, investment and asset management, being the limited partners holding 32.5733% and 21.7155% of the partnership interests, respectively. As of the Latest Practicable Date and to the best knowledge of our Directors, the other limited partners of SZ Zexin Management include limited partnerships, which held minority interests in SZ Zexin Management. Chuhou SZ principally focuses on information, trade and business management consulting. Mai Yangguang is an Independent Third Party. To the best knowledge of our Directors and save for the shareholding interests, direct or indirect, in our Company, each of SZ Zexin Management, Chuhou SZ, and Guangzhou Hengda Chuangfu Phase I Health Industry Investment Fund Partnership (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

Prior to the Reorganization, each of SZ Zexin Management, CD Luxin Phase II, SD Luxin Momentum and WX Jintou Luxin was interested in 2.7025%, 1.7625%, 1.7625% and 1.7625% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group, respectively. For the purpose of the ODI application, Shanghai Shengren Enterprise Management Partnership (Limited Partnership)* (上海晟荏企業管理合夥企業(有限合夥) ("**Shanghai Shengren Management**") was designated by each of SZ Zexin Management, CD Luxin Phase II, SD Luxin Momentum and WX Jintou Luxin to subscribe for the Shares in order to mirror their aggregate equity interests in our Group prior to the Reorganization. Shanghai Shengren Management is a limited partnership established in the PRC on December 12, 2022, which is an affiliated entity of SZ Zexin Management, CD Luxin Phase II, SD Luxin Momentum and WX Jintou Luxin. Save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Shengren Management and its ultimate shareholders is an Independent Third Party.

Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥)) ("Shanghai Zhenmao Technology")

Shanghai Zhenmao Technology is a limited partnership established in the PRC on August 25, 2021, which principally engages in information technology, business management and market studies, with Shanghai Haoying Cangyu Technology Service Co., Ltd.* (上海浩盈滄昱科技服務有限公司) ("**Shanghai Haoying Cangyu**") being the sole general partner holding 54.5455% of the partnership interests and Wu Tingting (吳亭亭) being the limited partners holding 45.4545% of the partnership interests, respectively. Prior to the Reorganization, Shanghai Zhenmao Technology was interested in 1.2925% of the equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Zhenmao Technology, Shanghai Haoying Cangyu and Wu Ting Ting and their ultimate shareholders is an Independent Third Party.

Fairy Tale

Fairy Tale, a holding company incorporated in the BVI as a company limited by shares on December 9, 2021, is wholly owned by Renee Lynn. Renee Lynn is a private investor with investment experiences in consumer and medical products. As a share swap arrangement, Fairy Tale agreed to transfer the entire issued share capital of Unicorn Dash to our Company, thereby

Fairy Tale holds direct interest in our Company. See "Corporate Reorganization" in this section for further details. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Fairy Tale and Renee Lynn is an Independent Third Party.

SCYC Holdings Limited

SCYC Holdings Limited is a holding company incorporated in the BVI with limited liability on March 22, 2023 and is wholly owned by Shanghai Songchao Yucheng Enterprise Management Partnership (Limited Partnership)* (上海松朝煜程企業管理合夥企業(有限合夥)), which is in turn owned as to 36.9979% by Shanghai Yuzheng Zerong, which is also the limited partner of Anhui Beiyi Huitong, one of our Pre-[**REDACTED**]. SCYC Holding Limited principally engages in corporate management and information consulting services. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of SCYC Holdings Limited, Shanghai Songchao Yucheng Enterprise Management Partnership (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)) ("Shanghai Xinlun")

Shanghai Xinlun is a limited partnership established in the PRC on August 3, 2023, which principally engages in business management and information consulting services with Shenzhen City Huaxin Capital Management Company Limited* (深圳市華信資本管理有限公司) ("**Shenzhen Huaxin**") being the sole general partner holding 0.3322% of the partnership interests and Wushi Luxin Third Venture Investment Partnership (Limited Partnership)* (無錫魯信叁期創業投資合夥企業(有限合夥)) ("**Luxin Third Venture**"), being the sole limited partner holding approximately 99.6678% of the partnership interests, respectively. Shenzhen Huaxin, which principally engages in venture capital consulting, equity investment consulting and investment management, is a limited liability company established in the PRC on October 30, 2014, which is owned as to 37.00% and 30.00% by Chuhou (Shenzhen) Management Center (Limited Partnership)* (處厚(深圳)管理中心(有限合夥)) and Shenzhen Huaxin Venture Capital Company Limited* (深圳市華信創業投資有限公司) respectively. As of the Latest Practicable Date and to the best knowledge of our Directors, the other limited partners of Shenzhen Huaxin include corporate and individual investors, all of whom held minority interests in Shenzhen Huaxin. Luxin Third Venture, which principally engages in equity and venture investment, is a limited liability company established in the PRC on April 26, 2023, with Shenzhen Huaxin being the sole general partner holding 1.00% of the partnership interests and Shandong High-tech Company and Shenzhen Zhongying Technology Innovation Co., Ltd. (深圳市中盈科技創新有限公司) being the limited partners holding 47.50% and 31.25% of the partnership interests, respectively. See "Substantial Shareholders" in this document for further details of the ownership structure of Shanghai Xinlun. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Xinlun, Shenzhen Huaxin and Luxin Third Venture and their ultimate shareholders is an Independent Third Party.

Shanghai Duohou Enterprise Management Partnership (Limited Partnership)* (上海鐸厚企業管理合夥企業(有限合夥)) ("Shanghai Duohou")

Shanghai Duohou is a limited partnership established in the PRC on July 17, 2023, principally engages in business management and information consulting services, with Guangfa Xinde Investment Management Company Limited* (廣發信德投資管理有限公司) ("**Guangfa Xinde Investment**") being the sole general partner holding approximately 0.01% of the partnership interests and Zhuhai Guangfa Xinde Houze Venture Investment Partnership (Limited Partnership)* (珠海廣發信德厚澤創業投資合夥企業(有限合夥)) ("**Zhuhai Guangfa Xinde**"), being the largest limited partner holding approximately 99.2% of the partnership interests, respectively. Guangfa Xinde Investment is a wholly owned subsidiary of GF Securities Company Limited* (廣發証券股份有限公司), a joint stock limited liability company established under the laws of PRC on January 21, 1994 whose shares are dually listed on the Shenzhen Stock Exchange (stock code: 776) and the Stock Exchange (stock code: 1776). Zhuhai Guangfa Xinde, which principally engages in equity investment, investment management and asset management, is a limited partnership established in the PRC on June 15, 2023, is owned by individual investors which are Independent Third Parties. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Guangha Xinde Investment, GF Securities Company Limited* and Zhuhai Guangfa Xinde and their ultimate beneficial shareholders is an Independent Third Party.

[**REDACTED**] and public float

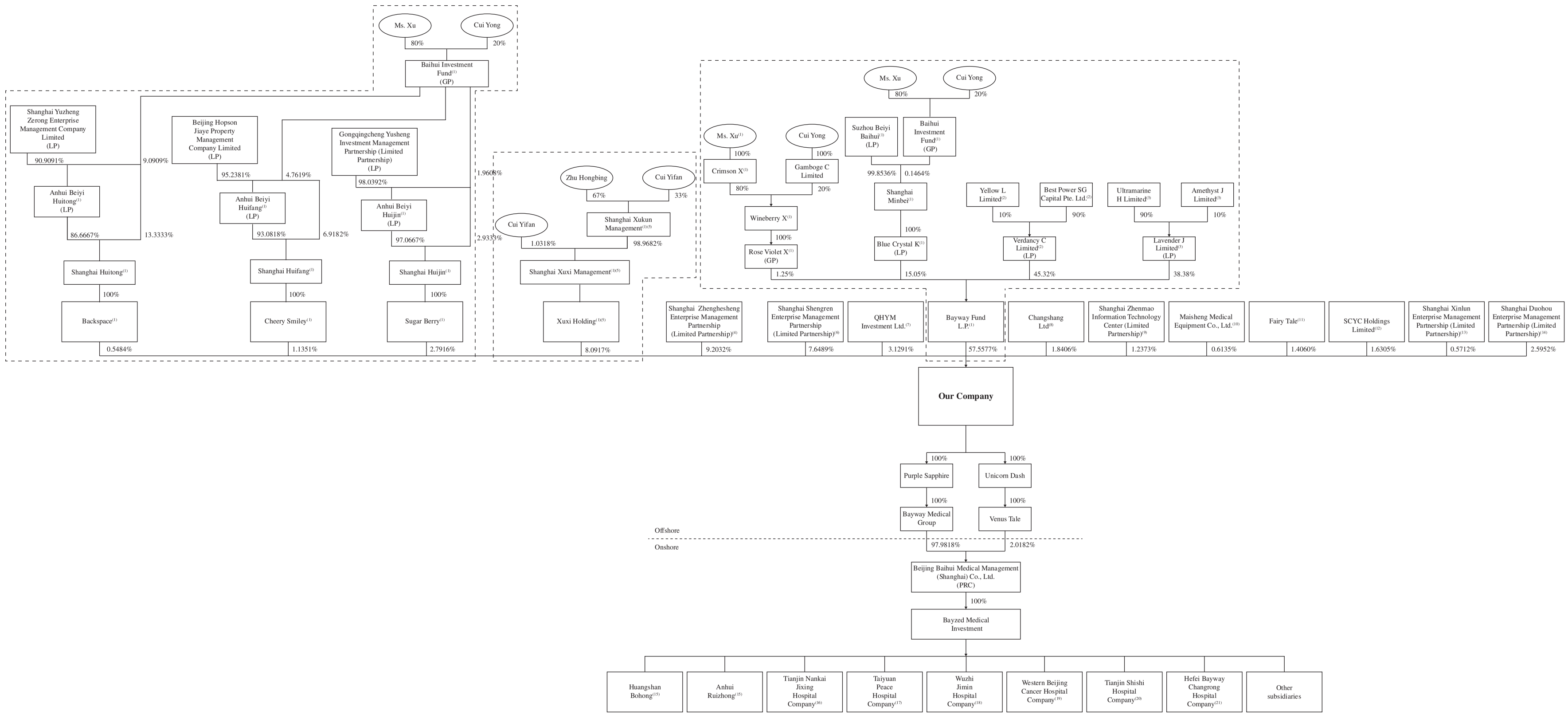
Save for the Pre-[**REDACTED**] who are or are deemed as a Controlling [**REDACTED**] of the Company, upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), none of the Pre-[**REDACTED**] are core connected persons (as defined under the Listing Rules) of our Company and the [**REDACTED**] of the [**REDACTED**] by the Pre-[**REDACTED**] are not financed directly or indirectly by a connected person of our Company. Therefore, save for the Pre-[**REDACTED**] who are or are deemed as a Controlling [**REDACTED**] of the Company, the [**REDACTED**] held by the remaining Pre-[**REDACTED**], representing approximately [**REDACTED**] of our [**REDACTED**] issued [**REDACTED**], will be counted towards public float of our Company.

Confirmation from the Sole Sponsor

On the basis that (i) the consideration for the Pre-[**REDACTED**] was irrevocably settled more than 28 clear days before the first filing of the [**REDACTED**] application by our Company with the Stock Exchange, and (ii) the Pre-[**REDACTED**] are not entitled to any special rights under their respective [**REDACTED**] in our Company, the Sole Sponsor confirms that the Pre-[**REDACTED**] are in compliance with the Pre-[**REDACTED**] Guidance in Chapter 4.2 of the Guide for New [**REDACTED**].

CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

Set out below is the simplified corporate and shareholding structure of our Group immediately after the completion of the Reorganization and the Pre-[**REDACTED**] but before the [**REDACTED**].



------ denotes group of shareholders who held Shares directly or indirectly through respective Shareholders for illustration purpose.

Notes:

(1) Each of such entities is or is deemed to be a Controlling Shareholder. For details, please see "Relationship with Our Controlling Shareholders – Our Controlling Shareholders" in this document for further details.

(2) Verdancy C Limited is a company incorporated in the BVI on September 9, 2021 and is owned as to 90.0% by Best Power Sg Capital Pte. Ltd., which is a company incorporated in Singapore on February 2, 2021, which in turn is wholly owned by Marine Green C Limited, a company incorporated in the BVI on September 6, 2021 and wholly-owned by Chen Hua (陳樺), the sister of our executive Director Chen Haoyang (陳昊陽), and as to 10.0% by Yellow L Limited, which is a company incorporated in the BVI on September 6, 2021 and wholly-owned by Li Yi (李一). To the best knowledge of our Directors, save for the abovementioned and indirect interests in our Group through their holding of the partnership interests in Bayway Fund L.P., each of Verdancy C Limited, Best Power SG Capital Pte. Ltd., Marine Green C Limited, Yellow L Limited and their ultimate shareholders is an Independent Third Party.

(3) Lavender J Limited is a company incorporated in the BVI on September 9, 2021 and is owned as to 90.0% by Ultramarine H Limited, which is a company incorporated in the BVI on September 6, 2021 and wholly-owned by Huang Zhuguang (黃柱光) and as to 10.0% by Amethyst J Limited, which is a company incorporated in the BVI on September 6, 2021 and wholly-owned by Jiang Yanrong (蔣豔榮). To the best knowledge of our Directors, Jiang Yanrong is the spouse of Huang Zhuguang, and save for the indirect interests in our Group through their holding of the partnership interests in Bayway Fund L.P., each of Lavender J Limited, Ultramarine H Limited and Amethyst J Limited and their ultimate shareholders is an Independent Third Party.

(4) Shanghai Zhenghesheng Enterprise Management Partnership (Limited Partnership)* (上海正闔盛企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on August 10, 2022 and is an affiliated entity designated by Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司) to subscribe for the Shares in our Company in order to mirror the then equity interests held by Zhengqi (Beijing) Asset Management Company Limited* in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Zhenghesheng Enterprise Management Partnership (Limited Partnership)*, Zhengqi (Beijing) Asset Management Company Limited* and their ultimate shareholders is an Independent Third Party.

(5) Pursuant to the arrangement under the Concert Party Agreements, Xuxi Holding would act in concert with Bayway Fund L.P. in relation to the matters of our Company. Please see "Relationship with Our Controlling Shareholders – Concert Party Agreements" in this document for further details.

(6) Shanghai Shengren Enterprise Management Partnership Limited Partnership* (上海晟荏企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on December 12, 2022 and is an affiliated entity designated by each of Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)* (無錫金投魯信創業投資合夥企業(有限合夥)), Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)), Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* (成都魯信菁蓉貳期創業投資中心(有限合夥)) and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥)) to subscribe for the Shares in our Company in order to mirror the then equity interests in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group, held by each of Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)*, Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)*, Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)*. To the best knowledge of our Directors, the general partner of Shanghai Shengren Enterprise Management Partnership (Limited Partnership)* is also the general partner of Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)). Save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Shengren Enterprise Management Partnership Limited Partnership*, Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)*, Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)*, Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* and Shenzhen Zexin Management Center Partnership Enterprise (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

(7) QHYM Investment Ltd. is a company incorporated in the BVI on August 29, 2017 and is wholly-owned by Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)), which is designated by Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* to subscribe for the Shares in our Company in order to mirror the then equity interests held by Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of QHYM Investment Ltd., Shenzhen Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

(8) Changshang Ltd is a company incorporated in the BVI on 20 September 2022 and is wholly-owned by Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)* (上海琿仲企業管理合夥企業(有限合夥)), a limited partnership established in the PRC on June 28, 2022. Changshang Ltd is an affiliated entity designated by Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)) to subscribe for the Shares in our Company in order to mirror the then equity interests held by Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Changshang Ltd, Shanghai Huizhong Enterprise Management Partnership (Limited Partnership)*, Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* and their ultimate shareholders is an Independent Third Party.

(9) Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥)) is a limited partnership established in the PRC on August 25, 2021. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, Shanghai Zhenmao Information Technology Center Limited Partnership* and their ultimate shareholders is an Independent Third Party.

(10) Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司) is a limited company established in the PRC on June 5, 2020. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, Maisheng Medical Equipment Company Limited* and their ultimate shareholders is an Independent Third Party.

(11) Fairy Tale is a Pre-[**REDACTED**]. Please see "– Corporate Reorganization – (ii) Setting up of offshore structure by Fairy Tale, one of our Pre-[**REDACTED**]" in this section for further details.

(12) SCYC Holdings Limited is a company incorporated in the BVI on March 22, 2023 and is wholly owned by Shanghai Songchao Yucheng Enterprise Management Partnership (Limited Partnership)* (上海松朝煜程企業管理合夥企業(有限合夥)). As of the Latest Practicable Date, Shanghai Yuzheng Zerong Enterprise Management Company Limited* (上海毓正澤榮企業管理有限公司), the limited partner of Anhui Beiyi Huitong, is also the largest limited partner of Shanghai Songchao Yucheng Enterprise Management Partnership (Limited Partnership)*. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company (or the indirect interests in our Group through their holding of the partnership interests in Anhui Beiyi Huitong, as the case may be), each of SCYC Holdings Limited and its ultimate shareholders is an Independent Third Party.

(13) Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on August 3, 2023. To the best of knowledge of our Directors, the general partner of Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* is also the general partner of Shanghai Shengren Enterprise Management Partnership (Limited Partnership)* (上海晟荏企業管理合夥企業(有限合夥)). Save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* and its ultimate shareholders is an Independent Third Party.

(14) Shanghai Duohou Enterprise Management Partnership (Limited Partnership)* (上海鐸厚企業管理合夥企業(有限合夥)) is a limited partnership established in the PRC on July 17, 2023. To the best knowledge of our Directors, save for the shareholding interests, direct or indirect, in our Company, each of Shanghai Duohou Enterprise Management Partnership (Limited Partnership)* and its ultimate shareholders in an independent Third Party.

(15) As of the Latest Practicable Date, each of Huangshan Bohong and Anhui Ruizhong is wholly-owned by Anhui Shoukang Investment, a non-wholly owned subsidiary of our Company; the shareholders of Anhui Shoukang Investment are Anhui Baihui Hospital Management Company Limited (a wholly-owned subsidiary of the Company), Xu Jianping (徐建平) (the chairman of Anhui Shoukang Investment) and Xu Youfen (許友芬) (the director of Anhui Ruizhong and Huangshan Bohong), holding approximately 67.9%, 23.0% and 1.2% of equity interests, respectively, and five limited partnerships, as the implementation platform of the employee stock incentive scheme, holding a total of 8.00% of the equity interests.

(16) As of the Latest Practicable Date, Tianjin Nankai Jixing Hospital Company is wholly-owned by Tianjin Baihui Medical Management, a non-wholly owned subsidiary of our Company.

(17) As of the Latest Practicable Date, Taiyuan Peace Hospital Company is wholly-owned by Taiyuan Peace Hospital Management Company Limited* (太原市和平醫院管理有限公司), a non-wholly owned subsidiary of our Company.

(18) As of the Latest Practicable Date, Wuzhi Jimin Hospital Company is owned as to 80.0% by Zhengzhou Baikang Hospital Management Company Limited* (鄭州佰康醫院管理有限公司), a non-wholly owned subsidiary of our Company, and as to 20.0% by an individual Chang Xiaosong (常小松) who is also a director of Wuzhi Jimin Hospital Company.

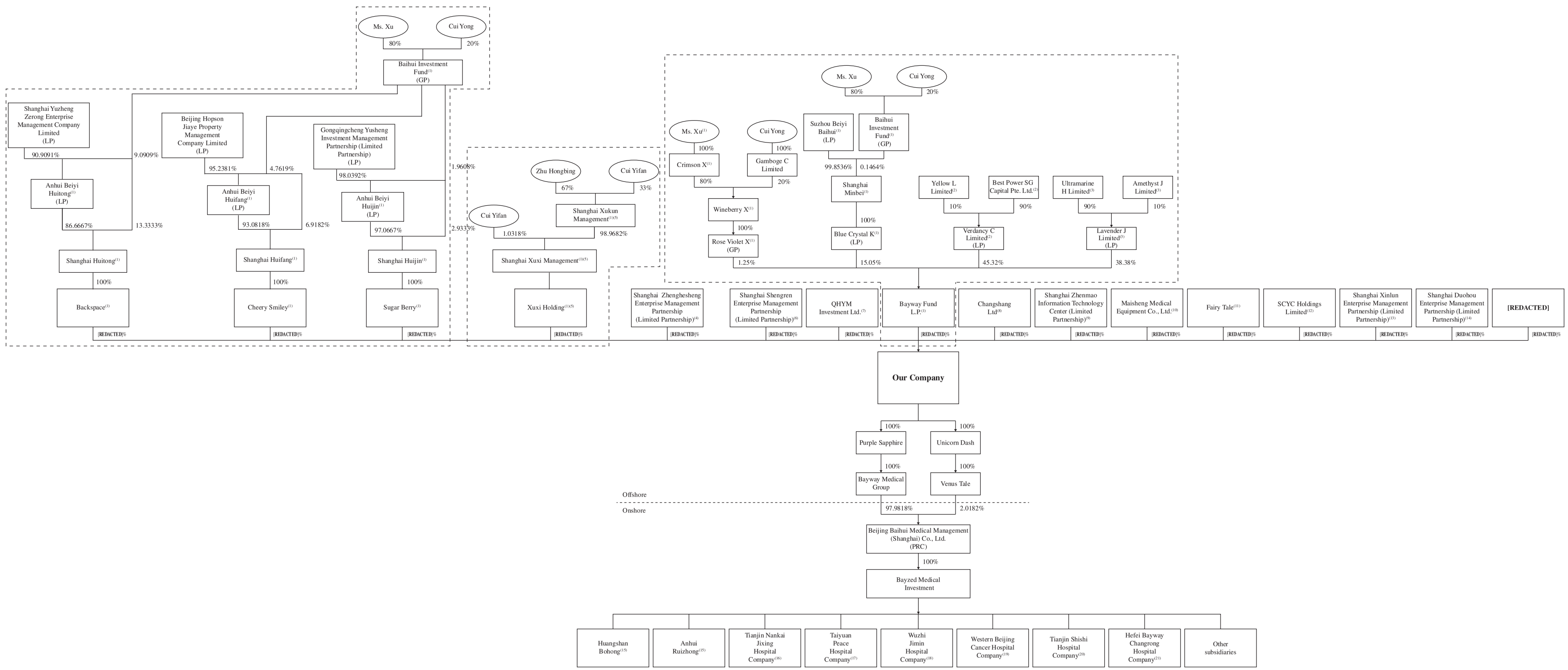
(19) As of the Latest Practicable Date, Western Beijing Cancer Hospital Company is owned as to 60.0% by Bayway Early Screening, a wholly owned subsidiary of our Company, as to 30.0% by Beijing Beizhong Science and Technology Development Center* (北京北腫科技發展中心) and as to 10.0% by Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership)* (天津醫眾君安醫院管理合夥企業(有限合夥)). Beijing Beizhong Science and Technology Development Center* is a whole people-owned enterprise (全民所有制企業) incorporated in the PRC on March 1, 1993. To the best knowledge of our Directors, save for being a substantial shareholder of Western Beijing Cancer Hospital Company, Beijing Beizhong Science and Technology Development Center* and its ultimate shareholders are not otherwise connected with the Company or its connected persons. Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership)* is a limited partnership established in the PRC on July 30, 2019 with Bayway Early Screening as the sole general partner (as to 58.0046% of the partnership interests) and several limited partners, all being an individual and employee of our Group (including Ms. Xu).

(20) As of the Latest Practicable Date, Tianjin Shishi Hospital Company is owned as to 80.0% by Tianjin Baihui Medical Management, a non-wholly owned subsidiary of our Company and 20.0% by an individual Shi Xuemin (石學敏).

(21) As of the Latest Practicable Date, Hefei Bayway Changrong Hospital Company is owned as to 67.0% by Bayway Rehabilitation and Health, a wholly owned subsidiary of our Company and as to 33.0% by an individual Ye Guobing (葉國兵), who is also a director of Hefei Bayway Changrong Hospital Company.

CORPORATE STRUCTURE IMMEDIATELY AFTER THE COMPLETION OF THE [REDACTED]

Set out below is the simplified corporate and shareholding structure of our Group immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised).



Note: See notes of the subsection headed "Corporate Structure Immediately Prior to the [**REDACTED**]" above for details.

------ demonstrates group of shareholders who held Shares directly or indirectly through respective Shareholders for illustration purpose.

THE PRC REGULATORY REQUIREMENTS

As advised by our PRC Legal Advisor, all material regulatory approvals in relation to the equity transfers in the PRC and the onshore reorganization as described above have been obtained and the procedures involved have been carried out in all material aspects in accordance with the PRC laws and regulations.

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by the MOFCOM, the SASAC, the SAT, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among others, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for [**REDACTED**] purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to the [**REDACTED**] and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

As advised by our PRC Legal Advisor, given that Beiyi Baihui Medical (Shanghai) had been an existing foreign-invested enterprise prior to Bayway Medical Group's acquisition of the equity interest in Beiyi Baihui Medical (Shanghai), such acquisition does not require the MOFCOM's approval under M&A Rules.

SAFE Registration in the PRC

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents 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**"), promulgated by the SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among others, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. 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 subject to penalty and sanction and restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under the PRC law for evasion of foreign exchange controls.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on 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**"), promulgated by the SAFE and which became effective on June 1, 2015, the power to accept the SAFE registration was delegated from the local SAFE to local banks where the assets or interests in the domestic entity are located under the SAFE Circular 37.

As advised by our PRC Legal Advisor, Ms. Xu, Cui Yong, Li Yi, Chen Hua, Huang Zhuguang and Jiang Yanrong, who are PRC residents, have completed their initial foreign exchange registration under the SAFE Circular 37.

OUR MISSION AND VISION

To revere life, strive to widely benefit the people's livelihood by promoting high-quality medical resources and build a top full-cycle oncology healthcare group in the PRC.

OVERVIEW

We are a leading oncology healthcare group that principally engages in the investment in, and provision of, medical and healthcare related services in the PRC. As of the Latest Practicable Date, we operated and managed a network of eight hospitals in Beijing, Tianjin, Shanxi Province, Anhui Province and Henan Province with strategic focus on provision of full-cycle oncology healthcare services, through our direct ownership in the equity interest in six private for-profit hospitals and management over two private not-for-profit hospitals. As of December 31, 2022, we have achieved the following accomplishments, and according to Frost & Sullivan:

- we ranked the fifth among all private oncology healthcare groups in the PRC in 2022 with corresponding market share of 0.5% in terms of oncology revenue of our self-owned hospitals for the year ended December 31, 2022;

- we ranked the first among all private oncology healthcare groups in the PRC in terms of the number of screening and early detection of cancer centers as of December 31, 2022. All our In-network Hospitals had established their screening and early detection of cancer centers save for Taiyuan Wanbailin District Peace Community Health Service Center at the end of 2022; and

- we ranked the first among all private oncology healthcare groups in the PRC in terms of the number of gastrointestinal endoscopy cases for the year ended December 31, 2022. The total number of gastrointestinal endoscopy cases in our In-network Hospitals was more than 25,000 for the year ended December 31, 2022.

We have expanded our operating capacity during the Track Record Period along with our rapid development and expansion. The total number of outpatient visits in our self-owned hospitals was 196,457, 547,919 and 701,502, and the total number of inpatient visits in our self-owned hospitals was 5,834, 30,740 and 44,461 for the years ended December 31, 2021, 2022 and 2023, respectively. The total number of outpatient visits in our Managed Hospitals was 485,159, 456,450 and 493,552, and the total number of inpatient visits in our Managed Hospitals was 23,287, 23,780 and 29,098 during the same periods, respectively. Meanwhile, our proven track record is largely benefited from the professional skills and experience of our highly qualified medical professionals and management team, and we are committed to further enhancing the diagnosis and treatment efficacy and quality of services for our clients and/or patients by providing the aforementioned personnel with advanced training and more opportunities for educational participation through our refined management measures and professional training system.

Based on our proven track record, and depending on (i) our strategic layout in the full-cycle oncology healthcare services, including but not limited to screening and early detection of cancer and oncology diagnosis, treatment and rehabilitation; (ii) our unique strengths over our competitors in the business of screening and early detection of cancer; and

(iii) our extensive experience in investment, merger and acquisition and post-investment integration, we believe that we will be able to capture the business opportunities in the fast-growing private oncology healthcare service market in the PRC where we operate and leverage our well-defined and effective strategies to further strengthen our market position and expand our market share in the future. We will continue to focus on strengthening our oncology-related business lines and platforms and establishing our oncology disciplinary system to comprehensively enhance our full-cycle oncology healthcare services.

We operate in the private oncology healthcare service market in China with a huge demand gap and strong demand for the services we provide. According to Frost & Sullivan, in light of, including but not limited to, (i) the CAGR of new cancer cases and cancer death cases in China was approximately 2.9% and 3.0% from 2018 to 2022, respectively. For the year ended December 31, 2022, there were approximately 4.8 million new cancer cases and approximately 2.9 million cancer death cases in China, representing approximately 23.8% and 27.4% of global new cancer cases and cancer death cases, respectively, which made China become the No. 1 country with the most new cancer cases and cancer death cases in the world; and (ii) the oncology healthcare service market in China is facing two major pain points: firstly, compared with the United States, oncology medical resources in China are severely insufficient, and per capita medical expenditure and total medical expenditure as a percentage of GDP are lower than those of the United States; and the distribution of oncology medical resources in the PRC is uneven and there is a contradiction between the supply and demand of core high-quality oncology medical resources concentrated in the first- and the second-tier cities and the large number of oncology patients distributed in the third- and the fourth-tier cities; and secondly, public hospitals, which bear more demand for oncology healthcare services in the PRC, basically focus on oncology treatment while leading to a gap in resource allocation for cancer screening and oncology rehabilitation with a common phenomenon of emphasizing treatment while neglecting screening (重治療、輕篩查) and emphasizing treatment while neglecting rehabilitation (重治療、輕康復).

In particular, the utilization rate of beds in public oncology specialist hospitals in China has been close to or higher than 100% for a long time, and the overall five-year survival rate of cancer in China is 40.5%, while that in the United States is 67.1% according to Frost & Sullivan, which indicate that China's medical resources and treatment level for oncology still need to be further enhanced. As such, we believe that the private oncology healthcare service market in China will have significant growth potential in the foreseeable future. By focusing on the full-cycle oncology healthcare business, including but not limited to business of screening and early detection of cancer and oncology rehabilitation business, in areas with high incidence of specific cancer types and areas where medical resources are relatively scarce, we are complementing the market demand gap arising from the relative scarcity of medical resources in the aforementioned two businesses and areas and have already established stable cooperative relationship with the corresponding local public hospitals.

According to the same source, in terms of revenue, the market size of private oncology healthcare service market in China grew from approximately RMB29.1 billion in 2018 to approximately RMB53.0 billion in 2022 at a CAGR of approximately 16.2%, which is higher than the CAGR of the market size of public oncology healthcare service market for the same period, i.e., approximately 9.4%; and the private oncology healthcare service market in China is expected to grow from approximately RMB53.0 billion in 2022 to approximately RMB109.2 billion in 2026, representing a CAGR of approximately 19.8%.

During the Track Record Period, we generated our revenue mainly from (i) operating six private for-profit hospitals we owned and providing healthcare services including full-cycle oncology healthcare services; (ii) managing and operating, and receiving management fees from two private not-for-profit hospitals in our In-network Hospitals; and (iii) supply of pharmaceuticals, medical equipment and consumables. Given the nature of healthcare service market in the PRC, we focus on full-cycle oncology healthcare services as a core part of our business operations, and we expect this trend to continue in the future. The following table sets forth our revenue by services offerings for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Hospital business	314,696	68.2	617,905	77.0	814,112	75.9
Inpatient services	177,027	38.4	379,389	47.3	515,940	48.1
Outpatient services	119,743	25.9	216,542	27.0	289,881	27.0
Others[1]	17,926	3.9	21,974	2.7	8,291	0.8
Hospital management business	26,281	5.7	37,315	4.6	41,121	3.8
Supply of pharmaceuticals, medical equipment and consumables	118,213	25.6	146,730	18.3	215,158	20.1
Others[2]	2,396	0.5	702	0.1	1,782	0.2
Total	461,586	100.0	802,652	100.0	1,072,173	100.0

Notes:

(1) Our revenue derived from others of our hospital business during the Track Record Period primarily refer to (i) our revenue generated from provision of nucleic acid testing service; and (ii) the one-off asset royalties and other one-off relevant revenue received from Hefei Changrong Hospital.

(2) Our revenue derived from others of our business during the Track Record Period primarily refer to revenue related to our provision of healthcare-related consultancy services.

Even amidst the impact of the COVID-19 pandemic, we experienced significant growth during the Track Record Period. Our revenue increased from RMB461.6 million for the year ended December 31, 2021 to RMB802.7 million for the year ended December 31, 2022, and further increased to RMB1,072.2 million for the year ended December 31, 2023, representing a CAGR of 52.4%. Our gross profit increased from RMB41.4 million for the year ended December 31, 2021 to RMB79.6 million for the year ended December 31, 2022, and further increased to RMB178.2 million for the year ended December 31, 2023, representing a CAGR of 107.5%.

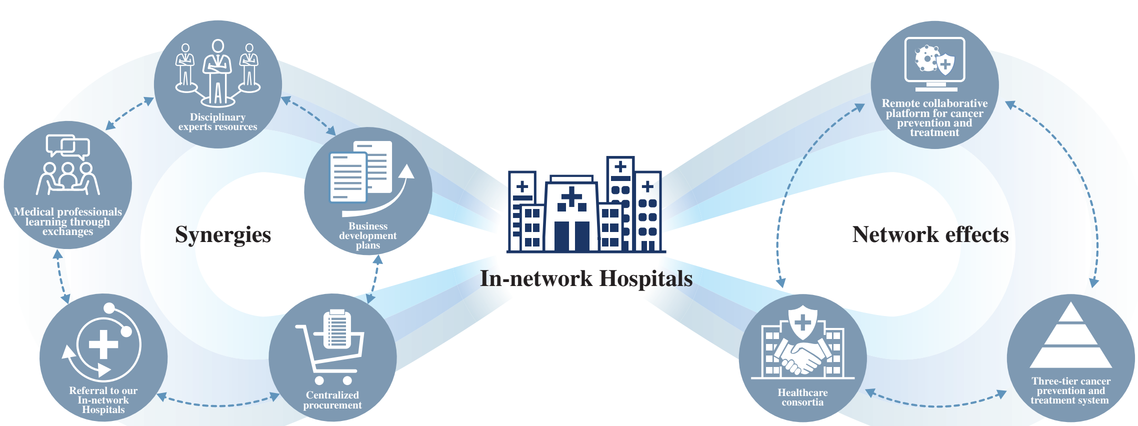
OUR COMPETITIVE STRENGTHS

A leading oncology healthcare group in the PRC situated in a favorable position in the industry with strategic layout in full-cycle oncology healthcare services and the ability to seize the enormous gap in the market demand

According to Frost & Sullivan, we are a pioneer in the idea of full-cycle oncology healthcare services. We believe that screening, diagnosis and rehabilitation play equally significant role in full-cycle oncology healthcare services as treatment. According to the same source, in terms of our revenue derived from provision of oncology healthcare services for the year ended December 31, 2022, we are a leading oncology healthcare group in the PRC, and we ranked (i) the fifth among all private oncology healthcare groups in the PRC in 2022 with corresponding market share of 0.5% in terms of oncology revenue of self-owned hospitals for the year ended December 31, 2022; (ii) the first among all private oncology healthcare groups in the PRC in terms of the number of screening and early detection of cancer centers as of December 31, 2022; and (iii) the first among all private oncology healthcare groups in the PRC in terms of the number of gastrointestinal endoscopy cases for the year ended December 31, 2022.

We are one of the very few full-cycle oncology healthcare services providers with screening and early detection of cancer centers in the PRC. Our screening and early detection of cancer business is different from the physical examination services offered by the private medical examination institution, private hospital physical examination center and public hospital physical examination center. Please see "– Our Competitive Strengths – Further fostering the market position and enhancing the market share with the aid of our unique strengths in the field of screening and early detection of cancer business, which differentiate us from our competitors – The professional nature of our screening and early detection of cancer business" in this section for further details.

We have laid out our In-network Hospitals strategically. As of the Latest Practicable Date, through our direct ownership in the equity interest of six for-profit hospitals and the management over two not-for-profit hospitals, we operated and managed eight hospitals with focus on full-cycle oncology healthcare services, in Beijing, Tianjin, Shanxi Province, Anhui Province and Henan Province. We believe that the strategic layout of our In-network Hospitals makes us benefit from the below network effects and synergies and lays a solid foundation for our sustainable growth and future expansion into new regional local markets.



- ***Network effects mainly refer to:*** (i) most of our In-network Hospitals have joined the remote collaborative platform for cancer prevention and treatment* (腫瘤防治遠程協同平台) of Beijing Cancer Hospital (北京大學腫瘤醫院). Remote consultations are carried out among our In-network Hospitals and the PRC's leading medical institutions, such as Beijing Cancer Hospital, to form an internal and external remote consultation network, and these remote consultations are helpful in materializing the standardization and homogenization of "cancer screening, oncology diagnosis, oncology treatment and oncology rehabilitation"; (ii) our In-network Hospitals have established a three-tier cancer prevention and treatment system (三級腫瘤防治體系) consisting of "Screening and Early Detection of Cancer and Prevention Center* (for our flagship hospital) – Screening and Early Detection of Cancer Center* (早癌篩查中心) (for our premium hospitals) – Screening and Early Detection of Cancer Assessment Center* (早癌篩查與評估中心) (for our consultation hospital)", with the different responsibilities borne by the corresponding hospital at each level clearly defined, forming a fully functional and coordinated prevention and treatment business network in relation to oncology. Please refer to "– Our Competitive Strengths – Further fostering the market position and enhancing the market share with the aid of our unique strengths in the field of screening and early detection of cancer business, which differentiate us from our competitors – The strategic layout of the screening and early detection of cancer business and the three-tier cancer prevention and treatment system" and "– Our Full-cycle Oncology Healthcare Services Offerings – Screening and early detection of cancer" in this section for further details; (iii) our In-network Hospitals cover the medical institutions around the regions where they are located with their own disciplinary strengths. For example, the rehabilitation medical services community (康復醫療服務共同體) in Wanbailin District, Taiyuan City, Shanxi Province, in which Taiyuan Peace Hospital has taken the lead in its establishment, covering 12 community health service centers in the region; and (iv) our In-network Hospitals make full use of the supportive policy guidance and environment for promotion of downward shifting of medical resources into the local markets and sharing of high-quality medical resources brought by joining the medical consortia (醫療聯合體) to improve and enhance their medical and healthcare related services. For example, Huangshan Shoukang Hospital successfully became a member of Peking University People's Hospital Medical Consortium* (北京大學人民醫院醫療聯合體) in August 2020, and Hefei Bayway Changrong Hospital became a member of the Medical Consortium of the First Affiliated Hospital of the University of Science and Technology of China Anhui Provincial Hospital (中國科學技術大學附屬第一醫院安徽省立醫院) (Class-IIIA comprehensive hospital) and Anhui No. 2 Provincial People's Hospital (安徽省第二人民醫院) (Class-IIIA comprehensive hospital) in July 2021 and November 2023, respectively; and

- ***Synergies mainly refer to:*** through measures which include but not limited to (i) formulating the discipline development plans for our In-network Hospitals with the guidance and assistance from hospitals in our network with corresponding disciplinary strengths; (ii) planning to arrange experts in various disciplines to provide on-site and/or online guidance in our In-network Hospitals; (iii) providing medical professionals with the opportunities in further studies and/or learning through exchanges among our In-network Hospitals; and (iv) through various approaches and measures, which primarily include appropriately referring clients and/or patients to our In-network Hospitals for diagnosis based on their particular needs, our Western Beijing Cancer Hospital, Taiyuan Peace Hospital and Huangshan

Shoukang Hospital make full use of their respective strengths, and to, respectively, empower other hospitals within our network in the development of their oncology treatment business (especially in specialties led by gastrointestinal cancers) and oncology rehabilitation business to efficiently consolidate our Group's high-quality medical resources, promote differentiated development of our In-network Hospitals, and to establish the corresponding medical platforms in our aforementioned corresponding fields of oncology treatment and rehabilitation. In addition, we are able to integrate the procurement needs of each In-network Hospital, and effectively control the costs and quality of the pharmaceuticals, medical equipment and consumables by adopting centralized procurements.

Our full-cycle oncology healthcare services cover screening and early detection of cancer and oncology diagnosis, treatment and rehabilitation, which can comprehensively meet the clients' and/or patients' oncology-related health management and medical and healthcare related needs. We have been focusing on the two core directions of full-cycle oncology healthcare services, namely, (i) strengthening the establishment of oncology-related business lines and platforms as well as (ii) establishing the oncology disciplinary system in order to further improve and enhance our full-cycle oncology healthcare services and to strengthen our market position.

- ***Establishment and development of oncology-related business lines and platforms:*** mainly (i) our platform of screening and early detection of cancer provides clients and/or patients a "one-stop" medical green passage ("一站式"綠色就醫通道) by relying on the scientific, standard and systematic cancer risk assessments, which provide "personalized" solutions for groups with different risks, including issuing individual assessment reports and recommending specific types of cancer screening. These will be further connected to the full-cycle oncology follow-up services, including oncology diagnosis and treatment as well as oncology rehabilitation; (ii) benefitting from the platform we have established, we manage to fully utilize the enabling role of the high-quality medical resources in our network to assist the continuous development of the business lines, including those related to oncology screening and diagnosis as well as oncology treatment. For example, with the high-quality team of medical professionals, which we have already established and the advanced equipment, by making use of the high-quality medical resources in our system to review and correct the relevant radiotherapy solutions, and with the patient-oriented model of multi-disciplinary diagnosis and treatment, otherwise known as MDT model, offered by us, our radiotherapy business is always able to deliver good therapeutic effects; and (iii) let our online platforms, which include the remote diagnosis and treatment platform as well as Internet hospital, play the role of medium of communication to the fullest extent. Based on the abovementioned, we are able to comprehensively satisfy the health management and medical and healthcare related needs of the clients and/or patients as well as achieve synergetic online and offline development, which have laid a solid foundation for our Group's sustainable development in the future and our ability to seize the enormous gap in the market demand.

- ***Establishment and management of the oncology disciplinary system:*** (i) our Group has strategically laid out the screening and early detection of cancer centers, oncology radiotherapy centers, gastrointestinal cancer precision prevention and treatment centers, and oncology rehabilitation medicine centers in accordance with the unique characteristics of different hospitals, which will continuously empower our development in oncology-related business lines and platforms; (ii) through the operation and management of Peking University Medicine Technology Transfer and Innovation Center (北大醫學科技成果轉化與創新創業中心), we have established collaborations with high-quality medical resources, such as the expert teams of well-known domestic universities, pharmaceutical and medical equipment enterprises, and biotechnology companies, and have formed a talent pool in the relevant fields, which are able to continuously strengthen the high-quality medical resources for us to utilize and provide a platform for the application of scientific and technological achievements and technologies in the field of full-cycle oncology healthcare services; and (iii) benefiting from the application of measures, such as participating in medical consortium and the remote collaborative platform for cancer prevention and treatment of Beijing Cancer Hospital, collaborating with the relevant medical schools, and offering continuous training to the relevant management teams and the teams of medical professionals in our relevant hospitals, we are able to continuously strengthen the development and management of the disciplinary system and enhance the services of our In-network Hospitals.

We continue to focus on the private oncology healthcare service market in the PRC, in particular the private oncology healthcare service market in the non-first-tier cities (referring to those other cities in the PRC except Beijing, Shanghai, Guangzhou and Shenzhen) in the PRC. According to Frost & Sullivan, in light of the factors, which include but is not limited to (i) the increase in disposable income and the expansion in health insurance coverage will further enhance the affordability of the clients and/or patients in the PRC, in particular those in the non-first-tier cities in the PRC. The per capital annual disposable income in the non-first-tier cities in the PRC has grown from RMB24,200 in 2017 to RMB34,400 in 2022, with an CAGR of approximately 7.3%. The growth of the per capital annual disposable income in the non-first-tier cities in the PRC has enhanced the affordability of such clients and/or patients, making it easier for them to afford oncology healthcare services; (ii) the coverage of public medical insurances in the PRC has been enhancing continuously from 2017 to 2022. As of December 31, 2022, the participation rate of public health insurance in the non-first-tier cities in the PRC has surpassed 95.0% of the total population in the aforementioned regions; (iii) there is an uneven distribution of high-quality oncology medical resources in the PRC, with most of them being concentrated in the first-tier cities. For example, the number of cancer beds per capita in the non-first-tier cities is lower than that of the first-tier cities, and the absolute number of oncology patients in the non-first-tier cities is clearly higher than that in the first-tier cities. Moreover, affected by the constraints caused by a lack of development funding in the relevant hospitals in the non-first-tier cities, the configuration of the oncology medical facilities in the non-first-tier cities and that in the first-tier cities differ by some margins; and (iv) the awareness of screening and early detection of cancer among the population in the non-first-tier cities is relatively weaker than that in the first-tier cities, and there is a higher rate of late oncology diagnosis, which makes subsequent treatment relatively difficult. As of the Latest Practicable Date, we operated and managed a network of eight hospitals, among which, seven of them are located in the non-first-tier cities. We actively promote the full-cycle oncology healthcare services, including screening and early detection of cancer, to satisfy the market demand in such areas.

Meanwhile, the PRC Government, through supporting the development of the private healthcare service market, in particular the refined development in the field of the private healthcare services, has created a favorable market environment for the development for the private oncology healthcare service market in the PRC.

In addition, the commercial insurance companies in the PRC have paid greater attention to major diseases, and have correspondingly rolled out new types of insurance products to further enhance the coverage of insurances covering oncology diseases. Such enlarged health insurance coverage will further enhance the affordability of the clients and/or patients in the PRC, in particular those located in the non-first-tier cities. The clients and/or patients in the private oncology healthcare service market in the PRC, in particular the non-first-tier PRC cities, which have always been the focus of our business development, will exhibit a greater demand for full-cycle oncology healthcare services. The private oncology healthcare service market where we operate, in particular that in the non-first-tier cities, in the PRC will further expand.

We believe that, as a leading oncology healthcare group in the PRC with a strategic layout in full-cycle oncology healthcare services as well as by leveraging on the market position we possess and the services we provide, we have already established a close and platformed hospital operation and management group. We have occupied a favorable position in the markets with demand gaps, and we are able to seize the significant market growth potentials.

In addition, according to Frost & Sullivan, in light of the relatively high entry barriers of the private oncology healthcare service market, which include but is not limited to (i) upfront capital investment; (ii) obtaining and maintaining the relevant licenses, permits or approvals; (iii) the requirement of having a team of highly experienced medical professionals and medical experts as well as the need of having a team of experienced management professionals who thoroughly understand the healthcare service market in the PRC; (iv) the establishment of the hospital management system; (v) the development and perfection of the relevant disciplines; and (vi) development and maintenance of the brand, it is difficult for new entrants to overcome the aforementioned barriers in a short-term.

We believe that, as a pioneer in the idea of full-cycle oncology healthcare services and by leveraging our capabilities in areas such as the strategic layout of our In-network Hospitals as well as the investments, mergers and acquisitions and post-investment integrations, the full-cycle oncology healthcare services we provide will continue to enhance our clients' and/or patients' satisfaction and our capability to meet the clients' and/or patients' needs for healthcare services, laying a solid foundation for our sustainable operation and future business expansion.

Further fostering the market position and enhancing the market share with the aid of our unique strengths in the field of screening and early detection of cancer business, which differentiate us from our competitors

According to Frost & Sullivan, the time of diagnosis is highly relevant to the effect of oncology treatment. If cancer can be detected early, and is monitored and treated in a timely manner, the relevant five-year survival rate can be substantially increased. Currently, the five-year survival rate of cancers in the PRC is just approximately 40.5%, and this is much lower than that in the United State, which stands at approximately 67.1%. A key reason causing this is the insufficient awareness of the role of cancer screening, which leads to low rates of screening and early detection of cancer.

Moreover, according to various types of cancer screening guides designated by the Chinese Medical Association (中華醫學會), such as the China Guideline for the Screening, Early Detection and Early Treatment of Esophageal Cancer (《中國食管癌篩查與早診早治指南》), the China Guideline for the Screening, Early Detection and Early Treatment of Gastric Cancer (《中國胃癌篩查與早診早治指南》), the Expert Consensus on the Screening Process for Early Stage Colorectal Cancer in China* (《中國早期結直腸癌篩查流程專家共識意見》) and the China Guideline for the Screening and Early Detection of Female Breast Cancer (《中國女性乳腺癌篩查與早診早治指南》), aging is a major contributor to increased cancer risk and the Chinese Medical Association suggests that those who are above 40 years old should have regular cancer screening. As of December 31, 2022, more than 720 million of the PRC population are over 40 years old.

According to Frost & Sullivan, our screening and early detection of cancer services in the PRC are still at a developing stage, and have relatively less precise positioning of target clients and standardization in the services provided. According to the Guideline for Early Screening of High-Incidence Cancer in the PRC* (《中國高發癌症早期篩查指南》), which was jointly authored by us and Beijing Anti-Cancer Association, a social organization legal entity, which was established in 1987 and jointly initiated by renowned experts and professors in the oncology industry in Beijing for the purpose of promotion of the prosperity and development of oncology science and technology, the popularization and promotion of anti-cancer knowledge and the growth and improvement of oncology-related talents, (published by the latter), and has, among others, clearly defined the idea and scope of "high-risk groups" appropriate for having screening and early detection of cancer service, could help us accurately position the target client base.

We have established and rolled out, within our network, screening and early detection of cancer business operation systems, which include the client-facing assessment systems and the expert-facing auxiliary screening and early detection of cancer system, which was jointly developed by Beijing Cancer Hospital and us, and we provide screening and early detection of cancer services, which are professional, accurate, scientific, and in line with our Group-level standards to clients through our oncology specialist hospital, rehabilitation specialist hospital and comprehensive hospitals with diagnosis-level screening facilities in our network.

The professional nature of our screening and early detection of cancer business

In January 2019, our Western Beijing Cancer Hospital established the first screening and early detection of cancer and prevention center in our In-network Hospitals, and was granted the license of Beijing Anti-Cancer Association Early Cancer Screening Base* (北京抗癌協會早癌篩查基地) in April 2019. As of the Latest Practicable Date, it was still the only early cancer screening base of Beijing Anti-Cancer Association.

In addition, we have established our own three-tier cancer prevention and treatment system to provide screening and early detection of cancer service to our clients and/or patients within our business network. Please refer to "– Our Full-cycle Oncology Healthcare Services Offerings – Screening and early detection of cancer" in this section for more details.

Our screening and early detection of cancer business is different from the physical examination services offered by the private medical examination institution, private hospital physical examination center and public hospital physical examination center. Details of the major differences of our screening and early detection of cancer business and the physical examination services offered by the aforementioned three entities are set out below:

Institution type	Whether diagnostic level service available	Target clients	Whether integrated medical report analysis service available	Medical resources involved	Unified clients databased
Our Screening and Early Detection of Cancer and Prevention Center	Yes, oncology specialist analysis report can be given directly, and clients can be directed to oncology specialist hospitals for subsequent treatment	Healthy people with high-risk influencing factors for tumors and low-risk healthy people with high concern on oncology	Yes, detailed and professional medical report analysis service	High-quality medical resources from oncology specialist hospitals	Enabling data for the screening and early detection of cancer with the capability of lateral correlation by unified database across different centers based on patients' consent
Private Medical Examination Institution	No, potential clients need to go to hospital to confirm	Usually limited to clients who visit to conduct physical examination	Usually available for high-value clients	Mixed level of expertise	Enabling data lateral correlation by unified database of chained examination center
Private Hospital Physical Examination Center	No, clients need to visit the oncology department of hospital to confirm diagnosis	Usually limited to clients who visit to conduct physical examination	Usually available for high-value clients	Mixed level of expertise	Usually not shared across different hospitals
Public Hospital Physical Examination Center	No, clients need to visit the oncology department of hospital to confirm diagnosis	Usually limited to clients who visit to conduct physical examination	Limited service due to staff shortness	Reliable medical professionals	Usually shared among some hospitals in the same area

Through the experts' early cancer evaluation, screening and early detection of cancer, and post-screening interpretation as well as the provision of diagnosis-level reports, which, when compared with general physical examination reports, not only can they show the data accurately, but they can also diagnose the health status of the relevant clients with the measured values and provide health advice accordingly. Our case management systems are able to actively follow up on the clients with the needs for screening and early detection of cancer according to the results of their health management programs and to perform lifelong management.

Moreover, we have launched a "one-stop" medical green passage for clients with the needs for screening and early detection of cancer, which was set up to provide such clients timely and professional oncology-related treatment services, to satisfy the rapid medical needs further required by such clients with the needs for screening and early detection of cancer.

In particular, we leverage on the guidance from the high-quality medical resources in our network, the auxiliary screening and early detection of cancer system and the case management systems, which, on the one hand, assemble high-risk groups, and, on the other hand, conduct professional and personalized screening to these groups with the target of avoiding screening omission and over screening. Meanwhile, the above provides our team of medical professionals auxiliary screening options and attracts clients to a series of subsequent oncology treatment and rehabilitation services.

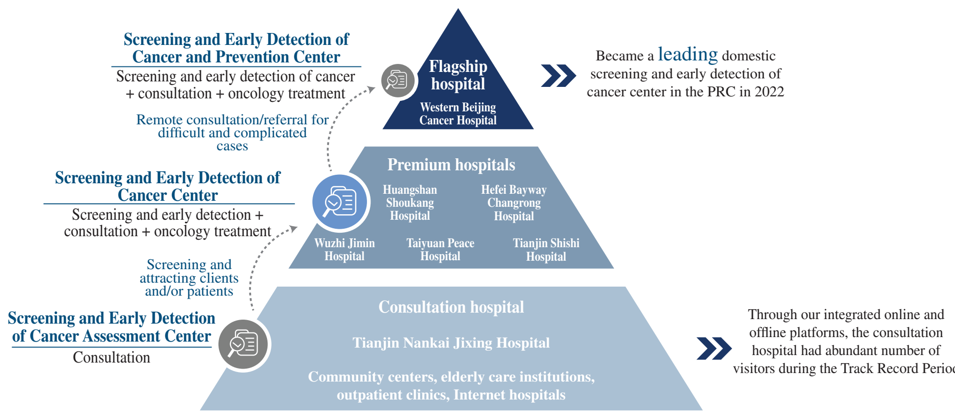
In order to further strengthen our ability to offer products to the potential clients, we have enhanced our coverage of potential clients, and we also focus on enriching the technological products used in screening and early detection of cancer. For example, we have successively entered into strategic cooperation agreements with a number of biotechnology companies and companies focusing on the screening and early detection of cancer, and have introduced their products in respect of screening and early detection of cancer to satisfy the various demands from our clients as well as to provide our clients diversified solutions in connection with screening and early detection of cancer.

We believe the specialization and standardization of the screening and early detection of cancer business differentiate us from our competitors and lay a foundation for us to further foster our market position and to enhance our market share.

The strategic layout of the screening and early detection of cancer business and the three-tier cancer prevention and treatment system

Since January 2019, we began to gradually establish screening and early detection of cancer centers in our In-network Hospitals and to roll out standardized criteria and practices of screening and early detection of cancer. In April 2022, the "Auxiliary Screening and Early Detection of Cancer System v1.0", which was jointly developed by Beijing Cancer Hospital and us, passed the expert review conducted by the Professional Committee of Screening and Early Detection of Cancer* (早癌篩查專業委員會) of Beijing Anti-Cancer Association, which contributes to our cancer risk assessment of the potential clients efficiently through portable mobile devices.

Our three-tier cancer prevention and treatment system has drawn on the PRC's Hierarchical Diagnosis and Treatment System (分級診療制度). The comprehensive functions and collaborative linkages across different levels of this system could allow the hospitals to overcome their inherent limitations. According to Frost & Sullivan, our three-tier cancer prevention and treatment system is able to help us promote and replicate our screening and early detection of cancer business across the PRC as well as to establish and strengthen the backflow and referral of clients and/or patients across the different levels, further expand our market share.



Concentrating on the screening and early detection of cancer target groups of clients positioned by us, we have carried out market education and brand building activities through a combination of various offline and online methods, which mainly include:

(i) making use of the promotional effect of online channels. Through the Bayway Early Screening WeChat mini-program developed by us and the WeChat official account operated by us, we offer professional contents in connection with screening and early detection of cancer to help us accurately launch promotions within the target groups of clients, and through promoting knowledge regarding screening and early detection of cancer business to our potential clients and launching "Internet diagnosis and treatment" and "Internet hospitals", we manage to solve difficult issues, such as the imbalance of medical resources in the different areas of the traditional offline channels, following up with the clients with screening needs, and the lack of continuity in long-term health management;

(ii) in September 2022, together with the People's Daily (人民日報社) and Beijing Anti-Cancer Association, we jointly organized the PRC Public Survey on Screening and Early Detection of Cancer* (中國早癌篩查大眾調研) project in Beijing to understand the market conditions as well as to raise the public awareness in importance of screening and early detection of cancer;

(iii) through the collaboration with our partners, we hold offline science popularization classes and service recommendation meetings as well as offline promotional activities from time to time to enhance our visibility in the local markets; and

(iv) in February 2022, we successfully completed the trademark registration of "BAYWAY ECS" in the PRC, and this demonstrates our efforts on brand building and intellectual property protection.

We believe that we will be able to continuously promote the commercialization of the screening and early detection of cancer business and to further foster our influence in the relevant markets through a variety of market education and brand building activities. In the meantime, we can further foster our market position and increase our market share by leveraging on our below strengths in the field of screening and early detection of cancer business.

Support from high-quality teams of medical professionals and medical experts as well as medical resources

We have established teams comprising of high-quality medical professionals and we believe that they are key to our success and to maintaining our relevant industry- and market-leading position. As of December 31, 2023, our In-network Hospitals had 1,005 physicians, which included 161 chief physicians, 242 associate-chief physicians, 335 attending physicians, 178 resident physicians and 89 assistant physicians, and all of them have rich industry experience.

To be specific, our In-network Hospitals have a vast number of medical professionals in the field of oncology and the professional medical knowledge they possess can provide full-cycle oncology healthcare services. As of December 31, 2023, our In-network Hospitals had 2,677 medical professionals. They provide medical services, which include screening and early detection of cancer and oncology diagnosis, oncology treatment and oncology rehabilitation, and their expertise covers types of cancers, such as gastrointestinal cancers, urological cancer, lung cancer and breast cancer.

In addition, we have invited experts from well-known public and private hospitals to practice as multi-site practice physicians in our In-network Hospitals, provide to our clients and/or patients consultations, perform surgeries, and, when necessary, attend consultations in relation to the difficult and complicated cases. We benefit from the rich experience and good reputation of those physicians, and we manage to build up the clients' and/or patients' confidence and attract more clients and/or patients through sharing their strengths in training courses and other information exchange occasions.

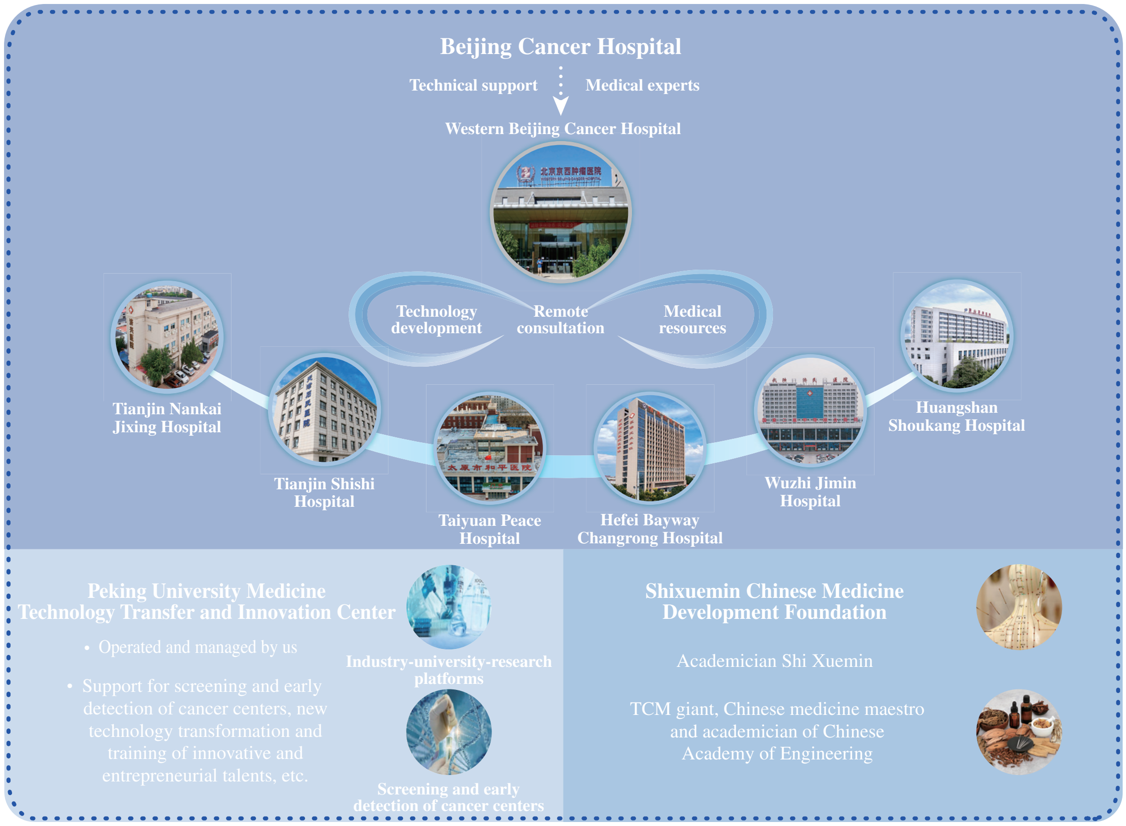
For example, several of our multi-site practice physicians in our Western Beijing Cancer Hospital are highly experienced in the field of oncology healthcare services. Dr. Du Peng (杜鵬), who has more than 20 years of clinical working experience in urology, is the chief physician of the urology department of Beijing Cancer Hospital and the chairman of the Professional Committee of Screening and Early Detection of Cancer of Beijing Anti-Cancer Association; Professor Zhang Xiaodong (張曉東), who is the chief physician and expert of gastrointestinal cancer department and director of VIP-II ward of gastrointestinal cancer (消化道腫瘤VIP-II病區) of Beijing Cancer Hospital, is also currently the chairman of Esophageal Cancer Committee of Beijing Anti-Cancer Association (北京抗癌協會食管癌委員會) and the vice chairman of the Early Cancer Screening Professional Committee (早癌篩查專業委員會委員會) of Beijing Anti-Cancer Association; and Professor Yao Yunfeng (姚雲峰), who has more than 20 years of clinical working experience in gastrointestinal surgery, is the deputy director of the third ward of the gastrointestinal surgery department (胃腸外科三病區) and deputy director of Hospital Infection Control and Disease Prevention (醫院感染控制及疾病預防科) of Beijing Cancer Hospital. He is also currently serving as a youth member of the Society of Oncology of Chinese Medical Association* (中華醫學會腫瘤學分會) and the vice chairman of the Oncology Case Management Professional Committee* (腫瘤個案管理專業委員會) of Beijing Cancer Prevention & treatment Society (北京癌症防治學會).

In addition to the above, we have established close and long-term cooperations with renowned medical institutions and/or organizations in the PRC, which include Beijing Cancer Hospital and the Shixuemin Traditional Chinese Medicine Development Foundation (石學敏中醫發展基金會):

(i) we are responsible for the daily operation and management of the Peking University Medicine Technology Transfer and Innovation Center after it was formally established in May 2019. Through the platform of the Peking University Medicine Technology Transfer and Innovation Center, we have built a bridge to communicate with high-level medical talents, which lays a foundation for the transformation of scientific and technological achievements in the future. The Peking University Medicine Technology Transfer and Innovation Center successfully held the PKU Health Forum on the Innovative Development of Integrated Traditional Chinese and Western Medicine* (北大醫學中西醫結合創新發展論壇) in June 2021, and it organized the PKU Medical Intelligence Health Innovation Exhibition* (北大醫學智慧健康創新展) since June 2022;

(ii) benefitting from our collaboration with Beijing Cancer Hospital, the development of our In-network Hospitals is supported by the techniques and/or resources of the experts of Beijing Cancer Hospital. The experts from Beijing Cancer Hospital, during their collaboration with us, provide clients and/or patients consultations, perform surgeries, and, when necessary, attend consultations in relation to the difficult and complicated cases. Most of our In-network Hospitals are members of the remote collaborative platform for cancer prevention and treatment of Beijing Cancer Hospital; and

(iii) with our in-depth collaboration with Shi Xuemin (石學敏), an academician of Chinese Academy of Engineering (中國工程院院士), our In-network Hospitals have received an enormous amount of support from Shi Xuemin and his medical team, which includes but is not limited to the Chinese Medicine Maestro Academician Shi Xuemin Inheritance Workshop* (國醫大師石學敏院士傳承工作室) awarded to Taiyuan Peace Hospital, the Shi Xuemin Traditional Chinese Medicine Inheritance Workshop* (石學敏中醫傳承工作室) awarded to Tianjin Nankai Jixing Hospital, and members of Shi Xuemin's Chinese acupuncture and moxibustion team, who work at Tianjin Shishi Hospital as full-time employees. Meanwhile, Shi Xuemin provides clinical guidance, organize academic lectures, and offer seminars on-site from time to time. Tianjin Shishi Hospital focuses on establishing disciplines related to Chinese medicine, which plays a vital function in our development of oncology rehabilitation business. Together with Taiyuan Peace Hospital (the first Class-III rehabilitation specialist hospital in Shanxi Province), which is a rehabilitation specialist In-network Hospital, the two hospitals jointly empower the oncology rehabilitation business of our full-cycle oncology healthcare services.



Moreover, we emphasize on providing internal and external trainings to our medical professionals in order to enhance their professional skills and knowledge. In particular, we regularly organize special trainings in areas such as the quality of healthcare services, medical insurance, and financial management within our Group, and send medical professionals to engage in further studies and/or learning through exchanges among our In-network Hospitals to promote the sharing of medical resources within our network; and we make use of external professional forces, including the remote collaborative platform for cancer prevention and treatment of Beijing Cancer Hospital to actively exchange and learn cutting-edge industry information and clinical experience. Please see "– Information Systems and Platforms – Collaboration Platform" in this section for details. As of December 31, 2023, there were 1,005 physicians, 1,419 technical, pharmaceutical and nursing medical professionals and 253 other medical professionals practicing in our In-network Hospitals.

We highly value our medical professionals and we offer them competitive remuneration packages, attractive practice development opportunities and well-respected professional working environments. In particular, we have implemented share option schemes in certain of subsidiaries, namely Western Beijing Cancer Hospital Company, Anhui Shoukang Investment and, Tianjin Baihui Medical Management, in order to maintain the stability of our core team and key employees. For details, please see Note 24 to "Appendix I – Accountants' Report" and "Financial Information – Key Factors Affecting Our Results of Operations – Ability to control our costs and expenses" in this document.

The support from our highly-qualified team of medical professionals and medical experts allows us to provide to our clients and/or patients comprehensive full-cycle oncology healthcare services through collaboration. We believe that our team of medical professionals and medical experts proves our ability to satisfy the needs of different clients and/or patients with our services, and this is key to our success in attracting and retaining clients and/or patients.

Standardized and mature expansion decision-making mechanism and rich experience in mergers and acquisitions support our continuous replication of success and help us seize the enormous growth opportunities

As of the Latest Practicable Date, we focused on expanding our business through acquiring private hospitals from the third parties and our acquisition decision-making and management mechanism had three tiers and was consisted of the Investment Management Department (投資管理部), which is mainly responsible for identifying promising hospital targets, the Acquisition Initiation Committee (收購立項委員會), which is comprised of management officials of our Company with rich investment experiences, whose major responsibilities include reviewing the potential hospital targets being included in our rich list of potential mergers and acquisition targets and reporting such hospital targets in the shareholders' meetings, and the shareholders' meetings. This mechanism, at the same time, is supported by the medical experts whom we have stable collaborations with. For details, please see "– Our Hospital Investment and Acquisition" in this section.

We believe that the standardized and mature expansion decision-making and management mechanisms can successfully help us merge and acquire hospitals as well as consolidate and integrate the hospitals acquired, replicate our success, and materialize rapid growth within a period of time that is under control. In order to ensure the smooth transition and operation of the relevant hospitals after the completion of acquisitions, enable the medical and/or management team to continue bringing into play their strengths, and lay a stable foundation for the subsequent development of such hospitals, we would consider offering incentive shares to the key members of the existing medical and/or management teams. For details, please see Note 24 to "Appendix I – Accountants' Report". Save for Tianjin Shishi Hospital, we have successively acquired the equity or organizer interest of seven hospitals in Beijing, Tianjin, Anhui Province, Shanxi Province, and Henan Province from 2018 to 2022. In particular:

- the acquisition of Western Beijing Cancer Hospital fully reflects the fact that we focus on the scarce and high-quality medical resources possessed by the oncology-related disciplines of the target hospitals. With the help of the disciplinary strengths of Beijing Cancer Hospital, we are able to seize the differentiated competitive advantages in the provision of full-cycle oncology healthcare services, and turn our Western Beijing Cancer Hospital into a flagship hospital. Then, by making use of the resources covered by Western Beijing Cancer Hospital to empower our other In-network Hospitals, we are able to form the idea of cluster effect (集群效應);

- the acquisitions of Tianjin Nankai Jixing Hospital, Taiyuan Peace Hospital and Hefei Bayway Changrong Hospital fully reflect the fact that we prioritize laying out in the key cities (such as provincial capital cities and municipalities) and rolling out development strategies, which differentiate ourselves from the public hospitals in those key cities in the field of oncology diagnosis and treatment to put us in an advantageous position. We also focus on complementing the market demand gap caused by the lack of layout of medical resources by the local public hospitals in the field of screening and early detection of cancer and oncology rehabilitation with the high-quality medical resources within our hospital network; and

- the acquisition of Wuzhi Jimin Hospital and the management over Huangshan Shoukang Hospital, on the other hand, demonstrate that the fact that the target hospital's local ranking and reputation are key factors considered by us when we make strategical investments in hospitals and make decisions to provide hospital management services to the target hospitals (in particular general hospital), for example, Wuzhi Jimin Hospital ranked the first in 2022 among all private hospitals in Wuzhi County in terms of its revenue for the year ended December 31, 2022, and Huangshan Shoukang Hospital ranked the first in 2022 among all private hospitals in Huangshan in terms of revenue for the year ended December 31, 2022. We launch the full-cycle oncology healthcare services business by allowing those hospitals to fully bring into play their regional advantages and combining that with the high-quality medical resources in our network.

We believe that our proven track record is due to that our standardized and mature expansion decision-making and management mechanism benefitted us when we selected target markets for expansion and when we looked for promising target hospitals. In particular, we have strategically focused on several non-first-tier cities with a relatively lack of medical resources, with a good foundation for launching full-cycle oncology healthcare services, and have good public health insurance coverage. We have also considered a variety of other factors, which include but is not limited to the level of the regional economic development and the local ranking and reputation of the hospitals. By leveraging on our highly expandable business model, we believe that we are able to continue to replicate our success in the PRC market, where the provision of medical and healthcare related services in relation to oncology remains insufficient, and to seize the enormous growth opportunities.

Strong integration capability and standardized management mode at our Group level combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation" (因院制宜) support our overall business development and enhance the treatment effect and service quality

Through our strong integration capability and the standardized management mode at our Group level, which is combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation", we ensure that the policy and program within the realms of our overall strategy, business plan, and our Group receive good coordination, execution, and scrutiny, and at the same time, let each In-network Hospital put into play its own unique characteristics and respective strengths. For details, please see "– Business Management of Our In-network Hospitals" in this section.

We believe that our strong integration capability and the standardized management mode, combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation", can help our overall business achieve rapid replication and expansion, so that each In-network Hospital could build up its own differentiating characteristics, and this will further and better assist us on enhancing the effect of the treatments and service quality of our In-network Hospitals, subsequently enhancing the operational performance and results of our In-network Hospitals.

Our strong integration capability and the standardized management mode on our Group level can mainly be reflected in:

(i) the vertical management structure on our Group level covering business, financial and internal control lines ensure that the overall strategic and business plans as well as the relevant policies can be effectively implemented. This is combined with the appropriate operational autonomy of our In-network Hospitals, thus they could benefit from our network effects and synergies. For details, please see "– Business Management of Our In-network Hospitals" in this section;

(ii) the establishment and implementation of a standardized training system to timely evaluate and monitor the quality of the medical and healthcare related services provided by each In-network Hospital in order to equip the medical professionals in each In-network Hospital with unified and relatively high technological level of diagnosis and treatment. For details, please see "– Business Management of Our In-network Hospitals" in this section;

(iii) setting up and implementing a set of management policies and procedures on our Group level, which covers procurement, internal audit, compliance, employees management, and asset management, to clarify the responsibilities of each department within our Group and the routines for handling different matters, and this provides standardized guidelines on how to deal with the relevant matters for each In-network Hospitals in our Group; and

(iv) the establishment of a hospital operational data application and management system on our Group level in order to materialize the synchronous sharing of the relevant major statistical data in healthcare and hospital operational data of each In-network Hospital at the Group level.

Our refined management measures with the feature of "making appropriate decisions in light of the hospital's situation" are mainly premised on the following unique characteristics:

- formulating major development directions, which suit the hospital's actual situation and determine collaborative development strategies for the relevant hospitals and our existing In-network Hospitals based on the evaluations conducted by the teams of experts formed and through numerous methods, which include but is not limited to disciplinary evaluation and interviewing the teams of medical professionals and medical experts as well as the management teams in the hospitals, in accordance with the hospitals' actual situation, which include but is not limited to regional location, disciplinary strengths, targeted clients and/or patients, and the unique characteristics;

- establishing an objective and fair performance evaluation system in accordance with the actual situation of the hospitals to promote the joint development of management talents and the hospitals; motivate current hospital employees and recruit talents to support the continuous development of each In-network Hospital through measures such as talent cultivation and offering incentives to talents;

- striving for an upper hand in the purchase price negotiations and strengthen the management of inventory loss, and carry out cost control in accordance with the respective needs of our In-network Hospitals with our experiences in areas, which include but is not limited to drug consumption, equipment procurement and inventory management; and

- we have, with our years of hospital operational management experience, developed a cancer-specific medical management information data center. With the support of the aforementioned medical management information data center, we have made achievements, which include but is not limited to (i) extracting operational data, which primarily include the number of attendants using and the income of our outpatient and inpatient healthcare services and physical examination services on a real-time basis, as such, our management personnel can timely adjust the operational strategy based on such data; (ii) conducting analysis on the data in relation to the historical quality of each of our specialties, including oncology and types of illness of our In-network Hospitals, and determining the drug consumption cost structure of the department as well as adjusting the admission ratio of disease with the assistance of the data; and (iii) improving the quality of written medical records in the departments and correcting unreasonable behavior during the diagnosis and treatment in a timely manner by implementing remote medical record quality control for our In-network Hospitals in order to achieve the purpose of enhancing the quality of medical and healthcare related services.

  Benefitting from the aforementioned and by leveraging on the medical expert resources, the real-time extraction and analysis of our clients' and/or patients' data have improved the screening as well as diagnosis, treatment and rehabilitation services offered by the different In-network Hospitals in a timely manner.

Through our strong integration and the standardized management mode at our Group level, which is combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation", the hospitals we acquired have been benefitted from the resources of our Group and managed to achieve significant enhancement in their operational performance and results:

- through methods such as setting up more screening and early detection of cancer and prevention centers and daytime wards as well as obtaining health insurance qualifications and establishing the radiotherapy department, after more than three years of refined management, Western Beijing Cancer Hospital has become our flagship hospital. The number of its outpatient visits grew from 23,178 in 2021 to 27,010 in 2023, representing a CAGR of approximately 8.0%, and its number of inpatient visits grew from 2,956 in 2021 to 4,909 in 2023, representing a CAGR of approximately 28.9%. Its hospital business revenue grew from RMB179.0 million in 2021 to RMB273.0 million in 2023, with a CAGR of approximately 23.5%;

- with respect to Taiyuan Peace Hospital, which is established in a provincial capital, our strategy is to develop it differently from the local public hospitals and to focus on developing the rehabilitation business. We have recruited highly experienced and qualified rehabilitation talents, and have launched nine new subspecialties of rehabilitation department in our Taiyuan Peace Hospital. The overall number of beds in operation grew from 100 at the beginning of 2021 to 400 as of December 31, 2023. With our continuous efforts, Taiyuan Peace Hospital has become the first Class-III rehabilitation specialist hospital in Shanxi Province after obtaining the approval from the local PRC Government to be upgraded to Class-III rehabilitation specialist hospital from Class-IIA comprehensive hospital since March 2023;

- after the acquisition of Wuzhi Jimin Hospital, we have enhanced its capability of medical and healthcare related services by arranging high-quality medical professionals with rich experience in hospital management and strengthening the discipline construction. With our continuous efforts, our Wuzhi Jimin Hospital has become the first Class-III comprehensive hospital in Wuzhi County since April 2024 with the approval of the local PRC Government for the upgrade to Class-III comprehensive hospital from Class-IIA comprehensive hospital;

- in light of the unique characteristics that Tianjin Nankai Jixing Hospital is a Class-I comprehensive hospital, which focuses on outpatient business and only has the GFA of around 2,000 sq.m., on the premise of ensuring the clients' and/or patients' satisfaction with our service, we have improved its operational performance mainly through measures, such as strengthening its operational management and brand-building as well as recruiting highly experienced and qualified medical professionals. Revenue for its hospital business grew from RMB81.1 million in 2021 to RMB89.5 million in 2022, with an increase of 10.4%, which was higher than the annual growth rate of the industry average of the hospitals of the same level and category during the same period according to Frost & Sullivan; and

- focus on enhancing the service quality with measures such as establishing patient service centers, recruiting highly experienced and qualified medical professionals, and promoting the launch of free consultation activities in surrounding communities, even amidst the impact of the COVID-19 pandemic, the number of outpatient visits of Tianjin Shishi Hospital still managed to grow from 25,208 in 2021 to 50,308 in 2023, with a CAGR of approximately 41.3%; its hospital business revenue grew from RMB34.4 million in 2021 to RMB63.3 million in 2023, with a CAGR of 35.8%.

By upholding the idea of "making appropriate decisions in light of the hospital's situation", we are gradually completing the transformation of our major hospitals, not only does this ensure that each of our In-network Hospital conforms to the layout of the local medical resources, but this also maintains unity with our Group's overall strategy of the full-cycle oncology healthcare business.

Our strong integration and the standardized management mode at our Group level combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation" have laid a solid foundation for expansion of our hospital network in an asset-light strategy with the aim of enhancing our hospital management business with the main characteristics of (i) strong integration capability based on our refined management measures with focus on enhancing the core competitiveness of the target hospital; (ii) comprehensive operation and management of the target hospital covering talent cultivation, quality control, patient service, supply chain management, employee training and brand promotion, etc.; and (iii) making full use of our information systems and platforms to increase service quality and enhance cost efficiency of the target hospital. Please see "– Our Hospital Management Business" in this section for details.

Meanwhile, our In-network Hospitals have very advanced facilities and equipment, which were acquired for the purpose of providing high-quality services with coverage of screening and early detection of cancer and oncology diagnosis, treatment and rehabilitation for clients and/or patients, and at the same time, minimizing the pain sustained and the time spent by the clients and/or patients. For example, our Western Beijing Cancer Hospital introduced the first complete Halcyon 3.0 smart radiotherapy platform in China in October 2021, which enhanced the precision of our radiotherapy, and our Taiyuan Peace Hospital, which has a leading comprehensive performance in Shanxi Province, introduced a medical hyperbaric oxygen chamber (醫用高壓氧倉) with the capability of simultaneously holding 40 people for treatment, in June 2021.

Visionary, experienced and professional management team

We are led by a team of visionary, experienced and professional senior management officials who strive to widely benefit the people's livelihood by promoting high-quality medical resources. They have extensive industry and management experience and in-depth understanding of market advantages and policies, and they are also equipped with reliable execution ability. Our professional management team has, on average, at least 20 years of working experience in the healthcare industry of the PRC.

- Ms. Xu Xu (徐旭), our executive Director and senior vice president, is currently serving as a national member of the Chinese Hospital Association International Medical Services Specialized Committee (中國醫院協會國際醫療服務專業委員會) and the vice-chairman of the Professional Committee of Screening and Early Detection of Cancer of Beijing Anti-Cancer Association. She was formerly the vice president and board secretary of the Peking University International Hospital Group Co., Ltd.* (北大國際醫院集團有限公司) (the predecessor of PKU Healthcare Industry Group Co., Ltd.) and vice president of operations (運營副院長) of the Peking University International Hospital (北京大學國際醫院). She has more than 17 years of medical operating and management experience, and was awarded the "Golden Screening Award – Cutting-edge Entrepreneur (金篩獎–新銳企業家)" by the Organizing Committee of the "ZAODX World Conference on Early Detection of Cancer (ZAODX世界腫瘤早篩大會)" in July 2022.

- Mr. Zhao Yongkai (趙永凱), our executive Director and chairman of the Board, has over 18 years of experience in the medical, pharmaceutical and healthcare sectors, and he was formerly the vice president of PKU Healthcare Industry Group Co., Ltd.* (北大醫療產業集團有限公司) and the chairman of the board of directors of PKU Healthcare Corp., Ltd (北大醫藥股份有限公司) (listed on the Shenzhen Stock Exchange with the stock code 000788).

- Dr. Chen Haoyang (陳昊陽), our executive Director and president, has over 24 years of work experience in the healthcare industry. He was formerly the researcher and vice researcher at the Fifth Medical Center of the Chinese People's Liberation Army General Hospital* (中國人民解放軍總醫院第五醫學中心) (Class-IIIA specialist hospital) and a researcher at the Sixth Medical Center of the Chinese People's Liberation Army General Hospital* (中國人民解放軍總醫院第六醫學中心) (Class-IIIA comprehensive hospital). Dr. Chen has obtained the qualification of postgraduate tutor of the Third Military Medical University of Chinese People's Liberation Army (中國人民解放軍第三軍醫大學) (currently known as Army Medical University of Chinese People's Liberation Army (中國人民解放軍陸軍軍醫大學)) since January 2016. In December 2018, he was one of the members of the first prize of Military Science and Technology Progress Award* (軍隊科技進步一等獎). For details, please see "Directors and Senior Management" in this document.

- Dr. Du Hongwei (杜宏偉), who has approximately 25 years of working experience in medical management, is serving as the general manager of Wuzhi Jimin Hospital, is currently serving as a member of the Standing Committee of the Rehabilitation Affairs Working Committee* (康養工作委員會) of the Chinese Association of Rehabilitation Medicine (中國康復醫學會), a member of the International Medical Service Professional Committee of Chinese Hospital Association* (中國醫院協會國際醫療服務專業委員會) and a member of the Surgery Sub-commission of the Chinese Association for the Promotion of International Healthcare Exchanges* (中國醫療保健國際交流促進會外科分會). Dr. Du was formerly the president of Chinese People's Liberation Army Joint Logistic Support Force No. 983 Hospital* (中國人民解放軍聯勤保障部隊第九八三醫院) (Class-IIIA comprehensive hospital), which was formerly known as Chinese People's Liberation Army No. 254 Hospital (中國人民解放軍第二五四醫院).

- Lu Jizhong (盧繼忠), who is experienced of clinical work and has around 19 years of working experience in hospital operation and management, is serving as the president of Taiyuan Peace Hospital, is currently a Member of the Second Committee of the Rehabilitation Institution Management Professional Committee* (康復機構管理專業委員會) of the Chinese Association of Rehabilitation Medicine.

- Feng Yu (馮宇), who has more than 13 years of working experience in medical management, is serving as our executive Director and chief medical officer, was formerly the director of the medical office of the Fifth Medical Center of the Chinese People's Liberation Army General Hospital* (解放軍總醫院第五醫學中心).

- Dr. Jiang Zheng, who has more than 20 years of working experience, is serving as our assistant president. He formerly worked at the Affiliated Hospital of Academy of Military Medical Sciences* (軍事醫學科學院附屬醫院) (Class-IIIA comprehensive hospital) (formerly known as the 307th Hospital of the People's Liberation Army* (中國人民解放軍第307醫院)) as a chief of scientific training section (科研科科長) of medical department.

We believe that our professional management team is key to our success. The strategic vision and strong execution abilities as well as the in-depth industry knowledge and required experience that they possess can formulate and implement a good business development strategy and grasp the growth opportunities of the industry.

Besides, in order to enhance intelligentization and digitization of our information technology infrastructure to improve our operation and management efficiency, we also attach importance to the introduction of information technology talents. Hu Jing (胡競), who has more than 17 years of working experience in information technology industry, is serving as the vice general manager of our medical management department, obtained his master's degree from Department of Computer Science and Technology, Tsinghua University.

We are of the opinion that the talent and experience of our professional management team has equipped us with a considerable degree of advantages in the competition against our competitors. We believe that, under the continuing leadership of our highly experienced and professional management team and with our rich reserve of medical resources, we will, through the pathways of external extension and organic growth, continuously enhance our competitiveness and continue to occupy a leading market position in the field of full-cycle oncology healthcare services.

OUR STRATEGIES

We plan to implement the following strategies:

Further strengthen our full-cycle oncology healthcare services

We plan to continuously strengthen our full-cycle oncology healthcare services primarily through purchasing medical equipment, introducing advanced technology and recruiting medical professionals to improve the quality of our services and clients' and/or patients' satisfaction.

- ***Screening and early detection of cancer services:*** we plan to (i) strengthen the brand building and client education of our screening and early detection of cancer services; (ii) upgrade our auxiliary screening and early detection of cancer system and case management systems; (iii) especially for the screening and diagnosis of gastrointestinal cancers, further strengthen and introduce precise screening and diagnosis products for specific high-risk populations, so as to provide clients and/or patients with more accurate risk assessment and personalized health management programs; and (iv) further expand our market share and strengthen our three-tier cancer prevention and treatment system by enabling other out-of-network medical institutions to engage in screening and early detection of cancer services;

- ***Oncology treatment services:*** we intend to further strengthen our oncology treatment services and enhance our oncology-related disciplines. We plan to (i) strengthen the construction and upgrading of oncology treatment centers led by treatment centers for gastrointestinal cancers in our In-network Hospitals; (ii) invest in advanced equipment for oncology treatment; (iii) enhance brand building of our oncology treatment business in target markets; and (iv) introduce high-level medical professionals in the field of oncology treatment and establish an expert team, so as to provide clients and/or patients with high-quality and personalized oncology treatment programs. In particular, for radiotherapy business, based on our successful experience of Western Beijing Cancer Hospital, in addition to investing in radiotherapy equipment, we also plan to install a software system used to build the platform for our whole Group to carry out radiotherapy business; and

- ***Oncology rehabilitation services:*** based on our successful experience in conducting oncology rehabilitation services in Taiyuan Peace Hospital, we plan to further enhance our oncology rehabilitation services in all In-network Hospitals mainly through purchasing advanced equipment and introducing high-level medical professionals in the field of oncology rehabilitation.

Besides, we intend to selectively upgrade the size and facilities of our In-network Hospitals and recruit high-level medical professionals to enhance our service capacities. Besides, we also plan to upgrade the eligible Class-II hospitals in our network to Class-III hospitals. We believe that we will be able to attract more clients and/or patients with the improvement of the abovementioned aspects. In particular, we plan to construct the Oncology Center Building of Wuzhi Jimin Hospital, which is currently at preparatory stage and expected to commence operation by the end of 2027. Please see "– Our Hospital Business – Summary of Our Self-owned Hospitals – Hospital Expansion" in this section for details.

We believe that the implementation of such plans will further enhance our capabilities to provide full-cycle oncology healthcare services, thoroughly carry out and implement the national policy of classifying screening and early detection of cancer and oncology diagnosis, treatment and rehabilitation, and strive to widely benefit the people's livelihood by promoting high-quality medical resources to benefit more people.

We intend to use [**REDACTED**], approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**], for further strengthening our full-cycle oncology healthcare services. Please see "Future Plans and Use of [**REDACTED**]" in this document for further details.

Strengthen our market leading position by expanding our hospital network to address the unmet market demand

We believe that appropriate acquisition opportunities and opportunities for expansion of our hospital management business will further strengthen our competitiveness and improve our service capabilities, which will enable us to (i) serve a wider range of clients and/or patients and promote the concept of full-cycle oncology healthcare services among the population; (ii) bring the advantage of high-quality medical resources and the synergistic effect among the In-network Hospitals into full play; and (iii) further expand our scale-operation advantage as well as brand superiority.

On the one hand, we plan to expand our business by acquiring private hospitals from third parties. Our management will continuously evaluate potential acquisition targets and identify suitable acquisition targets based on a number of criteria, including but not limited to, the alignment of the targets with our strategy and the core business, the targets' location and hospital classes, the targets' business scale and operation history, the targets' key financial indicators, profitability, and the estimated consideration to be paid for the acquisition. We plan to invest in acquired hospitals to bring them in line with our existing standards and strengthen their oncology specialties. Please see "– Our Hospital Investment and Acquisition – Strategic Acquisition" in this section for further details on our consideration of acquisition targets.

On the other hand, we intend to expand our hospital network by providing our hospital management services to the target private hospitals. We are able to enhance the entire operation and management of the target hospitals by providing consultancy, supervision and management of the target hospitals' daily operations, including, among others, assistance on development of medical disciplines, performance reform, operation data analysis, brand planning, advising on establishment and implementation of management system, supply chain management such as supervising and advising on procurement of pharmaceuticals, medical equipment and consumables, external market development work including introducing medical professionals and medical equipment, staff training, financing and other aspects of management consulting services based on our information systems and platforms, which differentiate us from our competitors in the industry. Please see "– Our Hospital Management Business" "– Information Systems and Platforms" in this section for further details.

We intend to use HK$[**REDACTED**], approximately [**REDACTED**]% of the [**REDACTED**] of the [**REDACTED**], for expansion of our hospital network, among which, [**REDACTED**], approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**] will be used for potential acquisitions and [**REDACTED**], approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**] will be used for expansion of our hospital management business. Please see "Future Plans and Use of [**REDACTED**]" in this document for further details.

As of the Latest Practicable Date, with respect to expansion through acquisitions and hospital management business, we had not entered into any letters of intent or agreements or had identified any definite acquisition targets or targets for our expansion of hospital management business, and we had not set any definitive acquisition, investment or expansion timeframe. We are in the early stages of seeking potential acquisition targets and targets for expansion of our hospital management business and have not completed any evaluation for the purposes of aforementioned.

Continue to enhance intelligentization and digitization of our information technology infrastructure to improve our operation and management efficiency

We plan to upgrade our information systems network in order to enhance the efficiency of our operation and management. In particular, we plan to:

- upgrade our existing data center and software to realize (i) the complete compatibility among the existing systems and platforms; (ii) functions including but not limited to data backup, remote disaster recovery, data cleaning, data analysis (by hospitals, diseases, disciplines, etc.) and model calculation; and (iii) more systematic and visual data analysis and application capabilities. We believe that the sharing capabilities of medical resources among our In-network Hospitals, the data and network security and our management efficiency will be greatly improved.

  On this basis, we intend to establish an oncology disease database and specialized multi-center data research platform according to corresponding diseases and disciplines, as well as setting up and enriching a medical expert database in compliance with laws and regulations regarding patients' health and medical data and data privacy protection, so as to form a two-way transformation mechanism between clinical resources application and scientific and technological results;

- upgrade our existing medical quality control system, which covers healthcare quality monitoring and medical record quality control, to cope with our future expansion and changing demand of clients and/or patients. In particular, we plan to upgrade our existing information technology system, so that it can sort out and classify medical quality and safety indicators according to the requirements of national, industrial, professional and single disease medical data quality monitoring indicators combining the actual situation of our In-network Hospitals, so as to further realize the automatic tracking and feedback function on the above indicators.

  In addition, we also plan to improve our patient management system to better record the medical information and needs of clients and/or patients, which will improve our service quality and the clients and/or patients experience; and

- develop a series of intelligent and convenient online applications to (i) allow our heads of departments to review and analyse the operation and cost data and promptly adjust the business strategy of different departments, which will improve our service quality and reduce unreasonable expenditures; and (ii) provide clients and/or patients with easy-to-use functions such as online appointment, registration, payment, and diagnosis, treatment results inquiry and online diagnosis and treatment (subject to relevant licenses).

Accordingly, we aim to achieve a fully integrated end-to-end digital workflow that facilitates (i) the smooth flow of information between clients and/or patients, medical professionals, medical experts and our management; (ii) the transparency of our full-cycle oncology healthcare services to enhance operational and management efficiency; and (iii) the use of clients and/or patients information (after appropriate desensitization and patients' consent, if necessary as required by laws and regulation), which may further serve as guidelines and references for our full-cycle oncology healthcare services.

We intend to use [**REDACTED**], approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**], for enhancing intelligentization and digitization of our information technology infrastructure. Please see "Future Plans and Use of [**REDACTED**]" in this document for further details.

Strengthen our innovation and research capabilities in medical domain, promote the transformation of cutting-edge results in the field of oncology and improve our comprehensive competitiveness

We plan to increase our investment in innovation and research capabilities in medical domain and further promote the transformation of cutting-edge results in the field of oncology. We intend to continue to strengthen our cooperation with biomedical enterprises, universities and research institutions and further expand our product portfolio. We are committed to seeking a model that fully leverages our strengths and is in line with industry trends to further promote the sustainable development of our business. At the same time, we will strive to create new paths for the application of new drugs, new medical equipment and new technologies for our clients and/or patients in the field of oncology.

On the one hand, we plan to build a Medical Transformation Laboratory Platform based on the research ward and other scientific and technological platforms established by Peking University Medicine Technology Transfer and Innovation Center and our Group. On the other hand, we plan to take advantage of our existing clinical resources to establish an Oncology Clinical Research Platform.

- ***Medical Transformation Laboratory Platform:*** we intend to further strengthen our cooperation with biomedicine enterprises, universities and research institutions with advantages in (i) screening and early detection of cancer; (ii) new technologies of oncology diagnosis and treatment; (iii) new drug research and development in the field of oncology; (iv) research and development of new equipment for oncology rehabilitation; and (v) products and technologies application in the above fields, and jointly promote the industrialization process of frontier achievements in the above fields; and

- ***Oncology Clinical Research Platform:*** In order to improve the oncology diagnosis and treatment service ability of our Group, we intend to take advantage of our existing clinical resources to promote the acquisition of qualification of Good Clinical Practice in our In-network Hospitals. At the same time, we intend to cultivate talents in drug clinical trials. Besides, we will actively participate in the cooperation and construction of other high-quality clinical resource application platforms, and strive to create new channels and new paths for the application of new drugs, new medical equipment and new technologies for our clients and/or patients in the field of oncology.

We have formulated relevant steps and plans to realize our strategy, hoping to build our Medical Transformation Laboratory Platform and Oncology Clinical Research Platform into the domestic first-class innovation and research platform in their respective fields. At the same time, combined with our strategy to continuously strengthen the data analysis ability, such as establishing an oncology disease database, and based on the successful experience especially in the field of gastrointestinal cancers, we will continue to strengthen our innovation and research ability in the medical field and our comprehensive competitiveness.

OUR BUSINESS MODEL

During the Track Record Period, we primarily engaged in the investment in, and provision of, medical and healthcare related services in the PRC. We currently own and operate eight hospitals with strategic focus on provision of full-cycle oncology healthcare services, including but not limited to screening and early detection of cancer, oncology diagnosis, oncology treatment and oncology rehabilitation, in the PRC.

The eight hospitals in our network comprise (i) six of our owned private for-profit hospitals through which we provide healthcare services, namely Western Beijing Cancer Hospital, Tianjin Shishi Hospital, Tianjin Nankai Jixing Hospital, Taiyuan Peace Hospital, Hefei Bayway Changrong Hospital and Wuzhi Jimin Hospital; and (ii) two of private not-for-profit hospitals from which we receive management fees for our management and operation services, namely Huangshan Shoukang Hospital and Taiyuan Wanbailin District Peace Community Health Service Center.

During the Track Record Period, we generated our revenue mainly from (i) operating six private for-profit hospitals we owned and providing healthcare services including full-cycle oncology healthcare services; (ii) managing and operating, and receiving management fees from two private not-for-profit hospitals in our In-network Hospitals, of which we hold organizer's interest; and (iii) supply of pharmaceuticals, medical equipment and consumables.

The following table sets forth our revenue by services offerings for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Hospital business	314,696	68.2	617,905	77.0	814,112	75.9
Inpatient services	177,027	38.4	379,389	47.3	515,940	48.1
Outpatient services	119,743	25.9	216,542	27.0	289,881	27.0
Others(1)	17,926	3.9	21,974	2.7	8,291	0.8
Hospital management business	26,281	5.7	37,315	4.6	41,121	3.8
Supply of pharmaceuticals, medical equipment and consumables	118,213	25.6	146,730	18.3	215,158	20.1
Others(2)	2,396	0.5	702	0.1	1,782	0.2
Total	461,586	100.0	802,652	100.0	1,072,173	100.0

Notes:

(1) Our revenue derived from others of our hospital business during the Track Record Period primarily refer to (i) our revenue generated from provision of nucleic acid testing service; and (ii) the one-off asset royalties and other one-off relevant revenue received from Hefei Changrong Hospital.

(2) Our revenue derived from others of our business during the Track Record Period primarily refer to revenue related to our provision of healthcare-related consultancy services.

Hospital Business

During the Track Record Period, we generated revenue primarily from provision of healthcare services in a wide range of specialties, including but not limited to oncology, rehabilitation, general surgery, gastroenterology and urology, to our patients through our self-owned private for-profit hospitals. In terms of treatment process, we generate revenue primarily from inpatient services and outpatient services. Inpatient services refer to the treatment of patients who are hospitalized overnight or for an indeterminate period of time in our In-network Hospitals, usually several days or weeks, subject to the patients' conditions and recovery. Outpatient services refer to the diagnosis or treatment of patients who visit our In-network Hospitals but not at this time require a bed or to be admitted for overnight care. Please see "– Our Hospital Business" in this section for further details.

Hospital Management Business

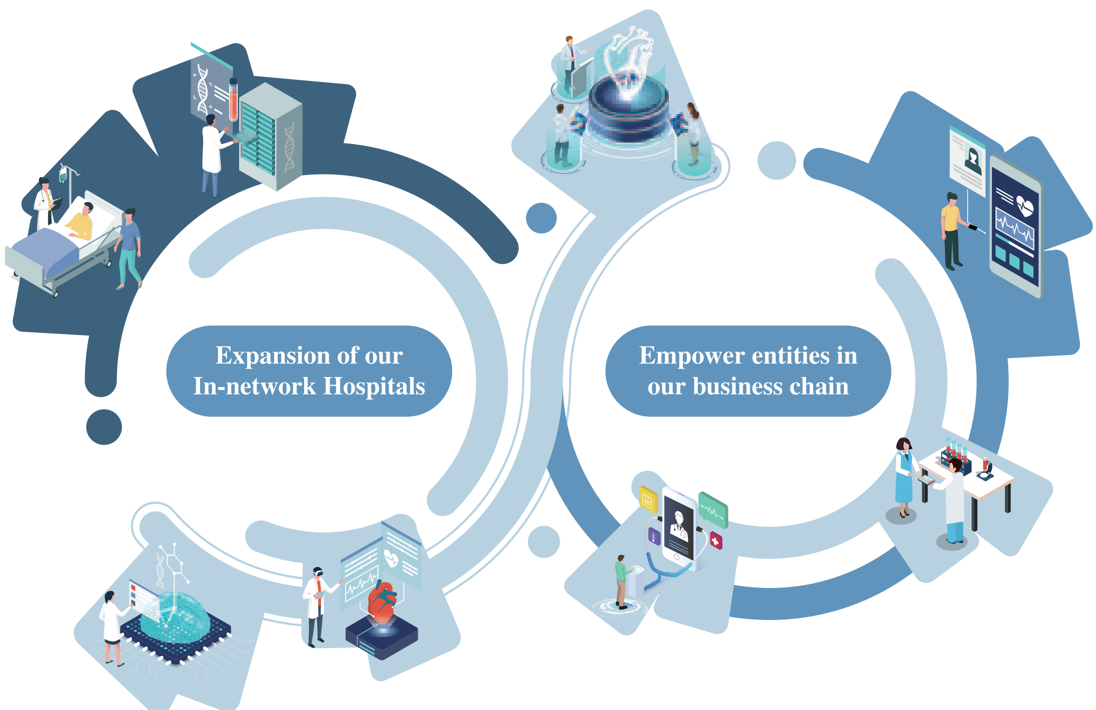
We manage and operate, and receive management fees from private not-for-profit hospitals, Huangshan Shoukang Hospital, which is a Class-III comprehensive hospital located in Huangshan of Anhui Province and Taiyuan Wanbailin District Peace Community Health Service Center, which is a community health service center located in Taiyuan of Shanxi Province, of which we hold their corresponding organizer's interest, respectively. Pursuant to the hospital management agreements entered into between the Managed Hospitals and the Group, we are entitled to receive management fees calculated based on a fixed percentage of the revenue of the Managed Hospitals for a period of 40 years. Please see "– Our Hospital Management Business" in this section for further details.

Supply of Pharmaceuticals, Medical Equipment and Consumables

During the Track Record Period, we sold (i) pharmaceuticals, which primarily comprised western medicine, Chinese patent medicine (中成藥) and TCM decoction pieces (中藥飲片); and (ii) medical equipment and consumables, which primarily comprised color Doppler ultrasound diagnostic instrument and electronic nasopharyngeal endoscope (電子鼻咽喉內窺鏡), primarily in Anhui Province and Jiangsu Province in the PRC, and we also sold a small portion of pharmaceuticals, which primarily comprised western medicine, Chinese patent medicine and TCM decoction pieces in the PRC through a governmental online platform with the purpose for centralized purchase of pharmaceuticals. For the years ended December 31, 2021, 2022 and 2023, the revenue derived from our supply of pharmaceuticals, medical equipment and consumables amounted to RMB118.2 million, RMB146.7 million and RMB215.2 million, respectively.

During the Track Record Period, certain portion of our supply of pharmaceuticals, medical equipment and consumables in this business sector derived from our sales to wholesale customers, including hospitals, pharmacies and pharmaceutical product resellers, who generally onsold such products to end users. We maintain a buyer/seller relationship with our wholesale customers. For details of our sales business, please see "– Our Supply of Pharmaceuticals, Medical Equipment and Consumables" in this section.

Our Value Proposition



As a leading oncology healthcare group that principally engages in the investment in, and provision of, medical and healthcare related services in the PRC, we focus on the investment in medical and healthcare related services specializing in full-cycle oncology healthcare services in the PRC and expansion of our In-network Hospitals. Please see "– Our Hospital Investment and Acquisition" in this section for further details.

Our targeted groups of people we are committed to provision of full-cycle oncology healthcare services include not only patients who need to be diagnosed and treated after the onset of cancer symptoms but also the individuals with average or high risks of cancer and individuals who have received oncology treatment or have been after radical oncology treatment. Our value proposition is people-oriented with the focus on the provision of oncology-related healthcare services, including but not limited to oncology diagnosis for oncology patients, various kinds of oncology treatment, oncology rehabilitation and hospice care, as well as screening and early detection of cancer, vaccination and health management services for other potential healthy people including family members of oncology patients.

Meanwhile, depending on the market position we have and the products and services we provide, we create a combination of online and offline business model to empower separate entities primarily including clients with needs for full-cycle oncology healthcare services and patients, healthcare institutions and medical professionals, healthcare institution management teams and government and the society. We provide high-quality products and services to these entities and are able to attract them by offering unique value propositions to each of them based on their respective needs and/or requirements in our business chain.

We have established a reputation as a trusted and successful healthcare group among these entities. We believe that our investment and expansion strategies and the value we create for the entities in our business chain drives our business, and our ability to enhance such value propositions will be instrumental for our future development.

The following are key entities benefiting from our business model, and the value propositions we offer them:

- ***for clients with needs for full-cycle oncology healthcare services and patients:***

  - o we have integrated the resources of our offline In-network Hospitals and online medical and healthcare platforms, primarily including the Internet hospital of our Tianjin Nankai Jixing Hospital, the Internet diagnosis and treatment platform of our Western Beijing Cancer Hospital, remote consultation platforms, WeChat public accounts and WeChat mini-programs to address the pain points in traditional oncology healthcare industry in China, which primarily include imbalance in medical resources between different regions, lack of screening and healthcare awareness and continuity in the follow-up and long-term health management of clients with needs for full-cycle oncology healthcare services and patients.

- ***for healthcare institutions and medical professionals (mainly primary physicians):***

  - o medical professionals (mainly primary physicians) outside of our In-network Hospitals benefit from our services provided to partnered hospitals under our network business, primarily including consultation, diagnosis and therapeutic schedule design, remote consultation and quality control, which assist in improving their overall medical expertise. Furthermore, we engage in publishing papers in various medical journals and participating in medical research and academic activities in the oncology healthcare service industry, contributing to medical advancements of our peer medical professionals.

  - o at the same time, we have entered into cooperation relationships with high-quality medical resources, including the expert teams of well-known domestic universities, pharmaceutical and medical equipment enterprises, and biotechnology companies in the PRC through Peking University Medicine Technology Transfer and Innovation Center, which forms our pool of experts in the corresponding fields, constantly strengthens the high-quality medical resources we can utilize, and is able to provide a platform for the application of scientific and technological achievements and technologies in the field of full-cycle oncology healthcare services.

- ***for healthcare institution management teams:***

  - each of our healthcare institution management teams is able to extract and analyse the operational statistical data concerning our clients and/or patients and financial and operational statistical data of In-network Hospitals on a real-time basis, and each healthcare institution management team has an easy access to consulting, searching and keeping up to date with our systematically collated data. Based on the aforementioned data and the research collaboration platform of our Clinical Oncology Center, we are well positioned to conduct scientific research and apply research results in our operation and management afterwards. Please see "– Information Technology Systems and Platforms – Data Usage and Analysis" in this section for further details.

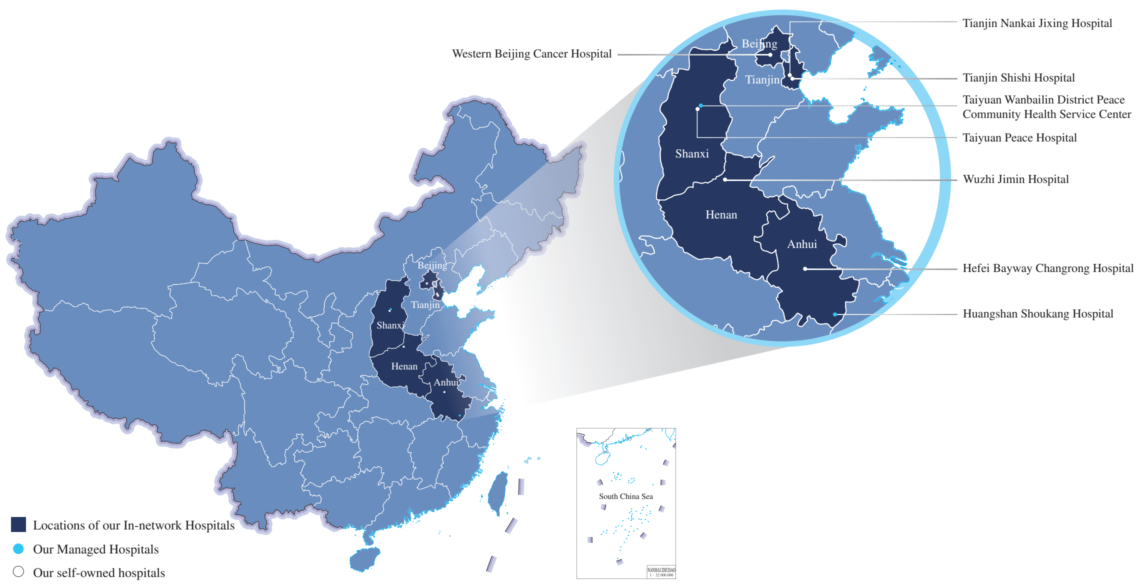
- ***for government and the society:***

  - we highly value our social responsibility and actively participate in public welfare activities, such as providing medical consultancy and public lectures to public institutions and disadvantaged communities in society. Moreover, during the COVID-19 pandemic period, we proactively established nucleic acid testing sites, offered COVID-19 nucleic acid tests and our employees served as volunteers in the peak and resurgences of the pandemic for communities nearby to support pandemic prevention and control. Please see "– Environmental, Social and Governance Matters – Community Public Welfare Activities" in this section for further details.

Benefiting from our business chain and its value propositions to the aforementioned major entities, we believe that we are able to leverage the power of our high-quality medical resources in our system to support the sustainable growth of the full-cycle oncology healthcare services including but not limited to screening and early detection of cancer, oncology diagnosis, oncology treatment and oncology rehabilitation.

OUR NETWORK OF HOSPITALS

Set out below is an illustration of the locations of our In-network Hospitals as of the Latest Practicable Date:



Note: This map is for illustrative purpose only.

Our In-network Hospitals

The following table sets forth a summary of our In-network Hospitals as of December 31, 2023:

	Hospital	Location	GFA/ Land area (sq.m.)	Nature	Established/ acquired	Time of acquisition	Time of commencement of operations after our acquisition/ establishment[(1)]	Number of physicians[(3)]	Number of technical, pharmaceutical and nursing medical professionals[(4)]	Number of other medical professionals[(5)]	Number of registered beds
Self-Owned											
1	Western Beijing Cancer Hospital	Fengtai District, Beijing	11,865	Private for-profit Class-II oncology specialist hospital	Acquired	June 2018	June 2018	200	130	14	101
2	Tianjin Shishi Hospital	Xiqing District, Tianjin	14,597.56	Private for-profit Class-II comprehensive hospital	Established	N/A	April 2020	101	83	22	120
3	Tianjin Nankai Jixing Hospital	Nankai District, Tianjin	2,000	Private for-profit Class-I comprehensive hospital	Acquired	February 2019	February 2019	63	35	22	57
4	Taiyuan Peace Hospital	Taiyuan, Shanxi	28,985[(7)]	Private for-profit Class-III rehabilitation specialist hospital	Acquired	January 2022	January 2022	129	233	9	300
5	Hefei Bayway Changrong Hospital	Hefei, Anhui	21,223.3	Private for-profit Class-II comprehensive hospital	Acquired[(8)]	December 2021	December 2021	58	100	13	160
6	Wuzhi Jimin Hospital	Jiaozuo, Henan	43,461.52	Private for-profit Class-IIA comprehensive hospital[(9)]	Acquired	April 2022	April 2022	204	347	80	550

	Hospital	Location	GFA/ Land area (sq.m.)	Nature	Established/ acquired	Time of acquisition	Time of commencement of operations after our acquisition/ establishment[(1)]	Number of physicians[(3)]	Number of technical, pharmaceutical and nursing medical professionals[(4)]	Number of other medical professionals[(5)]	Number of registered beds
Managed											
7	Huangshan Shoukang Hospital	Huangshan, Anhui	73,186.55	Private not-for-profit Class-III comprehensive hospital	N/A	N/A	May 2020	245	481	93	600
8	Taiyuan Wanbailin District Peace Community Health Service Center	Taiyuan, Shanxi	28,985[(7)]	Private not-for-profit community health service center	N/A	N/A	January 2022	5	10	–	N/A

Notes:

(1) For our self-owned hospitals, the time of commencement of operations for our five acquired hospitals refers to the time when the hospital generated revenue in the financial statements of our Group for the first time, and the time of commencement of operations for our self-established hospital, i.e. Tianjin Shishi Hospital, refers to the registered time when the hospital opened for service on its Medical Institution Practicing License (醫療機構執業許可證). With respect to our Managed Hospitals, the time of commencement of operations refers to the time when the financial statements of Anhui Shoukang Investment and Taiyuan Peace Hospital Management Company Limited were firstly consolidated into the financial statements of our Group. Please see "– Our Hospital Business" and "– Our Hospital Management Business" in this section for further details;

(2) The standard of division for the number of medical professionals in our In-network Hospitals is based on whether they obtain professional ranks of professional medical workers (衛生專業技術人員職稱). Physicians, technical, pharmaceutical and nursing medical professionals refer to the medical professionals who have obtained professional ranks, and other medical professionals refer to those who have not obtained professional ranks and other medical-related professionals in our In-network Hospitals;

(3) Physicians in our In-network Hospitals comprise chief physicians, associate-chief physicians, attending physicians, resident physicians and assistant physicians (醫士). The number of physicians in our self-owned hospitals and Huangshan Shoukang Hospital includes the number of both full-time physicians and multi-site practice physicians. The number of physicians in Taiyuan Wanbailin District Peace Community Health Service Center only includes the number of full-time physicians as it did not have multi-site practice physicians as of December 31, 2023. Please see "– Our In-network Medical Resources – Qualification of Our Medical Professionals" in this section for further details;

(4) Technical medical professionals in our In-network Hospitals comprise chief technicians (主任技師), associate-chief technicians (副主任技師), attending technicians (主管技師), technicians (技師) and assistant technicians (技士). Pharmaceutical medical professionals in our In-network Hospitals comprise chief pharmacists (主任藥師), associate-chief pharmacists (副主任藥師), attending pharmacists (主管藥師), pharmacists (藥師) and assistant pharmacists (藥士). Nursing medical professionals in our In-network Hospitals comprise chief nurse practitioners (主任護師), associate-chief nurse practitioners (副主任護師), attending nurse practitioners (主管護師), nurse practitioners (護師) and nurses (護士). Please see "– Our In-network Medical Resources – Qualification of Our Medical Professionals" in this section for further details;

(5) Other medical professionals in our In-network Hospitals primarily comprise practice nurses (實習護士), auxiliary doctors (輔醫) and other patient service staff working in physical examination centers, medical service departments and emergency centers. Please see "– Our In-network Medical Resources – Qualification of Our Medical Professionals" in this section for further details;

(6) The number of technical, pharmaceutical and nursing medical professionals and other medical professionals in the table above refer to the number of full-time employees working in our In-network Hospitals;

(7) Pursuant to the leasing agreement dated on January 1, 2019 between Taiyuan Peace Hospital and Taiyuan Wanbailin District Peace Community Health Service Center with an Independent Third Party, they are located in the same property in Wanbailin District of Taiyuan of Shanxi Province, and the area of them refers to the land area;

(8) Acquisition of Hefei Bayway Changrong Hospital refers to that we acquired certain long-term assets of Hefei City Changrong Hospital Limited (合肥市長榮醫院有限公司) in November 2020 and the business and net assets of Hefei Changrong Hospital* (合肥長榮醫院) in December 2021 from an Independent Third Party, upon which the business operated under the aforementioned two entities have been consolidated into the financial statements of the Group according to the applicable accounting standards in the PRC. Please see "History, Reorganization and Corporate Structure – Our Group – Acquisitions during the Track Record Period" and Note 27(a) to "Appendix I – Accountants' Report" in this document for further details; and

(9) Wuzhi Jimin Hospital has become the first Class-III comprehensive hospital in Wuzhi County since April 2024 with the approval of the local PRC Government for the upgrade to Class-III comprehensive hospital from Class-IIA comprehensive hospital.

OUR FULL-CYCLE ONCOLOGY HEALTHCARE SERVICES OFFERINGS

During the Track Record Period, we strategically focused on provision of full-cycle oncology healthcare services and the services provided through our owned and managed hospitals, comprising (i) screening and diagnosis related services; (ii) treatment related services; and (iii) rehabilitation related services. Our revenue generated from oncology-related services was RMB177.1 million, RMB242.7 million and RMB345.0 million for the years ended December 31, 2021, 2022 and 2023, representing approximately 56.3%, 39.3% and 42.4% of our total revenue derived from our hospital business, respectively.

Our Screening and Diagnosis Related Services

We provide screening and diagnosis related services to our clients and/or patients, primarily including evaluation and screening, report interpretation, diagnosis and case management. We provide our clients and/or patients with services of comprehensive prevention and treatment of precancerous lesions (癌前病變). In addition, we use the technology of our self-developed auxiliary screening and early detection of cancer system for risk assessment and intelligent auxiliary screening, and provide follow-up prevention and health management services to our clients and/or patients.

As of December 31, 2023, all of our six self-owned hospitals and Huangshan Shoukang Hospital established Screening and Early Detection of Cancer and Prevention Center, Screening and Early Detection of Cancer Center or Screening and Early Detection of Cancer Assessment Center, applied and promoted the standards of screening and early detection of cancer in primary practice to provide a continuous healthcare services for screening and early detection of cancer and oncology diagnosis and treatment. Our In-network Hospitals are able to provide diagnosis services, which cover all types of tumor patients of all ages and organ systems, primarily including X-ray radiological imaging, nuclear medicine examinations, angiography (血管造影) examinations, blood tests, endoscopic examinations, ultrasonography and pathological diagnosis.

Screening and early detection of cancer

We provide screening and early detection of cancer service to our clients and/or patients during the Track Record Period. Our screening and early detection of cancer service has gone through the following stages of rapid development:

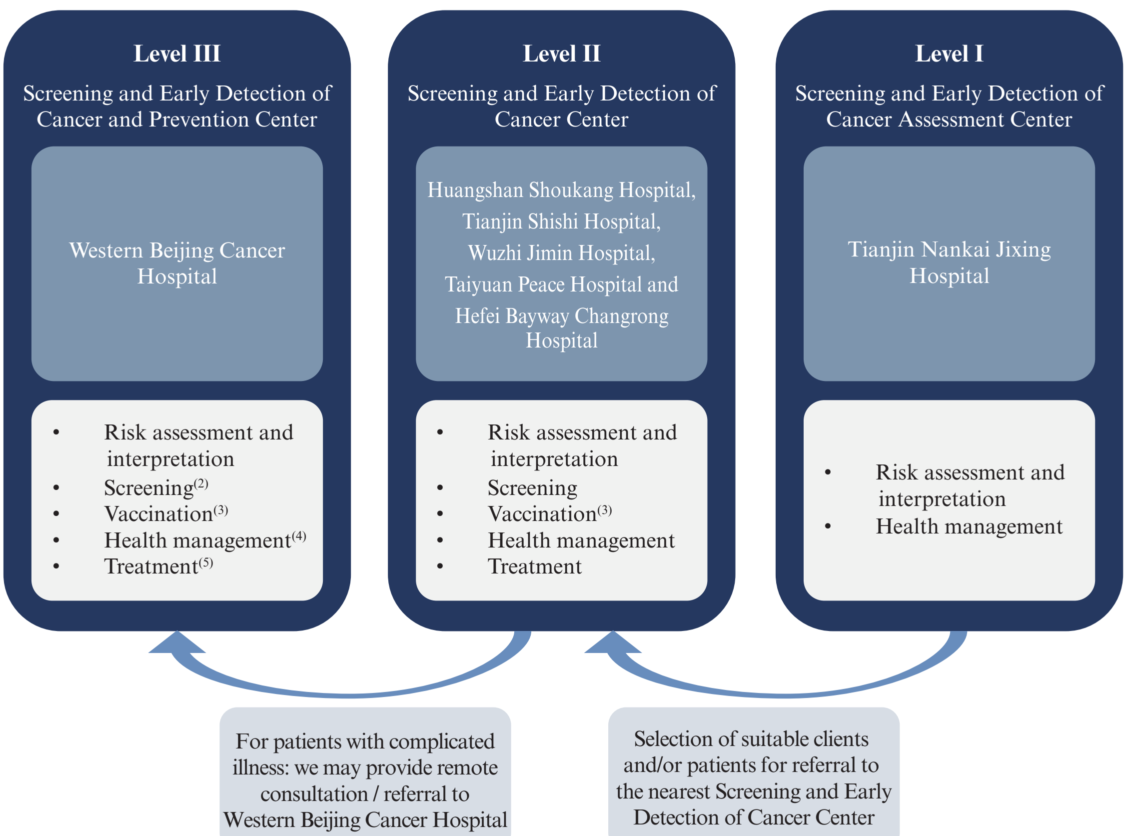
- we established the first screening and early detection of cancer center in our In-network Hospitals in our Western Beijing Cancer Hospital in January 2019 and began to establish such centers in our In-network Hospitals on a gradual basis since then and roll out criteria for screening and early detection of cancer services;

- Western Beijing Cancer Hospital was granted the license of Beijing Anti-Cancer Association Early Cancer Screening Base by Beijing Anti-Cancer Association in April 2019;

- we participated in the formulation of the Guideline for Early Screening of High-Incidence Cancer in the PRC, which was published by Beijing Anti-Cancer Association in January 2021;

- we acquired the software copyright of "Auxiliary Screening and Early Detection of Cancer System v1.0" in December 2021;
- we successfully completed the trademark registration of "BAYWAY ECS" in the PRC in February 2022; and
- the "Auxiliary Screening and Early Detection of Cancer System v1.0", which was jointly developed by Beijing Cancer Hospital and us, passed the expert review conducted by the Professional Committee of Screening and Early Detection of Cancer of Beijing Anti-Cancer Association in April 2022.

We utilize the current PRC's Hierarchical Diagnosis and Treatment System as a source of reference for the establishment of our own three-tier cancer prevention and treatment system. The functions and collaborative linkages across different levels of this system would be beneficial for our In-network Hospitals to overcome the internal development constraints brought about by isolated development. The following diagram sets forth the structure and different functions of each level of our three-tier cancer prevention and treatment system:



Notes:

(1) Using our self-developed auxiliary screening and early detection of cancer system or questionnaires to carry out risk assessment and intelligent auxiliary screening, providing risk level analysis for different populations, generating reports on cancer types and related risk factors and providing further analysis and interpretation;

(2) Providing comprehensive examination to our clients and/or patients using technologies including but not limited to ultrasound, X-ray CT, DR and pathological diagnosis;

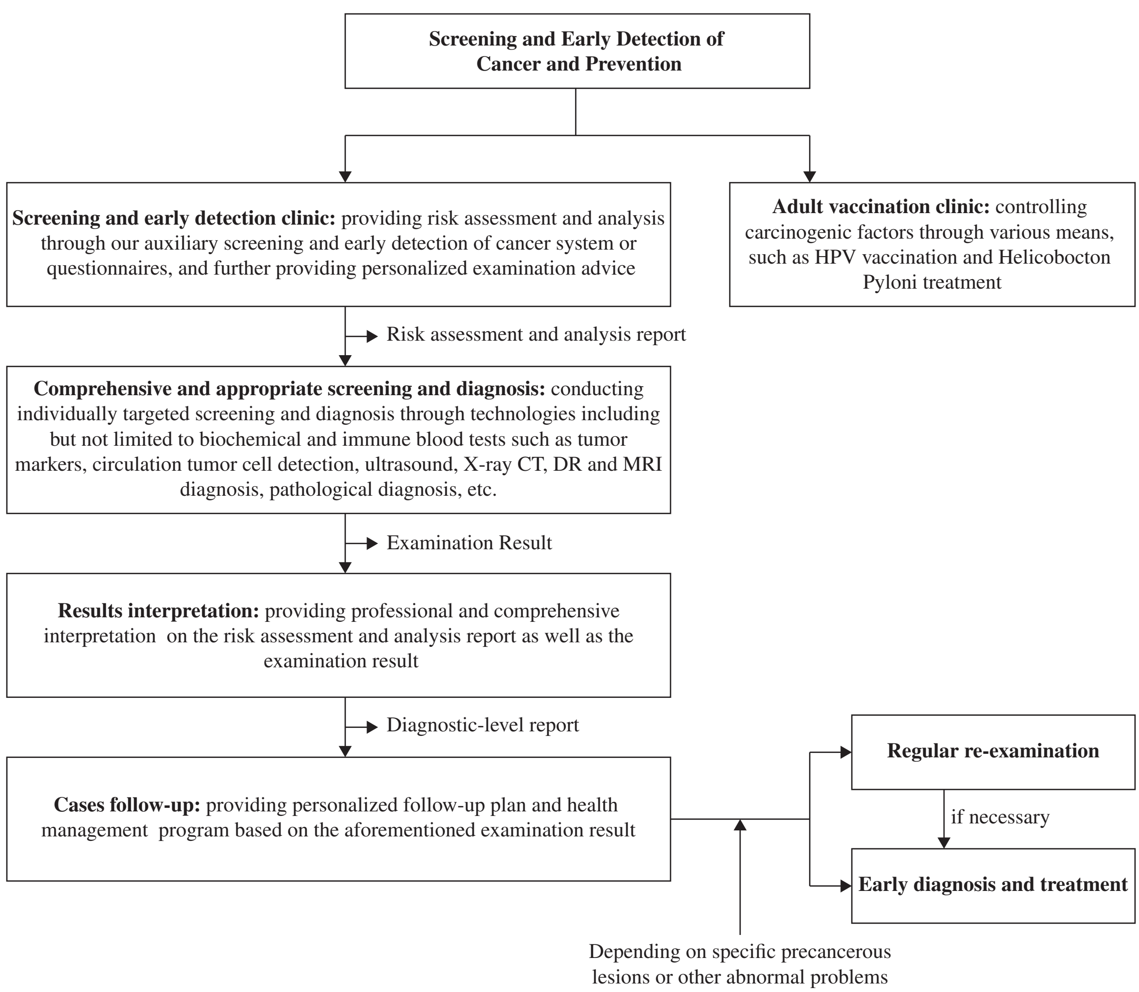
(3) Our Western Beijing Cancer Hospital, Hefei Bayway Changrong Hospital and Huangshan Shoukang Hospital have been licensed to inject vaccination such as vaccination related to prevention for cancer such as HPV vaccination and adult hepatitis B vaccine (成人乙型肝炎疫苗);

(4) Providing follow-up advice and health management program to our clients and/or patients based on their risk assessment and screening results; using our patient management system to follow up the precancerous lesions and other abnormal physical condition of clients and/or patients and closely follow-up their regular re-examinations;

(5) Providing treatment by surgery, chemotherapy and radiotherapy and other relevant treatment services; and

(6) The main difference between the above Level II hospitals and the Level III hospital (i.e. Western Beijing Cancer Hospital) in the aforementioned cancer prevention and treatment system is that Western Beijing Cancer Hospital is an oncology specialist hospital with more comprehensive and professional oncology treatment technologies, more advanced equipment for screening and early detection of cancer and oncology diagnosis and treatment, more high-quality medical teams and better medical resources. Please see "– Our Hospital Business" in this section for further details.

The following flowchart illustrates the processes for our screening and early detection of cancer service:



Our Treatment Related Services

Once patients are diagnosed, we provide them with a variety of treatment options, primarily including surgery, minimally invasive interventional therapy (微創介入治療), radiotherapy, chemotherapy, targeted therapy, immunotherapy or a combination of these, depending on their medical history and medical condition.

In consideration of the geographic locations, demands of local medical resources and capabilities of our medical professionals in our In-network Hospitals, we have established oncology departments and/or specialized oncology treatment centers to provide standardized treatment services. Depending on the MDT remote consultation and case management, our well-experienced medical professionals from our In-network Hospitals are able to achieve timely follow-up, management and treatment for patients based on consent from our patients in respective hospitals, providing more standardized treatment plans and optimized treatment options for a wide range of patients. Please see "– Our In-network Medical Resources" in this section for further details in relation to our medical professionals and our collaboration with medical institutions.

For example, radiotherapy departments of Western Beijing Cancer Hospital, Huangshan Shoukang Hospital and Wuzhi Jimin Hospital all have ability to carry out precision radiotherapy for various tumors; Mr. Liu Chen (柳晨), who is associate-chief physician of the intervention department in Beijing Cancer Hospital and one of our multi-site practice physicians, carries out puncture biopsy technology (穿刺活檢技術) in the Imaging Minimally Invasive Diagnosis and Treatment Center of our Western Beijing Cancer Hospital. He can perform puncture biopsy on all parts of the patient's body, and focus on providing patients with accurate and rapid one-stop diagnostic puncture biopsy, pathological testing, minimally invasive treatment and consultation, as well as providing image-guided minimally invasive treatment for the patients with confirmed tumors; and one of chief physicians of the general surgery department in Huangshan Shoukang Hospital, Weng Yanhong (翁延宏) is skilled in carrying out surgical treatment for tumors in thyroid, breast, liver, gallbladder, gastroenterology and others, as well as minimally invasive laparoscopic surgery.

Our Rehabilitation Related Services

We provide rehabilitation related services for post-surgical or conservative patients in our In-network Hospitals, including various functional rehabilitation, nutritional support, support for advanced malignancies and hospice care. All of our six self-owned hospitals and Huangshan Shoukang Hospital have established rehabilitation departments and/or standardized and specialized oncology rehabilitation centers and mainly focus on several aspects including nutrition, palliative, psychological condition, exercise and hospice care, which aim at patients with the need for full-cycle oncology healthcare services, including non-radiotherapy patients on chemotherapy and targeted therapy, patients suffering from side effects after various treatments, patients with symptomatic support for end-stage malignancies and hospice patients.

In particular, Taiyuan Peace Hospital has been Shanxi Province Cancer Specialist Alliance Director Unit (山西省腫瘤專科聯盟理事單位) since July 2022. As the first Class-III rehabilitation specialist hospital in Shanxi Province and the pioneer in our In-network Hospitals for providing rehabilitation-related services, Taiyuan Peace Hospital also engaged specialist chief physicians from Shanxi Cancer Hospital (山西省腫瘤醫院) (Class-IIIA comprehensive hospital), Shanxi Bethune Hospital (山西白求恩醫院) (Class-IIIA comprehensive hospital) and Shanxi Acupuncture Hospital (山西省針灸醫院) (Class-IIIA TCM hospital). Please see "– Our Hospital Business – Summary of Our Self-owned Hospitals – Taiyuan Peace Hospital" in this section for further details. Other hospitals in our network are also gradually engaging specialist rehabilitation physicians to provide rehabilitation related services.

For the major purposes of providing guidance on the comprehensive rehabilitation of patients, maximizing the patients' recovery from, among others, physical, psychological, social and professional career perspectives, improving the quality of patients' life and prolonging the lifespan of patients, we have conducted clinical practice on oncology rehabilitation in the PRC and proposed "five prescriptions (五大處方)" for oncology rehabilitation:

- ***treatment***: we provide medical treatment and immunotherapy for the patients during their rehabilitation;
- ***nutrition***: we enhance and improve the daily nutrient intake of the patients through screening, lifestyle and dietary survey and nutritional surveillance during their rehabilitation;
- ***exercise***: we tailor make physical rehabilitation plan for the patients through assessments on the patients' body structure and functionality and their activity ability;
- ***psychology***: we help the patients adjust their psychological status in a timely manner through assessments, medication and psychological intervention; and
- ***pain relief***: we alleviate the sufferings of the patients during their rehabilitation based on assessments, medicated or non-medicated treatment and TCM treatment.

Our Screening, Diagnosis, Treatment and Rehabilitation Related Facilities and Equipment

We aim to provide high-quality healthcare services to our clients and/or patients. Our In-network Hospitals are equipped with advanced equipment and diagnostic means to provide our clients and/or patients with accurate screening, diagnoses and treatment while preventing or detecting the disease earlier, minimizing pain, time and the amount of invasive procedures. Our advanced equipment, among others, includes:

CT equipment

Our CT equipment can be used for the screening and diagnosis of tumors for the clients and/or patients with the needs of screening and early detection of cancer and special medical services. With modes of plain, enhanced and contrast scans, our CT equipment uses a precisely collimated X-ray beam and a highly sensitive detector for a cross-sectional scan and diagnosis of diseases in various parts of the body, with fast scan times and clear images. In addition, our CT equipment can also be used to guide puncture biopsy and microwave ablation.

Siemens SOMATOM Definition AS 64 diagnostic CT equipment in Western Beijing Cancer Hospital

As of the Latest Practicable Date, we had put into use 12 units of our CT equipment, out of which seven were installed in our self-owned hospitals and five in our Managed Hospitals.

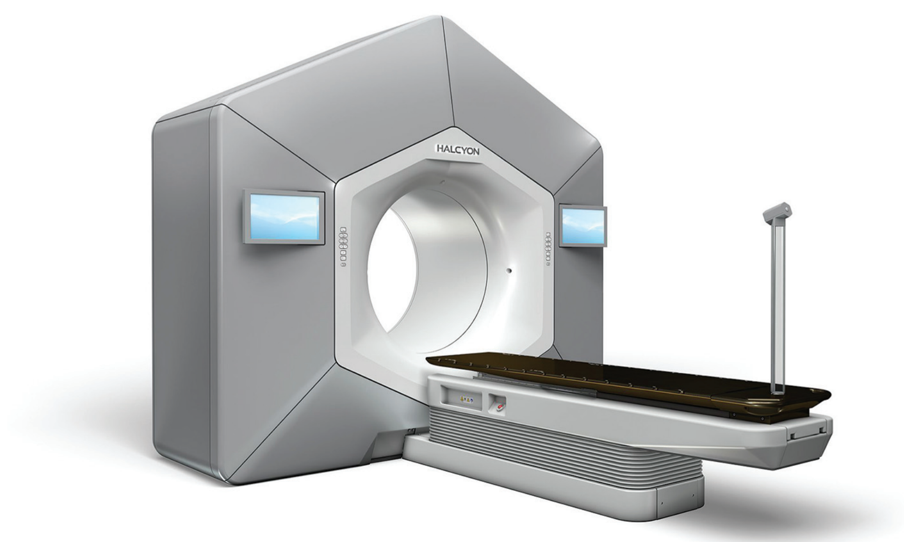
The medical electron linear accelerator

Radiotherapy, which uses high-energy radiation to kill malignant tumors or other benign tumor cells, is one of the most common oncology treatment options. Our medical electron linear accelerators are accelerating devices that use microwave electromagnetic fields to accelerate electrons with a linear trajectory to provide clinical conventional X-ray or electron radiation directed at the tumors or other lesions of the patients during the treatment phase of the full-cycle oncology healthcare services. Our medical electron linear accelerator produces high-energy X-rays and electrons and is characterized by high dose rates, short radiation times, large radiation fields, good dose uniformity and stability, and small penumbra areas.

Varian VitalBeam linear accelerator in Huangshan Shoukang Hospital

The first complete Halcyon 3.0 smart radiotherapy platform in China, which is one type of medical electron linear accelerator, was introduced in our Western Beijing Cancer Hospital in October 2021. Our introduced new generation linear accelerator provides better resolution in soft tissue display, thereby improving its accuracy in targeting tumor areas and dose control of organs at risk. Meanwhile, the reduction of its image processing time, noise and strip artifacts leads to better homogeneity of images for treatment procedures.

For example, in the pelvic area, imaging of the bladder and prostate area is significantly improved, ensuring high local control rates while reducing the toxic side effects of radiotherapy, which will greatly improve patient outcomes and quality of life. In addition, the large 100cm aperture of our new generation of linear accelerator allows for the treatment of cancers such as breast cancer. The silent design during operation and the built-in self-shielding system enhance comfort and treatment efficiency of patients, as well as the safety of patients and medical staff and the environmental security.



Varian Halcyon 3.0 linear accelerator in Western Beijing Cancer Hospital

Our Directors believe that our medical electron linear accelerators combine the special features of screening and early detection of cancer and oncology rehabilitation at our In-network Hospitals to provide personalized, affordable and continuous medical services to our oncology patients and are able to provide full-cycle oncology healthcare services including surgery, chemotherapy, radiotherapy and immunotherapy to more oncology patients in the future.

According to Frost & Sullivan, approximately 70% of the oncology patients need radiotherapy treatment at different stages of disease development. In particular, radiotherapy is considered the primary treatment option for a wide variety of localized tumors, such as nasopharynx cancers and lymphoma. Radiotherapy is also widely used as adjuvant and neo-adjuvant treatment before and/or after surgery or chemotherapy and has been proven to be effective in the local control of tumors, resulting in better five-year survival rate, according to Frost & Sullivan. Moreover, radiotherapy can offer palliative care and relieve cancer symptoms where a cure is not a viable goal. In addition to malignant tumors, radiotherapy can also be used to treat benign tumors.

As of the Latest Practicable Date, we had put into use three units of our medical electron linear accelerator, out of which two were installed in our self-owned hospitals and one was installed in our Managed Hospitals.

In addition, our In-network Hospitals are equipped with leading cancer screening, oncology diagnosis and laboratory equipment such as MRI systems, color Doppler ultrasound systems, digital subtraction angiography systems and fully automatic biochemical analyzers. In addition to the medical electron linear accelerators as radiotherapy equipment, we are equipped with advanced oncology treatment equipment including high-definition gastrointestinal endoscopy (胃腸鏡) and high-definition laparoscopy (腹腔鏡).

Our Rehabilitation Related Facilities and Equipment

Our advanced equipment, among others, includes:

Medical hyperbaric oxygen chamber

We introduced in a medical hyperbaric oxygen chamber, which can accommodate 40 people for treatment at the same time in our Taiyuan Peace Hospital in June 2021. Our medical hyperbaric oxygen chamber can treat both acute indications and non-acute indications, which is important equipment for Class-III rehabilitation specialist hospitals. As the first Class-III rehabilitation specialist hospital in Shanxi Province, our Taiyuan Peace Hospital has a demand of over 40% of patients for medical hyperbaric oxygen chamber treatment in clinical departments such as critical care rehabilitation and neurological rehabilitation.

In particular, in the case of other clinical treatment measures are not ideal, medical hyperbaric oxygen chamber, as independent, irreplaceable and effective clinical rehabilitation equipment, especially reflects its unique effect for the treatment of CO poisoning, coma, shock rescue, neurological treatment, etc.. As of the Latest Practicable Date, our medical hyperbaric oxygen chamber was one of the leading comparable equipment and facilities in Shanxi Province.

Medical hyperbaric oxygen chamber in Taiyuan Peace Hospital

Gait training and assessment system

Gait training and assessment system is a rehabilitation training device for walking dysfunction, which is computer-controlled and driven by gait correction device, enabling patients to reinforce the normal gait memory through repeated and fixed trajectory gait training in upright position, therefore re-establishing the walking function area in the brain, establishing the correct walking pattern and effectively exercising the relevant muscles and joints, stimulating the recovery of their functions.

Our gait training and assessment system utilizes virtual reality technology to enable patients to train interactively with set training scenarios, which can display the leg resistance curve of patients in real time and monitor their active and passive training of the lower extremity. In addition, we have established a patient database to record patient treatment information and programs in a timely manner to achieve precise control and accurate rehabilitation.

Gait training and assessment system in our Taiyuan Peace Hospital

In addition, we are equipped with advanced rehabilitation equipment such as focused extracorporeal shock wave therapy apparatus, and wallowing therapy apparatus, MoTOmed (upper and lower limb passive movement training machines), exercise cardiopulmonary function system for the assessment on cardiopulmonary function of ambulatory patients in the rehabilitation phase, and the equipment used in oncology rehabilitation phase including noninvasive cardiac output measurement system for the assessment on cardiac function and three lower limb power bikes (Magnetically Controlled Damping Rehabilitation Bike) with seated and horizontal model for rehabilitation of cardiac function.

We own all the major medical equipment in our In-network Hospitals. We purchase all these medical equipment from the qualified third-party suppliers. Such medical equipment are developed by reputable manufacturers in China or overseas. Periodic maintenance for our major large-scale equipment is carried out by the manufacturers and/or the qualified third parties to ensure their performance at the optimal level. For other medical equipment, the respective manufacturers usually provide a warranty period and maintenance and technical support services throughout the lives of such equipment.

In order to strengthen our full-cycle oncology healthcare services, we intend to use HK$[**REDACTED**], approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**] for procurement of medical equipment. Please see "– Our Competitive Strengths" in this section and "Future Plans and Use of [**REDACTED**]" in this document for further details.

OUR HOSPITAL BUSINESS

We primarily generate revenue from provision of outpatient and inpatient services to our patients through our self-owned private for-profit hospitals. The following table sets forth a breakdown of revenue generated from provision of outpatient and inpatient services for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total revenue*	*RMB'000*	*% of total revenue*	*RMB'000*	*% of total revenue*
Outpatient services	119,743	38.0	216,542	35.0	289,881	35.6
Inpatient services	177,027	56.3	379,389	61.4	515,940	63.4
Others[Note]	17,926	5.7	21,974	3.6	8,291	1.0
Total revenue generated from our hospital business	314,696	100.0	617,905	100.0	814,112	100.0

Note: Our revenue derived from others of our hospital business during the Track Record Period primarily refer to (i) our revenue generated from provision of nucleic acid testing service; and (ii) the one-off asset royalties and other one-off relevant revenue received from Hefei Changrong Hospital.

The following tables sets forth certain key operational and financial information of our self-owned hospitals during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
Western Beijing Cancer Hospital			
Outpatient visits	23,178	29,454	27,010
Average spending per outpatient visit (RMB)	1,091.0	883.0	2,046.4
Revenue derived from outpatient services (RMB'000)	25,288	26,008	55,274
Inpatient visits	2,956	3,585	4,909
Average spending per inpatient visit (RMB)	51,191.5	43,916.6	44,294.8
Revenue derived from inpatient services (RMB'000)	151,322	157,441	217,443
Average length of stay per inpatient visit (days)[(1)]	6.3	6.5	7.0
Number of surgeries	1,827	1,481	1,537
Number of registered beds as of the end of the relevant year	101	101	101
Occupancy rate of registered beds	50.8%	63.2%	93.9%
Our hospital business revenue derived from Western Beijing Cancer Hospital (RMB'000)	179,001	184,252	273,033

	Year ended December 31,		
	2021	2022	2023
Tianjin Shishi Hospital			
Outpatient visits	25,208	32,197	50,308
Average spending per outpatient visit (RMB)	589.8	842.6	801.9
Revenue derived from outpatient services (RMB'000)	14,867	27,129	40,343
Inpatient visits	2,251	1,901	1,680
Average spending per inpatient visit (RMB)	8,641.0	11,901.6	13,681.5
Revenue derived from inpatient services (RMB'000)	19,451	22,625	22,985
Average length of stay per inpatient visit (days)(1)	6.9	9.8	12.3
Number of surgeries	161	236	307
Number of registered beds as of the end of the relevant year	120	120	120
Occupancy rate of registered beds	35.2%	42.7%	47.2%
Our hospital business revenue derived from Tianjin Shishi Hospital (RMB'000)	34,363	49,775	63,331
Tianjin Nankai Jixing Hospital			
Outpatient visits	146,219	146,147	173,918
Average spending per outpatient visit (RMB)	536.9	594.9	462.3
Revenue derived from outpatient services (RMB'000)	78,508	86,947	80,402
Inpatient visits	433	364	535
Average spending per inpatient visit (RMB)	5,958.4	7,060.4	7,599.4
Revenue derived from inpatient services (RMB'000)	2,580	2,570	4,066
Average length of stay per inpatient visit (days)(1)	13.6	12.0	11.4
Number of surgeries	–	–	–
Number of registered beds as of the end of the relevant year	57	57	57
Occupancy rate of registered beds	28.3%	21.0%	29.2%
Our hospital business revenue derived from Tianjin Nankai Jixing Hospital (RMB'000)	81,091	89,517	84,906
Taiyuan Peace Hospital			
Outpatient visits	N/A	117,708	123,344
Average spending per outpatient visit (RMB)	N/A	225.4	277.5
Revenue derived from outpatient services (RMB'000)	N/A	25,183	34,228

	Year ended December 31,		
	2021	2022	2023
Inpatient visits	N/A	6,545	8,069
Average spending per inpatient visit (RMB)	N/A	9,778.9	10,586.7
Revenue derived from inpatient services (RMB'000)	N/A	64,003	85,424
Average length of stay per inpatient visit (days)[1]	N/A	15.0	14.5
Number of surgeries	N/A	2,325	3,219
Number of registered beds as of the end of the relevant year	N/A	100	300
Occupancy rate of registered beds	N/A	269.1%[2]	106.7%[2]
Our hospital business revenue derived from Taiyuan Peace Hospital (RMB'000)	N/A[3]	95,973	121,233
Hefei Bayway Changrong Hospital			
Outpatient visits	1,852[4]	25,340	28,630
Average spending per outpatient visit (RMB)	583.2[4]	556.9	726.7
Revenue derived from outpatient services (RMB'000)	1,080[4]	14,113	20,806
Inpatient visits	194[4]	2,154	2,389
Average spending per inpatient visit (RMB)	18,938.1[4]	17,372.1	17,942.7
Revenue derived from inpatient services (RMB'000)	3,674[4]	37,419	42,865
Average length of stay per inpatient visit (days)[1]	16.9[4]	10.8	12.1
Number of surgeries	76[4]	545	603
Number of beds as of the end of the relevant year	160[4]	160	160
Occupancy rate of registered beds	66.1%[4]	39.8%	49.5%
Our hospital business revenue derived from Hefei Bayway Changrong Hospital (RMB'000)	20,241[4]	53,892	65,233
Wuzhi Jimin Hospital			
Outpatient visits	N/A	203,073[5]	298,292
Average spending per outpatient visit (RMB)	N/A	183.0[5]	197.2
Revenue derived from outpatient services (RMB'000)	N/A	37,162[5]	58,828
Inpatient visits	N/A	16,191[5]	26,879
Average spending per inpatient visit (RMB)	N/A	5,887.9[5]	5,326.0
Revenue derived from inpatient services (RMB'000)	N/A	95,331[5]	143,157
Average length of stay per inpatient visit (days)[1]	N/A	6.9[5]	7.3

	Year ended December 31,		
	2021	**2022**	**2023**
Number of surgeries	N/A	5,014[5]	7,118
Number of registered beds as of the end of the relevant year	N/A	400	550
Occupancy rate of registered beds	N/A	103.3%[2][5]	97.3%
Our hospital business revenue derived from Wuzhi Jimin Hospital (RMB'000)	N/A	144,496[5]	206,376

Notes:

(1) Average length of stay per inpatient visit is calculated by dividing the aggregate hospitalization days of all discharged inpatients at the hospital divided by total number of discharged inpatients during the relevant year;

(2) Occupancy rate of registered beds exceeded 100% due to the addition of temporary beds to satisfy the local medical demand and the shortage of medical resources. According to the restriction of the Administrative Measures on Medical Institutions and the Administrative Measures on Medical Quality (《醫療質量管理辦法》), we have consulted with the competent local Health Commissions as advised by our PRC Legal Advisor and the competent authorities have advised us that (i) such overutilization of registered beds is in line with the hospital's social responsibility requirements; (ii) we had never been imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on us; and (iii) we are allowed to continue to operate in such manner;

(3) The financial statements of Taiyuan Peace Hospital were firstly consolidated into the financial statements of our Group from January 1, 2022. However, we have managed the operation of Taiyuan Peace Hospital since May 2019. Please see "– Our Hospital Business – Summary of Our Self-owned Hospitals – Taiyuan Peace Hospital" in this section, and "History, Reorganization and Corporate Structure – Our Group – Taiyuan Peace Hospital Company" and "History, Reorganization and Corporate Structure – Our Group – Acquisitions during the Track Record Period – Taiyuan Peace Hospital Company" in this document for further details;

(4) The operation data of Hefei Bayway Changrong Hospital for the year ended December 31, 2021 only covered the period from December 1, 2021 to December 31, 2021 after the hospital was acquired by us. Please see "– Our Hospital Business – Summary of Our Self-owned Hospitals – Hefei Bayway Changrong Hospital" in this section and "History, Reorganization and Corporate Structure – Our Group – Hefei Bayway Changrong Hospital Company" in this document for further details; and

(5) The operation data of Wuzhi Jimin Hospital for the year ended December 31, 2022 only covered the period from April 1, 2022 to December 31, 2022 after the hospital was acquired by us. Please see "History, Reorganization and Corporate Structure – Our Group – Wuzhi Jimin Hospital Company" in this document for further details.

Summary of Our Self-owned Hospitals

Western Beijing Cancer Hospital

We operate Western Beijing Cancer Hospital, one of private for-profit Class-II oncology specialist hospitals in Beijing and the flagship hospital with respect to full-cycle oncology business in our In-network Hospitals. Benefiting from technical guidance, talents and other related support from Beijing Cancer Hospital, our Western Beijing Cancer Hospital has a strong advantage in medical technology and service provision. According to Frost & Sullivan, among all private oncology hospitals in Beijing, Western Beijing Cancer Hospital ranked the fifth in 2022 in terms of its revenue for the same year.

As the flagship hospital with respect to full-cycle oncology services in our In-network Hospitals, Western Beijing Cancer Hospital was acquired by us and commenced operations in June 2018. Upon our acquisition, the number of outpatient visits of Western Beijing Cancer Hospital increased from 23,178 in 2021 to 27,010 in 2023, representing a CAGR of approximately 8.0% and its number of inpatient visits increased from 2,956 in 2021 to 4,909 in 2023, representing a CAGR of approximately 28.9%. Besides, Western Beijing Cancer Hospital's hospital business revenue increased from RMB179.0 million in 2021 to RMB273.0 million in 2023, representing a CAGR of 23.5%.

As of December 31, 2023, Western Beijing Cancer Hospital had 13 clinical departments. The hospital is equipped with advanced cancer screening and oncology diagnosis and treatment equipment such as Varian Halcyon 3.0 linear accelerator, Siemens SOMATOM Definition AS 64 diagnostic CT equipment, Siemens SOMATOM Confidence large-aperture positioning CT equipment, Olympus gastrointestinal endoscopy, Siemens ESSENZA1.5T MRI system and Philips color ultrasound diagnostic system.

In addition to the advanced equipment, the hospital also has a well-experienced team with seasoned oncologists and medical professionals. For example, Dr. Du Peng, the chief physician of the urology department of Beijing Cancer Hospital, who is also serving as a multi-site practice physician at Western Beijing Cancer Hospital, has more than 20 years of clinical working experience in urology; Professor Zhang Xiaodong, who is the chief physician, expert of gastrointestinal cancer department and director of VIP-II ward of gastrointestinal cancer of Beijing Cancer Hospital and also serving as a multi-site practice physician at Western Beijing Cancer Hospital, has rich experience in the field of treatment for gastrointestinal cancers. Please see "– Our Competitive Strengths – Support from High-quality Teams of Medical Professionals and Medical Experts as well as Medical Resources" in this section for further details in relation to the professional medical team of our Western Beijing Cancer Hospital.

Geographic location

The hospital is located in Fengtai District of Beijing, the capital of China, one of the healthcare service markets with quality infrastructure for provision of healthcare services and medical professionals in China, according to Frost & Sullivan. As of the end of 2021, according to Frost & Sullivan, the revenue of hospitals in Beijing grew from approximately RMB164.6 billion in 2017 to approximately RMB225.6 billion in 2021, representing a CAGR of approximately 8.2%.

We believe that Western Beijing Cancer Hospital benefits from being located in the heart of the central urban area of Beijing, with our services accessible by our clients and/or patients in the nearby areas of the hospital as well as in the larger towns outside of Beijing and our location provides us with a large potential client base for our future and continuous growth and the hospital is well positioned to maintain our leading position in the private oncology specialist hospitals that can provide full-cycle oncology services in Beijing.

Operational capacity

Western Beijing Cancer Hospital had 101 registered beds as of December 31, 2023, and we had 116 beds in operation as of the Latest Practicable Date. The hospital provides oncology specialist healthcare services with 13 clinical and medical technical departments, primarily including Screening and Early Detection of Cancer and Prevention Center, surgical oncology, medical oncology, Radiotherapy Center and Imaging Minimally Invasive Diagnosis and Treatment Center. Our hospital also established our oncology rehabilitation center in December 2022, developing our special services with the combination of stoma, nutrition, pain and TCM to rehabilitation and health management to improve the quality of life of our tumor patients and provide maximum relief to them.

In addition to providing general clinical services, our hospital also aims to provide comprehensive services to our patients, including specialist outpatient clinics, multi-disciplinary joint consultations and overseas teleconsultations, remote pathology consultations, screening and early detection of cancer report interpretation clinics, personalized screening and early detection of cancer programmes and specialized surgery, chemotherapy, targeted therapy, nutritional support, psychological counselling, TCM and other integrated oncology treatments.

Our hospital aggregates high-quality medical resources from oncology-related departments of large Class-IIIA hospitals in Beijing and China Oncology MDT Alliance (中國腫瘤MDT聯盟), and introduces a patient-centered MDT model based on our strategy of full-cycle oncology healthcare services offerings. The first-visit specialist is responsible for establishing the MDT team for the patient, formulating appropriate treatment plans, optimizing treatment outcomes and providing comprehensive support throughout the healthcare process based on the types of cancer and primary treatment means.

The hospital is a Medical Insurance Designated Medical Institution. This qualification helps us tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers.

As of December 31, 2023, Western Beijing Cancer Hospital had 344 medical professionals, including 200 physicians, 130 technical, pharmaceutical and nursing medical professionals and 14 other medical professionals. Among our physicians, 62 were chief physicians, 79 were associate-chief physicians, 57 were attending physicians, one was resident physician and one was assistant physician.

Screening and Early Detection of Cancer and Prevention Center

Based on the healthcare and medical resources from Beijing Cancer Hospital, the Screening and Early Detection of Cancer and Prevention Center of our Western Beijing Cancer Hospital was established on the basis of the medical philosophy of "early detection, early diagnosis and early treatment" and the combination of prevention and treatment, and we are committed to enhancing public awareness of importance of screening of early detection of cancer.

The Screening and Early Detection of Cancer and Prevention Center provides screening and early detection of cancer and family-based health management services for the patients with at least top 10 high-incidence cancers in the PRC. The intelligent screening system jointly developed by Beijing Cancer Hospital and Bayway Early Screening is capable of providing patients with a full range of assessment, screening, follow-up visits and health management services.

Surgical oncology department and medical oncology department

The surgical oncology department of the hospital primarily conducts comprehensive surgery for thoracic cancers, gastrointestinal cancers, urological cancers, gynecological cancers, breast cancers and head and neck cancers. The medical oncology department primarily conducts chemotherapy, targeted therapy and other medication.

Radiotherapy center

The radiotherapy center of the hospital owns the first complete Halcyon 3.0 smart radiotherapy platform in China and the SOMATOM Confidence large-aperture positioning CT from Siemens, which enable us to maximize the protection of surrounding normal tissues and improve the comfort for patients during radiotherapy while ensuring treatment precision, efficiency and safety.

Imaging minimally invasive diagnosis and treatment center

The imaging minimally invasive diagnosis and treatment center of the hospital provides accurate and rapid puncture biopsy diagnosis, pathology testing and minimally invasive treatment for patients. Our Western Beijing Cancer Hospital can perform puncture biopsy on all parts of the patient's body, and offer one-stop pathology testing and consultation, and provide image-guided minimally invasive treatment for patients with confirmed tumors.

International medical service center

The international medical service center of the hospital depends on the team with highly skilled specialists from Beijing Cancer Hospital, the first-class medical equipment and advanced management concepts to provide high-end, convenient and high-quality medical services for different sectors in the community. The hospital cooperates with more than 20 international mainstream commercial insurance institutions and is able to provide multi-level payment options for high-end and mid-to-high-end patients based on consent from our patients, such as commercial insurance and self-payment, in terms of the different medical needs of our patients.

Tianjin Shishi Hospital

Tianjin Shishi Hospital, a private for-profit Class-II comprehensive hospital, was established by us in March 2020 and commenced operations in April 2020. According to Frost & Sullivan, the hospital is one of the few private hospitals with capability for provision of full-cycle oncology healthcare services in Tianjin.

Geographic location

Tianjin Shishi Hospital is located in Xiqing District of Tianjin, one of the municipalities under the PRC Government and a part of North China. According to Frost & Sullivan, the healthcare institution patient visits in North China accounted for approximately 11.5% of total healthcare institution patient visits in China in 2021. As of the end of 2021, according to Frost & Sullivan, the revenue of hospitals in Tianjin grew from approximately RMB51.1 billion in 2017 to approximately RMB68.3 billion in 2021, representing a CAGR of approximately 7.5%.

We believe that Tianjin Shishi Hospital benefits from being located in a municipality with a large urban population, the resource support provided by Shi Xuemin (who is a TCM giant, and was granted as Chinese medicine maestro (one of the highest honors in TCM industry in the PRC) by relevant national departments), an academician of the Chinese Academy of Engineering, and renowned specialists such as our full-time physician Ms. Ma Chunyan (馬春燕), a chief physician/professor and an expert in academician Shi Xuemin's team with over 40 years of experience in the healthcare industry, and our multi-site practice physician Mr. Jia Yingjie (賈英傑), a chief physician and a renowned TCM oncologist in the PRC with approximately 24 years of experience in the TCM oncology industry and Mr. Zhang Boru (張伯儒), an associate physician and an expert in academician Shi Xuemin's team, with around 30 years of experience in the healthcare industry, which provides us with a large potential client base as well as high-quality medical resources for our steady and continuous growth in the future.

Operational capacity

The hospital had 120 registered beds as of December 31, 2023, and we had 120 beds available for operation as of the Latest Practicable Date. The hospital provides a full spectrum of general healthcare services with 17 clinical and medical technical departments, primarily including oncology, TCM, surgery and internal medicine. The hospital is equipped with advanced screening, diagnosis and treatment equipment such as CT equipment, superconducting MRI system, DR system, gastrointestinal endoscopy and high-definition laparoscopy.

The hospital is a Medical Insurance Designated Medical Institution. This qualification helps us tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers.

As of December 31, 2023, the hospital had 206 medical professionals, including 101 physicians, 83 technical, pharmaceutical and nursing medical professionals and 22 other medical professionals. Among our physicians, 38 were chief physicians, 25 were associate-chief physicians, 23 were attending physicians, 11 were resident physicians and four were assistant physicians.

Tianjin Nankai Jixing Hospital

Tianjin Nankai Jixing Hospital, a private for-profit Class-I comprehensive hospital, was acquired by us and commenced operations in February 2019. According to Frost & Sullivan, by establishing medical consortia with Class-IIIA hospitals such as Tianjin Hospital of ITCWM Nankai Hospital (天津市中西醫結合醫院暨南開醫院), the hospital may help such hospitals to relief their outpatient service pressure.

Geographic location

Tianjin Nankai Jixing Hospital is also located in Nankai District of Tianjin. We believe that we benefit from being located in the heart of a municipality, surrounded by predominantly mature neighborhoods with a high population density, a large proportion of elderly people and fewer hospitals of the same scale in the vicinity, and our location provides us with a large potential client base for our steady and continuous growth in the future.

Operational capacity

Our hospital had 57 registered beds as of December 31, 2023, and we had 57 beds available for operation as of the Latest Practicable Date. We provide a full spectrum of general healthcare services with 13 clinical and medical technical departments, primarily including TCM, integrated traditional Chinese and western medicine and internal medicine. We are specialized in the treatment of cardiovascular diseases (including pulmonary heart disease), endocrine diseases (including diabetes) and oncology diseases, as well as treatment with TCM. Our hospital is equipped with advanced screening and diagnosis equipment such as color Doppler diagnostic instrument, allergen detector, automatic biochemical instrument, fully automatic chemiluminescence determinator and computed radiography system.

In addition to the services provided by clinical and medical technical departments, the hospital also aims to provide comprehensive services to our patients, including Internet medical services, telemedicine services for inpatients, screening and early detection of cancer, etc.. The hospital also entered into the medical consortia agreement with Tianjin Hospital of ITCWM Nankai Hospital (Class-IIIA comprehensive hospital) in May 2021 for cooperation in imaging examination and hierarchical diagnosis and treatment.

Moreover, we entered into Internet specialist medical alliance agreement with TEDA International Cardiovascular Hospital (泰達國際心血管病醫院) (Class-IIIA cardiovascular specialist hospital) and Taixin Medical Union (Tianjin) Hospital Management Co., Ltd. in April 2022 to provide remote diagnosis and consultation of cardiovascular diseases for patients based on their consent and improvement of the level of community healthcare services.

The hospital is a Medical Insurance Designated Medical Institution. This qualification helps us tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers.

As of December 31, 2023, the hospital had 120 medical professionals, including 63 physicians, 35 technical, pharmaceutical and nursing medical professionals and 22 other medical professionals. Among our physicians, 18 were chief physicians, 11 were associate-chief physicians, 16 were attending physicians, 10 were resident physicians and eight were assistant physicians.

The two hospitals in Tianjin in our In-network Hospitals, namely Tianjin Shishi Hospital and Tianjin Nankai Jixing Hospital, take the advantages of their geographical proximity, medical resources and respective disciplines to realize the outpatient and inpatient interaction of Class-I and Class-II hospitals, and to conduct medical related exchanges and learning activities, which promotes the synergetic development of two hospitals.

Taiyuan Peace Hospital

Taiyuan Peace Hospital is a private for-profit Class-III rehabilitation specialist hospital. The hospital was acquired by us in January 2022, when the financial results of Taiyuan Peace Hospital Company have been consolidated into our Group's financial statements according to the applicable accounting standards in the PRC. However, in May 2019, we entered into a cooperation agreement (the "**Investment Cooperation Agreement**") with Shanxi Xingye Investment Holding Group Co., Ltd.* (山西興業投資控股集團有限公司) ("**Shanxi Xingye Investment**"), the then controller of Taiyuan City Peace Hospital (太原市和平醫院), which was an Independent Third Party at that time and is currently a substantial shareholder of Taiyuan Peace Management.

Pursuant to the Investment Cooperation Agreement, Shanxi Xingye Investment shall first establish Taiyuan Peace Management and then transfer its 60.0% equity interest (which was unpaid capital) to Bayzed Medical Investment (or its designated entity) at a nominal consideration of RMB1.0, and Taiyuan Peace Management will accordingly establish Taiyuan Peace Hospital (a private non-enterprise entity).

Bayzed Medical Investment finally designated Shanxi Bayway Hospital Management Partnership (Limited Partnership)* (山西佰惠醫院管理合夥企業(有限合夥)) to perform the Investment Cooperation Agreement and acquired 60.0% equity interest in Taiyuan Peace Management pursuant to the terms of the Investment Cooperation Agreement. Since then, we have managed the operation of Taiyuan Peace Hospital, a then not-for-profit hospital. In June 2022, Taiyuan Peace Hospital (a private non-enterprise entity) was changed from a not-for-profit hospital to a for-profit hospital (i.e. Taiyuan Peace Hospital Company), with its Medical Institution Practicing License renewed by the local health commission. Please see "History, Reorganization and Corporate Structure – Our Group – Taiyuan Peace Hospital Company" and "History, Reorganization and Corporate Structure – Our Group – Acquisitions during the Track Record Period – Taiyuan Peace Hospital Company" in this document for further details.

With the collective efforts of the retained management and the management members of the Group for more than four years, Taiyuan Peace Hospital has achieved significant growth, which primarily include:

- it won the fourth place in 2023 Autumn GAHA Hospital Competitiveness Medical Institutions Established by Social Capitals • Rehabilitation Hospitals* (艾力彼醫院競爭力秋季排行榜2023屆社會辦醫 • 康復醫院第4名) in October 2023;

- it has become the first Class-III rehabilitation specialist hospital in Shanxi Province after obtaining the approval from Health Commission of Shanxi Province to be upgraded to Class-III rehabilitation specialist hospital from Class-IIA comprehensive hospital since March 2023;

- based on the unaudited financial statements of Taiyuan Peace Hospital Company, remarkable improvement in its financial performance has been observed, i.e., the four-year CAGR of its revenue from 2019 to 2022 was approximately 31.0%;

- it has become a demonstration base for science popularization of Chinese Association of Rehabilitation Medicine since September 2021;

- it has become the first batch of national standardized remote home cardiac rehabilitation demonstration center since June 2021;

- it has become the third batch of national standardized cardiac rehabilitation center since July 2020; and

- it has become a unit member of Chinese Association of Rehabilitation Medicine since October 2019.

Meanwhile, in the field of exploration and research of rehabilitation medicine, the hospital has built an intelligent rehabilitation hall in March 2022, and cooperated with Henan Xiangyu Medical Equipment Co., Ltd. (河南翔宇醫療設備股份有限公司), a high-tech enterprise listed on A-share Science and Technology Innovation Board on the Shanghai Stock Exchange (Stock Code: 688626), which integrates the R&D, manufacturing and marketing of rehabilitation, physiotherapy equipment and pain management equipment, to build an intelligent rehabilitation transformation laboratory in February 2023 for the purpose of (i) designing and developing the intelligent rehabilitation auxiliary instruments and assessment and training devices with patient needs as the core; (ii) carrying out the work in relation to the translational medicine including but not limited to clinical practice, demonstration, expert evaluation and clinical promotion of new equipment and devices; and (iii) sharing the rehabilitation cases and data and the jointly developed patents.

In addition, Taiyuan Peace Hospital entered into a teaching cooperation agreement with Changzhi Medical College in May 2023 and became a teaching hospital of Changzhi Medical College to cooperate for mutual benefit such as sharing learning resources, holding teaching lectures and conducting internship programs to jointly train qualified medical professionals based on the needs of the parties regarding clinical teaching and practice. The hospital proactively explored oncology rehabilitation, nutrition rehabilitation and other rehabilitation sub-disciplines around our development strategy of the full-cycle oncology healthcare services.

Geographic location

Taiyuan Peace Hospital is located in Taiyuan of Shanxi Province, which is part of North China. According to Frost & Sullivan, the healthcare institution patient visits in North China accounted for approximately 11.5% of total healthcare institution patient visits in China in 2021. As of the end of 2021, according to Frost & Sullivan, the revenue of hospitals in Shanxi Province grew from approximately RMB52.4 billion in 2017 to approximately RMB78.2 billion in 2021, representing a CAGR of approximately 10.5%.

We believe that Taiyuan Peace Hospital benefit from the proven track record and high local recognition of the hospital and its central location in a densely populated neighborhood with a high proportion of elderly people and convenient traffic, and our location provides us with a large potential client base for our steady and continuous growth in the future.

Operational capacity

The hospital had 300 registered beds as of December 31, 2023, and 400 beds in operation as of the Latest Practicable Date. The hospital primarily provides rehabilitation services with 32 clinical and medical technical departments, which primarily include oncology rehabilitation, cardiopulmonary rehabilitation, neurological rehabilitation, orthopedics rehabilitation, critical care rehabilitation and geriatric rehabilitation.

The hospital established Screening and Early Detection of Cancer Center in September 2021 to provide accurate diagnosis, one-to-one service and health management to our clients and/or patients. Relying on the remote guidance by expert team from Beijing Cancer Hospital, our Screening and Early Detection of Cancer Center establishes an online service model of remote diagnosis and remote consultation, which enables our clients and/or patients in Taiyuan to enjoy quality services of screening and early detection of cancer.

Our oncology rehabilitation department was established in June 2022, with a team of senior oncologists and professional healthcare team who has an average of over 11 years of industry experience, in particular, our chief physician Mr. Li Zhiguo (李治國) has over 25 years of industry experience in the field of oncology treatment and rehabilitation. Our oncology rehabilitation department is integrated with our Screening and Early Detection of Cancer Center to support the development of the full-cycle oncology healthcare services of our hospital.

As the Taiyuan City Hospice Care Pilot Unit (安寧療護試點單位), which is granted by Health Commission of Taiyuan City (太原市衛生健康委員會) and Civil Affairs Bureau of Taiyuan City (太原市民政局) in January 2020, we also establishes hospice wards, which have made significant contributions to the development of palliative care by conducting practical exploration in the field of end-stage rehabilitation and hospice care for the patients with end-stage malignancies. In addition, we also have a pain rehabilitation department, which provides rehabilitation treatment for cancer pain and various complex chronic pain, etc.

The hospital is equipped with advanced equipment such as Olympus electronic gastroscopy (胃鏡) (GIF TYPE Q260J), Olympus electronic colonoscopy (腸鏡) (CF-HQ290I), Siemens 64-slice spiral CT equipment and Siemens 1.5T MRI system for screening, diagnosis and treatment and medical air pressurized oxygen chamber, exercise cardiopulmonary test system, three lower limb power bikes (Magnetically Controlled Damping Rehabilitation Bike) with riding, seated and horizontal model for rehabilitation.

The hospital is a Medical Insurance Designated Medical Institution. This qualification helps us tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers.

As of December 31, 2023, the hospital had 371 medical professionals, including 129 physicians, 233 technical, pharmaceutical and nursing medical professionals and nine other medical professionals. Among our physicians, 19 were chief physicians, 26 were associate-chief physicians, 46 were attending physicians, 37 were resident physicians and one was assistant physician.

Hefei Bayway Changrong Hospital

Hefei Bayway Changrong Hospital, a private for-profit Class-II comprehensive hospital, was acquired by us and commenced operations in December 2021. We acquired certain long-term assets of Hefei City Changrong Hospital Limited (合肥市長榮醫院有限公司) in November 2020 and the business and net assets of Hefei Changrong Hospital* (合肥長榮醫院) in December 2021 from an Independent Third Party, upon which the business operated under the aforementioned two entities have been consolidated into the financial statements of the Group according to the applicable accounting standards in the PRC. Please see "History, Reorganization and Corporate Structure – Our Group – Hefei Bayway Changrong Hospital Company" in this document for further details.

According to Frost & Sullivan, Hefei Bayway Changrong Hospital is one of the few private hospitals with capability for provision of full-cycle oncology healthcare services in Hefei.

Geographic location

Hefei Bayway Changrong Hospital is located in Hefei of Anhui Province, which is part of East China. According to Frost & Sullivan, the healthcare institution patient visits in East China accounted for approximately 35.9% of total healthcare institution patient visits in China in 2021. As of the end of 2021, according to Frost & Sullivan, the revenue of hospitals in Anhui Province grew from approximately RMB89.5 billion in 2017 to approximately RMB132.0 billion in 2021, representing a CAGR of approximately 10.2%.

We believe that Hefei Bayway Changrong Hospital benefits from being located in the heart of a provincial capital city with a large urban population base, convenient transportation and dense residential areas and a high number of elderly people around the hospital, and its location provides us with a large potential client base for our steady and continuous growth in the future.

Operational capacity

The hospital had 160 registered beds as of December 31, 2023, and 160 beds available for operation as of the Latest Practicable Date. The hospital provides a full spectrum of general healthcare services with 19 clinical and medical technical departments, primarily including oncology, oncology rehabilitation, critical care rehabilitation, orthopedics, general surgery and general internal medicine. The hospital is equipped with advanced screening, diagnosis, treatment and rehabilitation equipment such as TOSHIBA 64-slice CT equipment and TOSHIBA 1.5T MRI system.

The oncology department of Hefei Bayway Changrong hospital provides screening and early detection of cancer, an integrated MDT model, tumor chemotherapy and tumor targeted therapy. The general surgery department of the hospital provides diagnosis and treatment of benign tumors and malignant tumors of the liver, pancreas, stomach, intestines, thyroid, breast and blood vessels. In addition, as of the Latest Practicable Date, the hospital entered into cooperation relationships with a certain number of influential hospitals in Anhui Province for provision of full-cycle oncology management.

A number of specialists performed surgery in our hospital, enabling our departments to form a complete system from basic to clinical in hepatobiliary and pancreatic diseases, thyroid tumors and breast tumors. In addition, the orthopedics department of the hospital can perform a wide range of surgeries such as spinal canal tumors, which differentiate us from the hospitals with the same class in Anhui Province.

The oncology rehabilitation department of the hospital is fully engaged in, among others, rehabilitation assessment, rehabilitation therapy and rehabilitation nursing. The hospital has entered into a strategic cooperation agreement with our Taiyuan Peace Hospital to improve the comprehensive diagnosis and treatment capacity of our rehabilitation department since November 2022. The critical care rehabilitation department of the hospital primarily treats patients with severe trauma, post major surgery and patients who require continuous and close monitoring of vital indicators such as patients recovering from surgery for advanced tumors, and patients with multi-organ insufficiency syndrome and severe shock.

The hospital is a Medical Insurance Designated Medical Institution. This qualification helps us tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers.

As of December 31, 2023, the hospital had 171 medical professionals, including 58 physicians, 100 technical, pharmaceutical and nursing medical professionals and 13 other medical professionals. Among our physicians, two were chief physicians, 12 were associate-chief physicians, 23 were attending physicians, 19 were resident physicians and two were assistant physicians.

Wuzhi Jimin Hospital

Wuzhi Jimin Hospital, a private for-profit Class-III comprehensive hospital, was acquired by us and commenced operations in April 2022. According to Frost & Sullivan, Wuzhi Jimin Hospital ranked the first in 2022 among all private hospitals in Wuzhi County in terms of its total revenue for the same year. Our Wuzhi Jimin Hospital has become the first Class-III comprehensive hospital in Wuzhi County since April 2024 with the approval of the local PRC Government for the upgrade to Class-III comprehensive hospital from Class-IIA comprehensive hospital.

Geographic location

Wuzhi Jimin Hospital is located in Wuzhi County, Jiaozuo of Henan Province, which is part of Central China. According to Frost & Sullivan, the healthcare institution patient visits in Central China accounted for approximately 14.9% of total healthcare institution patient visits in China in 2021. According to the same source, the revenue of hospitals in Henan Province grew from approximately RMB143.6 billion in 2017 to approximately RMB228.8 billion in 2021, representing a CAGR of approximately 12.3%.

As the largest-scale private hospital in Wuzhi county, we believe that Wuzhi Jimin Hospital benefits from the high local community recognition and a large county population base, and our location provides us with a large potential client base for our steady and continuous growth in the future.

Operational capacity

Our Wuzhi Jimin Hospital had 550 registered beds as of December 31, 2023, and 556 beds in operation as of the Latest Practicable Date. The hospital provides a full spectrum of general healthcare services with 43 clinical and medical technical departments, primarily including oncology, orthopedics, cardiovascular medicine, obstetrics and surgery. The hospital is equipped with advanced equipment, in particular, Philips CT Big Bore, GE 64-slice spiral CT equipment, GE 1.5T MRI system, Philips Q5 color camera and four-dimensional color Doppler ultrasound system for screening and diagnosis, Varian electron linear accelerator, GE3100 large flat plate interventional therapy machine and focused extracorporeal shock wave therapy apparatus for treatment, and various medical equipment for rehabilitation.

Wuzhi Jimin Hospital carries out a full range of healthcare services with distinctive advantages. In particular, the special techniques of skull base tumor (顱底腫瘤) in neurosurgery department, radiotherapy in oncology department, joint replacement in orthopedics department, interventional treatment for cardiovascular and cerebrovascular diseases and painless delivery in obstetrics department are at the leading level in comparison with its competitors in Jiaozuo City.

Furthermore, the hospital was awarded as China Oncology Multi-disciplinary Diagnosis and Treatment (MDT) Alliance Founding Unit (中國腫瘤多學科診療 (MDT) 聯盟創建單位) and Geriatric Friendly Medical Institution* (河南省老年友善醫療機構) in 2023 and 2021, respectively. Please see "– Major Awards and Recognitions" in this section for further details.

The oncology department of the hospital mainly provides radiotherapy, chemotherapy, minimally invasive interventional therapy, TCM herbal treatment and targeted therapy for malignant tumors, and in particular, the hospital has accumulated extensive experience in intensity-modulated radiation therapy for various malignant tumors and minimally invasive interventional therapy for liver cancer, etc. Mr. Zhang Liujun (張劉軍), an associate-chief physician and the head of the oncology department, is a member of the Tumor Targeted Therapy Professional Committee and Oncology Rehabilitation Professional Committee of the Henan Provincial Anti-cancer Association* (河南省抗癌協會), a member of the Oncology Chemotherapy Professional Committee* (腫瘤化療專業委員會) and the Esophageal Cancer Professional Committee* (食管癌專業委員會) of Henan Provincial Anti-cancer Association and a member of the Chinese Society of Clinical Oncology (中國臨床腫瘤學會) with over 15 years of experience in the oncology treatment industry.

In addition, the hospital established the Screening and Early Detection of Cancer Centre in May 2022, in order to better provide the full-cycle oncology healthcare services and carry out the medical management in the hospital.

The hospital is a Medical Insurance Designated Medical Institution. This qualification helps us tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers.

As of December 31, 2023, the hospital had 631 medical professionals, including 204 physicians, 347 technical, pharmaceutical and nursing medical professionals and 80 other medical professionals. Among our physicians, three were chief physicians, 23 were associate-chief physicians, 91 were attending physicians, 44 were resident physicians and 43 were assistant physicians.

Hospital Expansion

We plan to upgrade the facilities at our Wuzhi Jimin Hospital through implementation of the construction plan of Oncology Center Building to increase its operational capacity, invest in more advanced medical equipment and technologies to further enhance its service quality and recruit more physicians and specialists in its selected medical areas.

Our Oncology Center Building of Wuzhi Jimin Hospital with an estimated GFA of 12,106.8 sq.m. is expected to provide healthcare services for both inpatients and outpatients and add up to 292 additional registered beds to Wuzhi Jimin Hospital. Our Oncology Center Building is currently at preparatory stage and expected to commence operation by the end of 2027. The estimated total costs for the construction of the Oncology Center Building are approximately HK$[**REDACTED**], all of which will be planned to finance with the [**REDACTED**] from the [**REDACTED**]. Please see "Future Plans and Use of [**REDACTED**]" in this document for further details.

For details of risks associated with the construction of our Cancer Center building for Wuzhi Jimin Hospital, please see "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – We may be unable to identify, capture or execute expansion opportunities for new hospitals, and acquired businesses may have unknown or contingent liabilities, which may affect our business, results of operations, financial condition and prospects." in this document.

OUR HOSPITAL MANAGEMENT BUSINESS

We manage and operate, and receive management fees from, our Managed Hospitals during the Track Record Period. We have entered into hospital management agreements with each of our Managed Hospitals, with duration of contract ranging from January 1, 2020 to December 31, 2061 for Huangshan Shoukang Hospital and from January 1, 2022 to December 31, 2061 for Taiyuan Wanbailin District Peace Community Health Service Center, respectively. After the expiration of the service period of our hospital management agreements, we own the priority right to provide our Managed Hospitals with the management consulting services as agreed in the management agreement.

Pursuant to our hospital management agreements, we are responsible for consulting, supervision and management of the hospitals' daily operations, including, among others, assistance on development of medical disciplines, performance reform, operation data analysis, brand planning, advising on establishment and implementation of management system, supply chain management such as supervising and advising on procurement of pharmaceuticals, medical equipment and consumables, external market development work including introducing medical professionals and medical equipment, staff training, financing and other aspects of management consulting services.

For the years ended December 31, 2021, 2022 and 2023, revenue derived from our hospital management business accounted for 5.7%, 4.6% and 3.8% of our total revenue for the same periods, respectively. Please also see "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – If our Managed Hospitals decide to terminate or not to renew our management arrangements, our revenue and profitability may suffer" in this document for details.

We are entitled to receive management fees calculated based on a fixed percentage of the revenue of the Managed Hospitals. The management fee rates are determined based on arm's length negotiation between the Managed Hospitals and us after taking into consideration of the scope of services provided by us to the Managed Hospitals, with reference to common market price in the PRC healthcare service industry. In particular, according to Frost & Sullivan, management fee rate charged in the PRC healthcare service industry generally ranges from 5.0% to 15.0%. We have the right to adjust the amount of the management fee according to the specific situation of the services provided by us to the Managed Hospitals and operation conditions and development needs of the Managed Hospitals, but shall not exceed the agreed limit. The Managed Hospitals have no right to make the aforesaid adjustment to the amount of the management fee.

On December 31, 2021, we have entered into the current hospital management agreement with Huangshan Shoukang Hospital with contract period from January 1, 2022 to December 31, 2061. The management fee rates charged by us will in principle be 10.0%, subject to the adjustment mechanism described below, which has been agreed between the Managed Hospitals and us. The management fee rate of Huangshan Shoukang Hospital was 7.0% for the two years ended December 31, 2020 and 2021, according to our previous hospital management agreements entered into with Huangshan Shoukang Hospital with contract period from January 1, 2020 to December 31, 2020 and from January 1, 2021 to December 31, 2021, respectively.

Over the term of our hospital management agreements, the management fee is calculated, recognized and paid in accordance with the accounting year, and (i) Huangshan Shoukang Hospital shall pay all of the management fee in a lump sum at the end of each accounting year for the years ended December 31, 2020 and 2021 after the financial accounts are completed and the financial data is finalized; (ii) our Managed Hospitals shall prepay a management fee of not less than 5% of the operating revenue according to the unaudited statement income within three months after the end of each accounting year, and pay for all of the remaining management fee to us within 15 days after the audited financial accounting report is issued since January 1, 2022; and (iii) our Managed Hospitals shall pay the management fee to our designated account. In addition to the management fee, the Managed Hospitals shall bear and compensate for all reasonable costs, advances and out-of-pocket expenses of any kind paid or incurred by us in connection with the performance or provision of the services ("**Expenses**"). The Managed Hospitals shall pay for the amount invoiced within seven days upon receipt of the invoice for the Expenses.

We intend to use [**REDACTED**], approximately [**REDACTED**] of the [**REDACTED**] of the [**REDACTED**], to expand our hospital management business. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements or had identified any definite targets for our expansion of hospital management business and we had not set any definitive corresponding expansion timeframe. We are in the early stages of seeking targets for expansion of our hospital management business and have not completed any evaluation for the aforementioned purpose. Please see "Future Plans and Use of [**REDACTED**]" in this document and "– Our Strategies" in this section for further details.

Major Terms of the Management Agreements

Set forth below is a summary of the major terms of our current hospital management agreements:

Managed Hospitals	Duration of contract	Parties	Term
Huangshan Shoukang Hospital	From January 1, 2022 to December 31, 2061	(i) Anhui Shoukang Investment; and (ii) Huangshan Shoukang Hospital	Upon expiry of the management agreements, we shall have the pre-emptive right to continue to provide the hospital management service to the Managed Hospitals subject to the requirements of the Listing Rules.
Taiyuan Wanbailin District Peace Community Health Service Center	From January 1, 2022 to December 31, 2061	(i) Taiyuan Peace Hospital Management Company Limited; and (ii) Taiyuan Wanbailin District Peace Community Health Service Center	

Major Rights and Obligations:

(i) Pursuant to the management agreements, we manage the Managed Hospitals on an exclusive basis and the Managed Hospitals and we have agreed not to cooperate with any third party regarding all or part of hospital management services or establish any similar arrangement with any third party without our prior written consent. Our Managed Hospitals shall not negotiate or enter into any form of cooperation with any third party in relation to the service agreement or similar services agreed herein, or in competition with it, or in conflict with it.

(ii) During the validity of the management agreements, our Managed Hospitals shall maintain the stability of the management team as well as the workforce of the Managed Hospitals to ensure the successful performance of the management agreements. Without our prior consent, each of our Managed Hospitals and its respective employees are not allowed to, directly or indirectly, engage in any operating activity, which would result in competition with the business of such hospital, including but not limited to, accepting employment from the competitors of our Managed Hospitals, providing consulting or advisory services to the competitors of our Managed Hospitals, and transferring any resources of our Managed Hospitals to outside parties in any form.

(iii) In addition, without our written consent, our Managed Hospitals shall not, in any manner, lease, transfer, sell, pledge, mortgage or create an encumbrance over any asset owned, occupied, used or otherwise controlled by our Managed Hospitals.

Responsibility Arrangement: We do not assume any responsibility for (i) any debt, liability or obligation of our Managed Hospitals; (ii) any claim made by any third party due to the negligence or any other act of our Managed Hospitals (including directors, trustees, officers, employees, etc.); and (iii) any dispute, litigation, arbitration, other legal disputes or insolvency, bankruptcy, dissolution, liquidation, legal proceedings, administrative proceedings, orders or resolutions or similar circumstances involving our Managed Hospitals.

Insurance Arrangement: We may assign staff to our Managed Hospitals for the purpose of providing hospital management services, and the labor relations of such staff shall remain unchanged and their salaries, benefits, social insurance and housing provident fund shall still be borne by us, unless otherwise agreed by our Managed Hospitals, the staff and us.

Renewal and Termination: (i) The management agreements shall take effect from the date of its signing by both parties. After the management agreements have come into effect, it shall not be terminated unilaterally by either party unless otherwise agreed and agreed in writing by both parties or otherwise agreed in the management agreements or for reasons provided by law.

(ii) Unless otherwise agreed by both parties, any change to the management agreements shall be made in writing after mutual agreement by both parties. Any matters not covered by the management agreements may be supplemented by a supplementary agreement to be concluded between the parties after separate negotiation and agreement. The supplementary agreement is a valid part of and with the same legal effect as the management agreements. In the event of any inconsistency between the supplementary agreement and the management agreements, the former shall prevail.

(iii) In addition, we may unilaterally terminate the hospital management agreements and seek damages from our Managed Hospitals in the event of revocation of requisite licenses for the operations of our Managed Hospitals, or a material breach by our Managed Hospitals.

We do not anticipate termination of the management agreements in the near future. For further details on risks associated with the termination of our management agreements, please see "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – If our Managed Hospitals decide to terminate or not to renew our management arrangements, our revenue and profitability may suffer." in this document.

According to the Interim Regulations on the Management of Registration for Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》), each of our Managed Hospitals is registered as an independent legal entity and is therefore fully responsible for its own actions under the applicable PRC laws and regulations, and because of this status and the terms of our managed agreements, neither us nor our Directors are responsible for any liabilities, misconduct or regulatory breaches of our Managed Hospitals under the applicable PRC laws and regulations in material aspects merely because of our organizer's interest in such In-network Hospitals, our nomination of members on their executive committee or board of directors or our provision of hospital management services to them (except to the extent that there is any material breach of the management agreements, gross negligence or willful misconduct by us).

To the best knowledge of our Directors, the Managed Hospitals did not have any material non-compliance or material medical disputes or experience any medical dispute that could cause a material adverse effect on our business, financial condition or results of operations during the Track Record Period. Currently we do not have the intention to transform our Managed Hospitals to private for-profit hospitals.

Our PRC Legal Advisor has advised us that our hospital management agreements are valid, legally binding and enforceable under the applicable PRC laws and regulations. As advised by our PRC Legal Advisor, payment of management fees by our Managed Hospitals to us pursuant to our hospital management agreements does not constitute distribution of dividends or distribution of other economic interests deemed as dividends under the PRC laws and regulation on the basis of the following:

(i) under the applicable PRC laws and regulations, "distribution of dividends by private non-enterprise entities" refers to the distribution of an entity's excess of revenue over expenditure. However, management fees paid by our Managed Hospitals to us are calculated as a fixed percentage of their revenue, regardless of their excess of revenue over expenditure;

(ii) the applicable PRC laws and regulations do not prohibit our Managed Hospitals, as private non-enterprise entities, from entering into hospital management agreements with, or paying management fees to, their organizers nor do they place any limitations on the rate or amount of such management fees; and

(iii) the competent authorities of our Managed Hospitals have confirmed that the payment of management fees by our Managed Hospitals to us is autonomous commercial act, and our Managed Hospitals can sign management agreements and cooperate with us in accordance with the law.

The following table sets forth certain key operational and financial information of our Managed Hospitals for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
Huangshan Shoukang Hospital			
Outpatient visits	485,159	434,391	462,232
Average spending per outpatient visit (RMB) *(unaudited)*	330.2	384.3	341.7
Inpatient visits	23,287	23,780	29,098
Average spending per inpatient visit (RMB) *(unaudited)*	9,446.2	8,921.8	8,902.1
Average length of stay per inpatient visit (days)(1)	8.9	8.1	8.2
Number of surgeries	5,803	5,781	6,299
Number of registered beds as of the end of the relevant year	600	600	600
Occupancy rate of registered beds	94.8%	88.0%	108.5%(2)

	Year ended December 31,		
	2021	2022	2023
Revenue of Huangshan Shoukang Hospital (RMB'000) *(unaudited)*	381,905	380,643	418,485
Our revenue derived from Huangshan Shoukang Hospital (RMB'000) *(audited)*	26,281	36,106	39,478
Taiyuan Wanbailin District Peace Community Health Service Center			
Outpatient visits	N/A	22,059(3)	31,320
Average spending per outpatient visit (RMB) *(unaudited)*	N/A	526.4(3)	523.1
Inpatient visits	N/A	N/A	N/A
Average spending per inpatient visit (RMB) *(unaudited)*	N/A	N/A	N/A
Average length of stay per inpatient visit (days)(1)	N/A	N/A	N/A
Number of surgeries	N/A	N/A	N/A
Number of registered beds as of the end of the relevant year	N/A	N/A	N/A
Occupancy rate of registered beds	N/A	N/A	N/A
Revenue of Taiyuan Wanbailin District Peace Community Health Service Center (RMB'000) *(unaudited)*	N/A	11,612(3)	20,113
Our revenue derived from Taiyuan Wanbailin District Peace Community Health Service Center (RMB'000) *(audited)*	N/A	1,209(3)	1,643

Notes:

(1) Average length of stay per inpatient visit is calculated by dividing the aggregate hospitalization days of all discharged inpatients at the hospital divided by total number of discharged inpatients during the relevant year. There is no registered bed and inpatient business in Taiyuan Wanbailin District Peace Community Health Service Center;

(2) Occupancy rate of registered beds exceeded 100% due to the addition of temporary beds to satisfy the local medical demand and the shortage of medical resources. According to the restriction of the Administrative Measures on Medical Institutions and the Administrative Measures on Medical Quality (《醫療質量管理辦法》), we have consulted with the competent local Health Commissions as advised by our PRC Legal Advisor and the competent authorities have advised us that (i) such overutilization of registered beds is in line with the hospital's social responsibility requirements; (ii) we were never imposed any administrative penalty for the overutilization of registered beds, nor will they impose any administrative penalty on us; and (iii) we are allowed to continue to operate in such manner; and

(3) The operation data of Taiyuan Wanbailin District Peace Community Health Service Center covered the period from January 1, 2022 to December 31, 2022 after the financial statements of Taiyuan Peace Hospital Management Company Limited were consolidated into the financial statements of our Group since January 1, 2022.

Huangshan Shoukang Hospital

Established in June 2004, Huangshan Shoukang Hospital, a private not-for-profit Class-III comprehensive private hospital located in Huangshan of Anhui Province, has become one of our Managed Hospitals since January 2020. As the largest private hospital in Huangshan in 2022 in terms of its total revenue for the same year, Huangshan Shoukang Hospital provides a full spectrum of general healthcare services with 36 clinical and medical technical departments, primarily including general surgery, paediatrics, obstetrics and gynecology, medical oncology, rehabilitation and orthopedics.

For the disciplinary strengths of Huangshan Shoukang Hospital and benefits of synergies in our In-network Hospitals, please see "– Our Competitive Strengths – A Leading Oncology Healthcare Group in the PRC Situated in a Favorable Position in the Industry with Strategic Layout in Full-Cycle Oncology Healthcare Services and the Ability to Seize the Enormous Gap in the Market Demand" in this section for further details.

Huangshan Shoukang Hospital is equipped with advanced equipment such as medical electron linear accelerator, PET/CT, CT equipment, MRI system, Digital Subtraction Angiography system and mobile digital photography X-ray system for screening, diagnosis and treatment. As of December 31, 2023, Huangshan Shoukang Hospital had an aggregate GFA of 73,186.55 sq.m., and 600 registered beds according to the operating data provided by Huangshan Shoukang Hospital. As of the Latest Practicable Date, Huangshan Shoukang Hospital had 895 beds in operation.

Huangshan Shoukang Hospital is a Medical Insurance Designated Medical Institution. This qualification helps it tremendously in attracting insured patients who want to obtain medical treatment under public medical insurance programs without pre-approval from medical insurers. During the Track Record Period, Huangshan Shoukang Hospital had 485,159, 434,391 and 462,232 outpatient visits, and 23,287, 23,780 and 29,098 inpatient visits, respectively, according to the operating data provided by Huangshan Shoukang Hospital.

As of December 31, 2023, Huangshan Shoukang Hospital had 819 medical professionals, including 245 physicians, 481 technical, pharmaceutical and nursing medical professionals and 93 other medical professionals. Among our physicians, 19 were chief physicians, 64 were associate-chief physicians, 77 were attending physicians, 55 were resident physicians and 30 were assistant physicians.

Huangshan Shoukang Hospital's revenue

During the Track Record Period, the revenue of Huangshan Shoukang Hospital remained relatively stable, which was primarily attributable to the relatively stable number of outpatient and inpatient visits and average spending per outpatient visit and per inpatient visit during the same periods.

Our revenue from Huangshan Shoukang Hospital

Our revenue from Huangshan Shoukang Hospital is affected by (i) Huangshan Shoukang Hospital's revenue; and (ii) the rate of management fees we charged Huangshan Shoukang Hospital.

The revenue of Huangshan Shoukang Hospital decreased from approximately RMB381.9 million in 2021 to approximately RMB380.6 million in 2022, while our revenue from Huangshan Shoukang Hospital increased in 2022, mainly because that our management fee rate was increased from 7.0% in 2021 to 10.0% in 2022 according to the management agreement entered into between our Group and Huangshan Shoukang Hospital.

Huangshan Shoukang Hospital's revenue increased from approximately RMB380.6 million in 2022 to approximately RMB418.5 million in 2023, and our revenue from Huangshan Shoukang Hospital also increased in 2023, primarily due to the continuous improvement of its business under our management and benefiting from the reduction of the negative impacts of the COVID-19 pandemic since the end of 2022.

Taiyuan Wanbailin District Peace Community Health Service Center

Commenced operation in March 2008, Taiyuan Wanbailin District Peace Community Health Service Center (the "**Center**" in this sub-section only), a private not-for-profit community health service center located in Taiyuan of Shanxi Province, entered into current hospital management agreement with us in January 2022. The Center provides basic healthcare services at Taiyuan of Shanxi Province, the core clinical departments of which primarily include preventive healthcare department, general practice department and TCM department. For the years ended December 31, 2022 and 2023, the Center had 22,059 and 31,320 outpatient visits, respectively, according to the operating data provided by the Center.

As of December 31, 2023, the Center had 15 full-time medical professionals, including five physicians and 10 pharmaceutical and nursing medical professionals. Among our physicians, two were associate-chief physicians, two were attending physicians and one was resident physician.

The Center's revenue

For the years ended December 31, 2022 and 2023, the revenue of the Center amounted to approximately RMB11.6 million and RMB20.1 million, respectively, primarily due to the continuous improvement of its business under our management and benefiting from the reduction of the negative impacts of the COVID-19 pandemic since the end of 2022.

Our revenue from the Center

Our revenue from the Center is affected by (i) the Center's revenue; and (ii) the rate of management fees we charged the Center. For the years ended December 31, 2022 and 2023, our revenue from the Center amounted to RMB1.2 million and RMB1.6 million, respectively.

OUR SUPPLY OF PHARMACEUTICALS, MEDICAL EQUIPMENT AND CONSUMABLES

Our business for supply of pharmaceuticals, medical equipment and consumables during the Track Record Period primarily comprised wholesales business and retail sales business. The customers of our sales business are mainly located in Anhui Province and Jiangsu Province in the PRC. We sell few pharmaceuticals and medical consumables to our retail customers, i.e. individual end customers. However, we primarily sell pharmaceuticals, medical equipment and consumables to our wholesale customers, including hospitals, pharmacies and pharmaceutical product resellers. We confirm that, to the best knowledge of our Directors, after making reasonable enquiry, all our wholesale customers were Independent Third Parties. Our salient terms of the transactions with the aforementioned our self-owned hospitals for sales are similar to those with our other wholesale customers, which our Directors consider normal commercial terms.

Regarding Huangshan Shoukang Hospital, which is one of our Managed Hospitals, from whom we recorded corresponding revenue of RMB42.5 million, RMB67.2 million and RMB137.5 million with respect to our supply of pharmaceuticals, medical equipment and consumables for the Track Record Period, respectively.

During the Track Record Period, Huangshan Shoukang Hospital procured pharmaceuticals, medical equipment and consumables from us primarily because we supervise and manage its supply chain to enhance its operation in accordance with the relevant hospital management agreement. Our Directors confirm that the salient terms of such transactions with Huangshan Shoukang Hospital are similar to those with our other customers, which our Directors consider normal commercial terms. Please see "Financial Information – Related Party Transactions" in this document for further details.

As of December 31, 2021, 2022 and 2023, we had a total of 1,029, 1,200 and 863 wholesale customers, respectively. We do not set any minimum purchase amount or a minimum sales target for our wholesale customers. Pharmaceuticals we sold to them during the Track Record Period and up to the Latest Practicable Date were typically non-refundable upon delivery save for quality reasons. This return policy is in line with the industry practice according to Frost & Sullivan.

Our wholesale business contemplates a buyer/seller relationship rather than a principal/agent relationship. Revenue from supply of pharmaceuticals, medical equipment and consumables is recognized when control of the inventory has been transferred, being when the goods are delivered to the wholesale customers and there is no unfulfilled obligation that could affect the wholesale customer's acceptance of the goods. For more details of our revenue recognition policies, please refer to the paragraphs headed "Financial Information – Critical Accounting Policies – Revenue Recognition" in this document.

Below is a summary of our major transaction arrangements with our wholesale customers:

- ***Term.*** We generally enter into purchase orders with our wholesale customers with no specified term;

- ***Sales restriction.*** We typically do not impose geographical restriction or other sales restriction on our wholesale customers;

- ***Pricing.*** We sell products to our wholesale customers at an agreed price, and we do not mandate selling price for our wholesale customers;

- ***Delivery.*** We generally arrange delivery to the designated places of our customers at our own cost; and

- ***Prepayment and credit term.*** We generally require wholesale customers to make prepayments for orders placed or determine the credit term on a case-by-case basis based on our assessment of the wholesale customers' procurement amount, credibility and business scale and generally grant our customers a credit term within one to three months.

Taking into account that (i) we did not enter into any distribution agreement with our wholesale customers during the Track Record Period, and our wholesale customers generally purchase products that we sell by way of purchase orders; (ii) we had limited control over our wholesale customers or on their sales, credit or pricing policies and marketing activities; (iii) we had no restrictions or requirements on the wholesale customers regarding their geographical coverage, sales target, minimum purchase requirements, target customers or avoidance of competition policies; and (iv) our wholesale customers did not provide us, and they were not required to provide us with, any information regarding their sales, inventory levels and customers' demands of products that we sell during the Track Record Period and up to the Latest Practicable Date, we do not treat our wholesale customers as the distributors.

BUSINESS MANAGEMENT OF OUR IN-NETWORK HOSPITALS

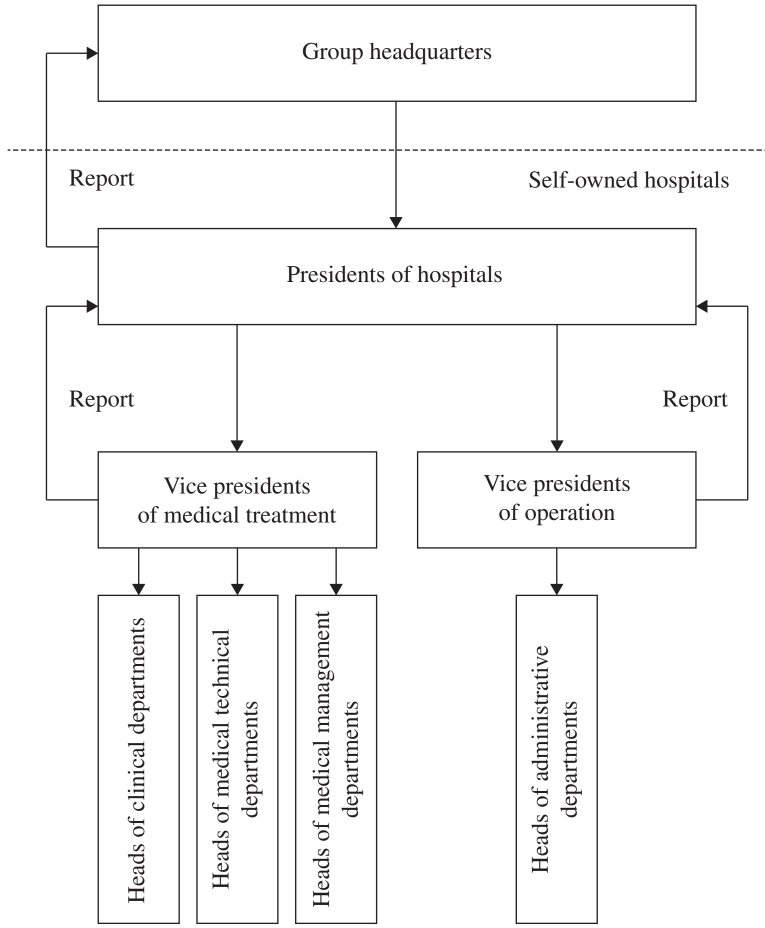
The president of each of our In-network Hospitals, who is experienced in management of medical institutions, is generally in charge of the healthcare business and operation management and reports directly to the headquarters of our Group.

Each of our In-network Hospitals has (i) at least one vice president of medical treatment (醫療副院長), who is responsible for the management of clinical departments and medical technical departments of the hospital, as well as clinical medical services such as medical quality and safety, and reports to the president; and (ii) at least one vice president of operation (運營副院長), who is responsible for the management of relevant administrative functional departments such as human resources, operation management and logistics support, and reports to the president. The vice president of medical treatment or the vice president of operation shall review the work summary from the head of the department on a monthly basis to evaluate their performance, and provide guidance and suggestions. We maintain monthly discussions with the presidents of our In-network Hospitals to obtain updates on the medical quality and the operation results of these hospitals.

Other key positions in our In-network Hospitals primarily include the head of clinical departments, medical technical departments and the functional departments (such as finance department, human resources department and information technology department). We carefully select, recommend and appoint the president and chief financial officer of each In-network Hospital to manage and monitor the overall operational and financial condition of each hospital.

We set up an overall performance incentive and assessment plan for our In-network Hospitals every year to clarify the operation direction and indicators of each hospital. Each of our In-network Hospitals has its own performance incentive and assessment plan according to different stages of development and operational objectives, aiming at effectively evaluating the individual performance of presidents, medical professionals and administrative personnel of the hospital, and motivating their enthusiasm for work.

The management structure at the personnel level is as follows:



As for our self-owned hospitals, we have adopted a two-tier centralized management structure with central decision-making authority at the headquarters level and delegated management and operational power at the hospital level. Our central management at the headquarters formulates our overall strategies and business plans, makes key management decisions, reviews and approves annual budgets, and oversees and coordinates the implementation of our overall strategies and business plans, as well as Group-wide policies and procedures, across our self-owned hospitals.

The main responsibilities of the general management department (human resources management) at our headquarters are as follows:

(i) formulating the overall human resources planning and the organizational structure of our Group;

(ii) being responsible for the daily work of remuneration and welfare, performance appraisal, recruitment and employee relations of the headquarters of our Group;

(iii) managing the annual performance appraisal of the leader group members of our In-network Hospitals and our subsidiaries of our Group;

(iv) instructing and managing the medium- and long-term incentive policies of our In-network Hospitals and our subsidiaries of our Group; and

(v) establishing and improving the organization system of our Group's overall core talents, formulating and implementing the continuing education and training plans for them.

The medical management department at our headquarters is responsible for reviewing the clinical and financial performance of relevant departments in our In-network Hospitals, providing insight into the latest technology and developments and identifying specific aspects for improvement. The main duties of our medical management department are as follows:

(i) assisting our In-network Hospitals to develop medium and long-term business plans and evaluate their implementation, and to track and manage annual key business indicators;

(ii) managing, supervising and guiding the development of disciplines, the introduction of talents, major investment such as the investment in, renovation and expansion and large-scale equipment of our In-network Hospitals;

(iii) promoting the Group's overall information technology construction and specific projects, and guiding our In-network Hospitals in the construction and renovation of information technology projects;

(iv) building the Group's regulatory system for medical quantity and quality indicators, overseeing the implementation of standardized clinical practice guidelines and operational procedures in our In-network Hospitals, and assessing and monitoring the quality and safety of healthcare services in our In-network Hospitals;

(v) establishing a full-cost accounting system, guiding our In-network Hospitals to progressively implement full-cost accounting, conducting ongoing analysis, tracking and evaluation of the effectiveness of asset use, and optimizing performance programs; and

(vi) studying and judging national and provincial and municipal policies on medical administration, medical insurance and medical reform, dynamically assessing the development of diagnosis and treatment projects in our In-network Hospitals, and guiding our In-network Hospitals in their discipline adjustment and business transformation.

The main responsibilities of the procurement management department at our headquarters are as follows:

(i) establishing the Group's centralized procurement management system and procedures;

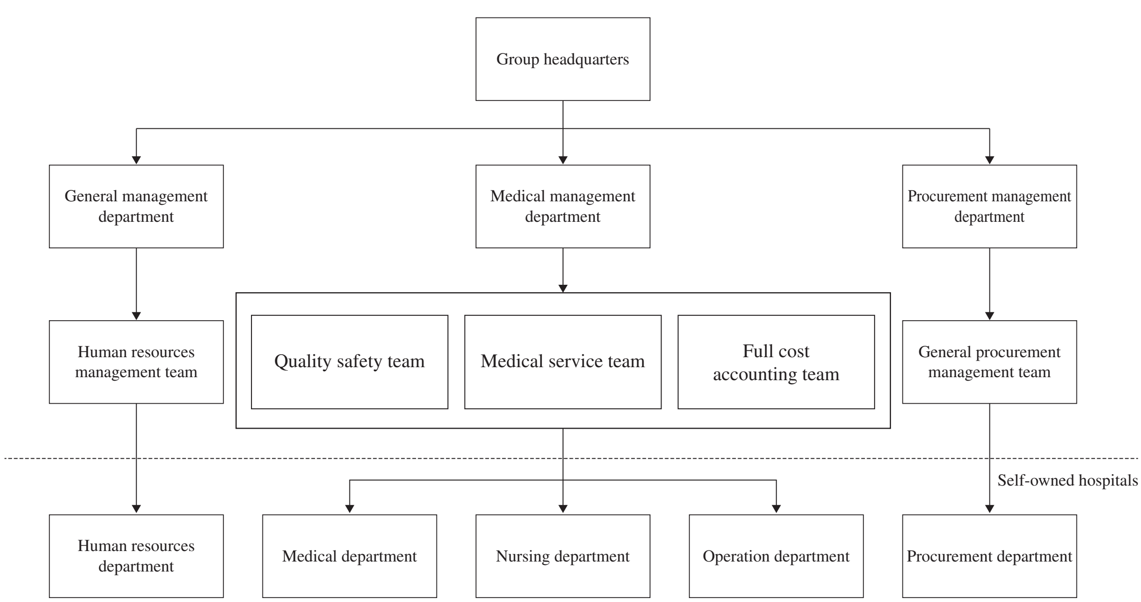
(ii) formulating an annual plan for centralized purchases by the Group; and

(iii) organizing competitive negotiation or procurement authorization for the Group's centralized procurement projects.

In addition, our general management department, medical management department and procurement management department also provide trainings and professional guidance to our In-network Hospitals and conducts inspections. In particular, our medical management department directly monitors the performance of the medical department (醫務部), nursing department (護理部) and operation department (運營部) of each In-network Hospital through professional teams with specific responsibility, namely, the quality safety team, the medical service team and the full cost accounting team.

The head of our medical management department is a practicing physician in surgery with 15 years of practical clinical experience and more than 13 years of working experience in medical management and the team leaders have an average of over 12 years of relevant industry experience. In addition, the majority of members, except for information technology personnel, of our medical management department have clinical and/or management experience in Class-IIIA hospitals in China prior to joining us.

The management structure at the department level is as follows:



Each of our Managed Hospitals has a decision-making body. The management structure of such Managed Hospitals is similar with that of our self-own hospitals. Huangshan Shoukang Hospital has a board of directors, and Taiyuan Wanbailin District Peace Community Health Service Center has a council, and the board of directors/council of our Managed Hospitals exercises key decision-making powers over material business matters such as formulating operational activity plans, approval of annual financial budgets and final accounts, establishment of internal departments or organizations, formulation of internal management policies and procedures as well as remuneration package of medical professionals.

INFORMATION SYSTEMS AND PLATFORMS

As of the Latest Practicable Date, we have deployed medical information technology systems/platforms for our business, and each In-network Hospital has configured its own relevant medical information technology systems/platforms, primarily including HIS, LIS, EMRS and PACS based on the actual business needs of its healthcare services and hospital operation and management.

Our In-network Hospitals are equipped with (i) independent network environment, which provides a stable channel for high-speed data transmission between facilities; (ii) HIS, which supports daily operations of our In-network Hospitals; and (iii) data backup mechanisms. The information technology system network at each In-network Hospital is not inter-connected and independent from each other, and there is no data pathway or business data interaction among our In-network Hospitals.

We engage Independent Third Parties to develop, test and implement our information technology systems, which are then jointly maintained by such third-party providers and our information technology team to support our business operations.

In addition, we have self-developed or customized the following information technology systems:

(i) ***Auxiliary screening and early detection of cancer system:*** the system primarily supports online patient self-assessment of cancer risk and the appointments with our In-network Hospitals for in-depth examinations, and it also supports our In-network Hospitals based on consent from their patients to follow up with their patients and view individual assessment reports through the system;

(ii) ***Financial management system:*** we have built a unified financial management system for the collection, maintenance, scientific analysis and management of operational and management data of our In-network Hospitals to identify our operational management risks in a timely manner and improve our management and operational efficiency;

(iii) ***Medical quality control system:*** we have established a unified medical quality control system, through which the internal and external experts in the field of medical quality control trusted or employed by the hospitals can empower our In-network Hospital. The experts in the field of medical quality control as trusted by our In-network Hospitals can monitor and provide guidance on the quality of medical records written by our physicians and the corresponding quality of oncology diagnosis and oncology treatment provided by them to improve the ability of our physicians in each In-network Hospital during the process;

(iv) ***Remote diagnosis and treatment system:*** Bayway Early Screening within our Group operates the remote diagnosis and treatment system, while our In-network Hospitals rely on the system to carry out remote diagnosis and treatment cooperation and obtain the support of experts from Beijing Cancer Hospital; and

(v) ***Patient demand and follow-up management system:*** we have established a standardized management system for patient demand registration and follow-up and data from each In-network Hospital under our Group is isolated from each other, through which the patient service staff of each hospital can register the demand of our patients, and our In-network Hospitals are capable of analyzing and collecting the system data to improve the service processes with consent from our patients and provide services tailored to the needs of patients from respective hospitals.

Except for Taiyuan Wanbailin District Peace Community Health Service Center, physicians of each In-network Hospital can get access to the in-hospital information of our patients in the system and formulate follow-up demand lists conveniently, and our customer service staff can check the pending reminders to make follow-up visits to designated patients by phone in a timely manner.

Data Usage and Analysis

For the purpose of enhancing hospital management, we have built the operation management system for each of our In-network Hospitals to obtain the operation data and indicators of each In-network Hospital through the system on a real time basis, including financial data and operating data etc. in order to manage the operation of each In-network Hospital. In addition, we have built an aforementioned standardized medical quality control system to help our In-network Hospitals to supervise the quality of medical records written by our physicians and the corresponding quality of oncology diagnosis and oncology treatment provided by them, and entrusted experts from In-network Hospitals or extramural experts to improve the ability of our physicians in our In-network Hospitals during the processes. As such, we are able to continuously upgrade and enhance the user experience of our clients and/or patients.

On the other hand, by analyzing the various operating data collected from our business, we are able to quickly and accurately identify and meet the demands of our clients and/or patients, effectively adjust our services and introduce specialized technologies, which enable us to further improve our clients' and/or patients' user experience and satisfaction.

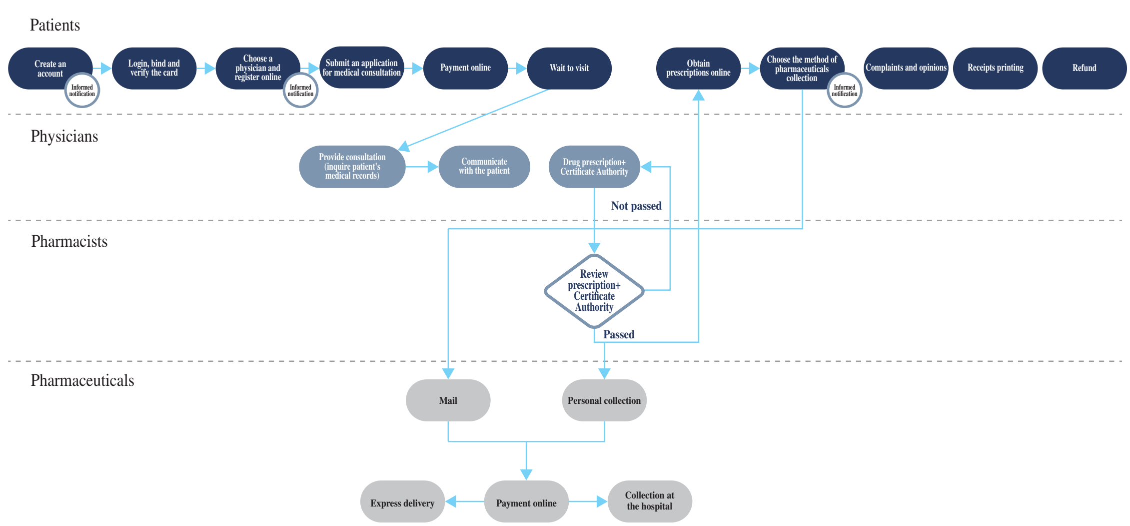
Platform for Screening and Early Detection of Cancer

We have launched the intelligent consultation service through WeChat mini-program named "Bayway Early Screening" for screening and early detection of cancer in July 2021. The program helps our clients to conduct the initial screening for their own cancer risk, make an appointment for in-hospital in-depth screening, consultation and examination services, and facilitate our physicians to upload the examination and assessment results in the system on a real time basis based on the feedback from our clients, which has increased our client management efficiency.

Online Services

We have also developed our online healthcare platform partnered with a third party for provision of follow-up consultation and online diagnosis and treatment such as our WeChat mini-program named "Western Beijing Cancer Hospital Online Diagnosis and Treatment" in August 2020, which enables us to meet the needs of our clients and open our online and offline business in a timely manner.

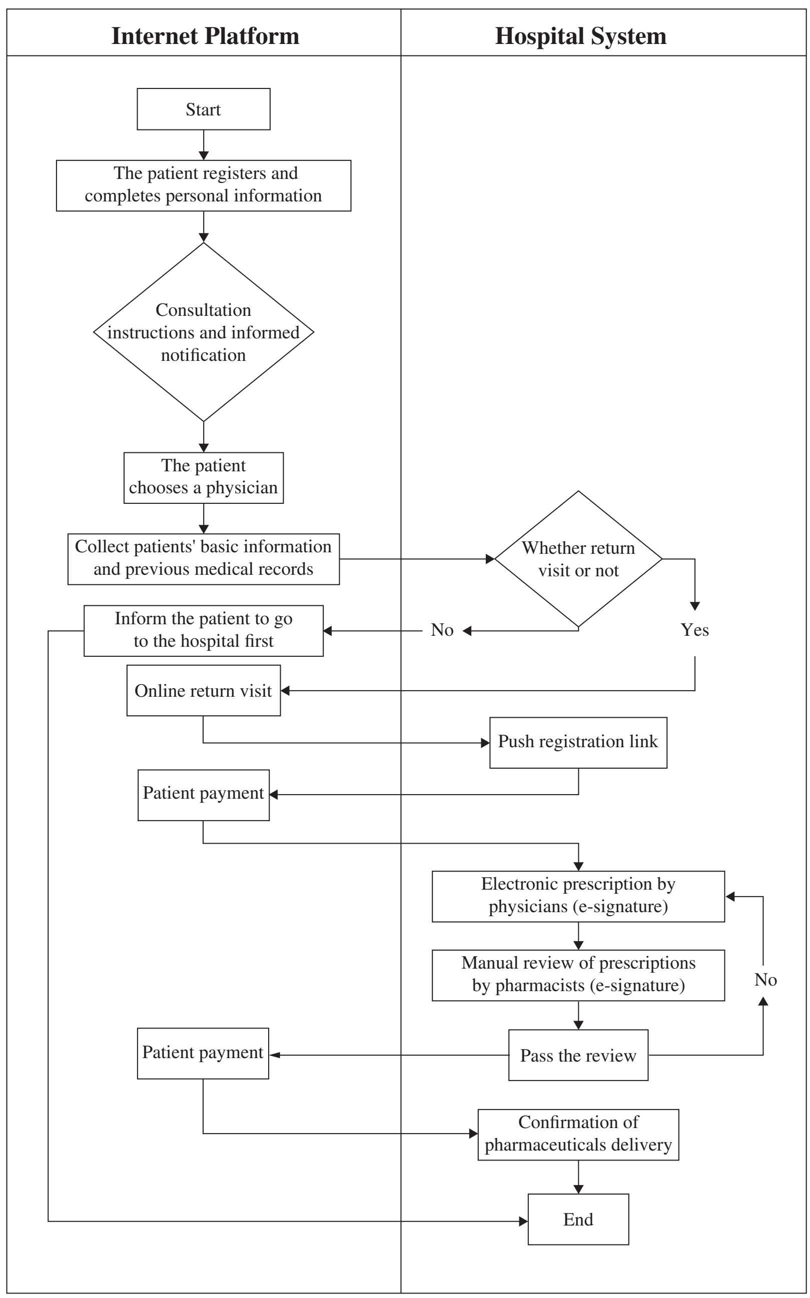
In particular, Western Beijing Cancer Hospital officially launched Internet diagnosis and treatment services in August 2020, which are applicable for all return visit patients (複診患者) and the patients who need consultation. Patients can register and consult through our abovementioned WeChat mini-program, and we are also able to provide online prescription service to our patients. The following diagram illustrates the features available on our online healthcare platform:



In addition, our Group and In-network Hospitals have their own WeChat public accounts, where patients can make appointments for medical and healthcare related services and receive information of our Group, In-network Hospitals, clinical departments, experts, equipment and hospital locations. As of the Latest Practicable Date, each In-network Hospital was responsible for the operation and management of their own WeChat public accounts.

We launched our Internet hospital in our Tianjin Nankai Jixing Hospital in August 2022 partnered with a third-party platform, representing a major step forward in the application of our online healthcare platform to our clients. Our Internet hospital combines our clinical decision support services with patient management tools, empowering physicians to effectively and accurately provide online consultation and efficiently follow up with their patients after initial consultations. We provide patient management services on the platform to help physicians manage and monitor patients' specific conditions and treatment activities and improve patients' treatment outcomes.

Patients can conveniently receive medical advice and prescriptions from physicians who participate in our Internet hospital. The following flowchart illustrates the operation model of our Internet hospital:



Our operation and management of online healthcare platform and Internet hospital is in compliance with the applicable PRC laws and regulations in respect of Internet hospital and pharmaceutical management as of the date of the Latest Practicable Date. However, the laws and regulations regarding online services in China are generally complex and evolving, with uncertainty as to the interpretation and application thereof.

If our online services are subject to any additional licensing or registration requirements in the future, we may have to incur significant expenses to obtain the necessary licenses and/or registration certificates, and if we fail to meet the relevant regulatory requirements, we may need to shrink, or even cease, our online services, which may adversely affect our business, financial condition, results of operations and prospects. For details, please see "Risk Factors – Risk Relating to Our Business and Industry – We conduct our business in a heavily regulated industry and incur on-going compliance costs as well as face penalties for non-compliance." in this document.

Collaboration Platform

Most of our In-network Hospitals have joined the remote collaborative platform for cancer prevention and treatment of Beijing Cancer Hospital during the Track Record Period. The platform aims to apply the integration of new-generation information technology and healthcare services to promote each other in terms of medical technology, treatment philosophy and operation management, and build a collaborative medical mechanism and hierarchical diagnosis and treatment system.

In addition, such platform promotes the vertical flow of high-quality medical resources from the first-tier cities to the non-first-tier cities, promotes the development of the specialties and the co-construction of disciplines, improves the efficiency of medical treatment, and satisfies the needs of the majority of patients for medical diagnosis and treatment. Set forth below is a summary of the major collaboration details between Beijing Cancer Hospital and our In-network Hospitals:

- ***remote medical consultation:*** the parties can conduct remote consultation services including interactive remote consultation, multidisciplinary remote consultation, remote diagnostic imaging and pathology diagnosis;

- ***joining the Distance Education Program of Beijing Cancer Hospital:*** according to the teaching plan of Beijing Cancer Hospital, our In-network Hospitals can participate in, including but not limited to, boutique courses in medical, nursing and management, series of lectures of specialized departments and diseases (專科專病), remote teaching ward-round (教學查房), single-disease and multidisciplinary difficult and complicated case sharing, remote surgery video demonstration, and customized training courses;

- ***referral channel for difficult and complicated cases:*** Beijing Cancer Hospital provides referral service for patients who are not capable of being treated by our In-network Hospitals after the implementation of remote consultation, and we can make appointments for referral with the support of the remote information system;

- ***specialist refresher training program:*** Beijing Cancer Hospital opens up offline refresher training for medical professionals in our In-network Hospitals. In accordance with the annual and quarterly refresher training plans and registration requirements issued by Beijing Cancer Hospital, we have the priority registration right for the training program; and

- ***remote disciplinary co-construction:*** Beijing Cancer Hospital conducts remote multi-disciplinary case sharing and teaching regularly for the cases provided by our In-network Hospitals, and invites our In-network Hospitals to participate in academic conferences and year-end selection meetings held and hosted by Beijing Cancer Hospital, and establishes a mechanism for exchange and mutual visits between Beijing Cancer Hospital and our In-network Hospitals.

We plan to continue to upgrade and improve our information technology systems to support the growth and expansion of our business and operations, the estimated [**REDACTED**] expenditure for which is approximately HK$[**REDACTED**], which will be funded by [**REDACTED**] from the [**REDACTED**]. In particular, we plan to establish a secure data collection and storage mechanism, gradually improve our data supervision mechanism for our In-network Hospitals, build an efficient data analysis system and an intelligent management system to facilitate decision making by our central management. For further details, please see "Future Plans and Use of [**REDACTED**]" in this document.

For more details in relation to our collaboration with other well-respected and well-established medical institutions, please see "– Our In-network Medical Resources – Our Collaboration with Medical Institutions" in this section.

DATA PRIVACY AND PROTECTION

During our ordinary course of business, we collect a large volume of data of our clients and/or patients with the prior consent of our clients and/or patients, primarily including name, gender, age, ID number, contact information, personal health information and medical data, consultation and treatment records and other medical records. We collect such information primarily for clinical consultations, screening, diagnosis, treatment and delivery of our services and products.

In addition, according to the Cybersecurity Law and the Administrative Measures for Graded Protection of Information Security (《信息安全等級保護管理辦法》), information system operators shall fulfil the cybersecurity protection obligations under the information graded protection system, for the interest of cybersecurity and data security. For details, operators of information systems should determine the security protection level of the information system, carry out the construction or reconstruction of information system security in accordance with national information security level protection management specifications and technical standards, and file the security protection level of the information system with the local public security organ at or above the district level.

As of the Latest Practicable Date, all of our self-owned hospitals have complied with such requirements and obtained the Filing Certificates for Information System Security Protection (Level III) after completing information security protection certification of its core information system and relevant filings with relevant authority (the "**Certification and Filing**"). For our self-owned hospitals, we save such information and data as required by applicable laws and regulations, and generally store such personal information and data on our physical servers for the minimum time necessary to fulfill statutory duties and responsibilities or to realize the purpose of personal information processing activities, and our PRC Legal Advisor has not found that we have been subject to any penalties or disputes regarding data privacy and protection during the Track Record Period and up to the Latest Practicable Date.

We have implemented the following major measures to protect clients' and/or patients' data and maintain the confidentiality of such information to ensure our regulatory compliance:

- we formulated strict policies such as Personal Information Protection Management System and Personal Information Protection Impact Assessment System to govern the collection, handling, storage, retrieval, and deletion of our clients' and/or patients' personal data and medical records;

- we designated a cybersecurity officer to monitor our ongoing compliance with the applicable PRC laws and regulations and oversee the implementation of necessary safeguarding measures and to promote continuous improvement of cybersecurity protection capabilities;

- our In-network Hospitals use secured information technology systems to manage our clients' and/or patients' personal information and medical records, and set up firewalls and perform vulnerability scanning to prevent information loss or leakage caused by cyber-attacks. Our In-network Hospitals' information networks are configured with multiple layers of protection to secure databases and servers;

- our In-network Hospitals have designated personnel from IT departments to back up data on the information systems on a regular basis. Our In-network Hospitals utilize the network security equipment that has been approved for domestic sales in the PRC to secure data flows over our network and access control systems to prevent unauthorized access to clients' and/or patients' personal information;

- we have also implemented a variety of protocols and procedures, such as regular system checks, password policy, server access logging, network access authentication, user authorization review and approval and data back-up, as well as data recovery test, to safeguard our data assets and prevent unauthorized access to our network;

- to protect clients' and/or patients' data against unauthorized physical access, files that include such data are stored in intranet, which can only be accessed by designated personnel of our self-owned hospitals. For medical records of our clients' and/or patients that are kept manually, we have designated personnel at our self-owned hospitals responsible for the safekeeping of such medical records;

- we enter into confidentiality agreements with our employees in IT departments who have access to any aforementioned privacy information. The confidentiality agreements provide that, among others, these employees are legally obligated not to misuse the confidential information while in office, not to surrender all confidential information in possession while resigning, and to retain their confidential obligations after they leave office; and

- we also implement a series of measures to ensure our employees' compliance with our data security measures. For instance, we require new hires to receive onboarding training on data security and employees to receive on-the-job training regularly to reinforce relevant data security policies. Employees shall acknowledge to us that they understand and will follow our data security policies.

Furthermore, as the information system network at each In-network Hospital is not inter-connected and independent from each other and each hospital is responsible for its data privacy and cybersecurity for their own clients' and/or patients' data and information systems. Managed Hospitals are all legally independent entities. Therefore, we are not responsible for the data privacy protection, data security and cybersecurity of our Managed Hospitals. During the Track Record Period, we did not experience any breach of confidential clients and patient information or any other clients and patient information-related incidents nor did we experience any material unauthorized access to clients' and/or patients' personal and medical information, which could cause a material adverse effect on our business, financial condition or results of operations.

OUR IN-NETWORK MEDICAL RESOURCES

Our In-network Medical Professionals

The Guiding Opinions on Deepening the Reform of the Professional Rank System of Professional Medical Workers* (《關於深化衛生專業技術人員職稱制度改革的指導意見》) promulgated and implemented by Ministry of Human Resources and Social Security (人力資源和社會保障部), the NHC and National Administration of Traditional Chinese Medicine on 30 June, 2021, stipulates that the professional ranks of medical professionals in the PRC are divided into four categories, i.e. medical class (醫療類), technical class (技術類), pharmacy class (藥學類) and nursing class (護理類), which are related to physicians, technical medical professionals, pharmaceutical medical professionals and nursing medical professionals, respectively. The qualification and expertise of physicians, technical, pharmaceutical and nursing medical professionals and other medical professionals practicing at our In-network Hospitals are vital to the quality of services provided by our In-network Hospitals and our competitiveness.

We place great emphasis on recruiting, training and retaining our physicians, technical, pharmaceutical and nursing medical professionals and other medical professionals. We maintain high standards in selecting quality medical professionals and provide competitive compensation packages and share incentive mechanism.

There are generally two types of physicians practicing at our In-network Hospitals: (i) physicians who are employees of our In-network Hospitals practicing on a full-time basis and enter into employment contracts with our In-network Hospitals; and (ii) multi-site practice physicians who practice at our In-network Hospitals on a part-time basis. Many of our multi-site practice physicians are well-known physicians at public and private hospitals.

The respective In-network Hospital is responsible for making social insurance and housing provident fund contributions for and on behalf of its employee physicians to the extent required by the applicable PRC laws and regulations.

As of December 31, 2023, our self-owned hospitals had 755 physicians, including 506 full-time physicians and 249 multi-site practice physicians, and our Managed Hospitals in operation had 250 physicians, including 249 full-time physicians and one multi-site practice physician.

Qualification of Our Medical Professionals

The standard of division for the aforementioned four categories of medical professionals are similar to each other according to the Guiding Opinions on Deepening the Reform of the Professional Rank System of Professional Medical Workers. Taking medical class, which refers to physicians, as an example, licensed physicians 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.

There are three professional ranks for physicians in the PRC:

(i) junior professional rank (初級職稱) for (a) assistant physicians who obtain the Practicing Assistant Physician Qualification (執業助理醫師資格); and (b) physicians who obtain the Practicing Physician Qualification (執業醫師資格) (generally referring to resident physicians in practice). Assistant physicians, who generally cannot practice independently, should be under the supervision of physicians and their scope of work is restricted, and resident physicians typically undertake entry-level tasks such as patients' medical record preparation and practice under the guidance and supervision of their superiors;

(ii) mid-end professional rank (中級職稱) for attending physicians who may supervise resident physicians and typically undertake routine medical procedures, teaching and research; and

(iii) senior professional rank (高級職稱) for (a) associate-chief physicians who may supervise attending and resident physicians, direct research work of a specific field, and typically undertake complex medical procedures; and (b) chief physicians who typically command the highest level of medical capability in a specific field and are generally the head of a clinical department.

As of December 31, 2023, physicians practicing at our self-owned hospitals included 142 chief physicians, 176 associate-chief physicians, 256 attending physicians, 122 resident physicians and 59 assistant physicians; physicians practicing at our Managed Hospitals in operation included 19 chief physician, 66 associate-chief physicians, 79 attending physicians, 56 resident physicians and 30 assistant physicians.

In addition, as of December 31, 2023, our self-owned hospitals and our Managed Hospitals in operation had 1,855 and 834 other medical professionals, respectively. Other medical professionals in our In-network Hospitals are personnel who have direct contact with and serve the patients, other than medical, technical, pharmaceutical and nursing professionals obtaining professional ranks of professional medical workers, which primarily includes practice nurses, auxiliary doctors and other patient service staff working in medical service departments, physical examination centers and emergency centers.

As of December 31, 2023, each of the physicians practicing at our In-network Hospitals had obtained the physician qualification certificate, and each of the other medical professionals at our In-network Hospitals, had obtained the necessary qualification certificate for his or her medical practice in the PRC. We also closely monitor the qualification registration and licensing records on a continuing basis to ensure that all physicians practicing at our In-network Hospitals comply with all applicable requirements under the PRC laws and regulations, in particular, each physician's practice is within the scope of his or her qualification and license.

Recruitment and Retention of Our Medical Professionals

We have various channels to recruit physicians, technical, pharmaceutical and nursing medical professionals and other medical professionals, such as through our official website and the third-party recruitment websites. We conduct background searches on the candidates to be recruited to ensure they have the required working experience, academic and professional qualifications for the new positions, as well as their character and integrity. We believe we provide our medical professionals with competitive compensation packages, continued medical education opportunities and a respectful and professional working environment. Our In-network Hospitals maintain the licence records of the medical professionals of each In-network Hospital and monitor their compliance with the continued medical education requirements.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we did not encounter any material complaints or penalties in relation to our medical professionals practicing beyond the scope of their respective license.

As of the Latest Practicable Date, chief physicians and associate-chief physicians practicing at our In-network Hospitals had an average of approximately 18 years of industry experience, attending physicians practicing at our In-network Hospitals had an average of approximately 11 years of industry experience, resident physicians practicing at our In-network Hospitals had an average of approximately six years of industry experience, while our technical, pharmaceutical and nursing medical professionals had an average of approximately eight years of industry experience.

Our In-network Hospitals regularly review the profile of their physicians and reminds them to apply for their next professional rank when they become eligible. The performance of medical professionals is reviewed regularly with reference to performance targets set primarily based on their positions and their respective clinical departments. The results of such reviews will later be used in salary determinations, bonus awards and promotion appraisals.

In addition, to provide incentives to certain key staff of our Group and attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group, certain of our subsidiaries, namely Western Beijing Cancer Hospital Company, Anhui Shoukang Investment and Tianjin Baihui Medical Management, adopted share schemes in July 2019, November 2021 and September 2022, respectively. Please see Note 24 to "Appendix I – Accountants' Report" in this document for further details.

For newly recruited medical professionals including physicians, technical, pharmaceutical and nursing medical professionals and other medical professionals, we offer orientation manual to help them better understand and identify with our core values. During the Track Record Period, we had a relatively stable medical staff team.

In line with the full-cycle oncology strategy of our Group, we closely collaborate with selected medical institutions and organizations to provide our medical professionals with comprehensive learning, training and research programs and opportunities to participate in, among others, refresher training on standardized diagnostic and treatment methods of oncology radiotherapy at Beijing Cancer Hospital, learning of new technologies of the department of ultrasound and interventional ultrasound hosted by Beijing Cancer Prevention & Treatment Society (北京癌症防治學會), and further study in the Cancer Center (腫瘤防治中心) of Zhongshan Hospital (復旦大學附屬中山醫院) (Class-IIIA comprehensive Hospital).

In particular, our In-network Hospitals have established a long-term cooperative relationship with the Telemedicine Center of Beijing Cancer Hospital and participated in the online training courses provided by it on a regular basis. Meanwhile, we also have active dialogues and exchanges of information with these medical institutions and invite leading experts or well-known specialists to share with us their clinical experiences and latest developments in the industry such as Shi Xuemin academician, Mr. Jia Yingjie and Mr. Liu Chen, which provides continuous learning and collaboration opportunities for our medical professionals.

Our Collaboration with Medical Institutions

We have been, and intend to continue to focus on the external strategic cooperation with well-respected and well-established medical institutions. Our In-network Hospitals make full use of policy guidance and environment in connection with the downward shifting of medical resources into the local markets and sharing of high-quality medical resources brought by joining the medical consortia to improve and enhance our medical and healthcare related services.

Besides, we have established close and long-term relationships with leading medical institutions and/or organizations in China including Beijing Cancer Hospital and Shixuemin Traditional Chinese Medicine Development Foundation. For details of our collaboration with Beijing Cancer Hospital, please see "– Information Systems and Platforms – Collaboration Platform" in this section.

We plan to continue to cooperate with the above entities in the future and we are also seeking opportunities to establish further cooperative research and development relationships with universities and its affiliated hospitals, other medical institutions and/or organizations through superior resources of our Group and cooperative opportunities in the process of development of our In-network Hospitals to enhance our capability and sustainable growth of full-cycle oncology healthcare services.

We entered into cooperation agreements with the aforementioned leading medical institutions and/or organizations, and the typical material terms of such cooperation agreements are set out below:

Purpose of the Cooperation: The purposes of the cooperation primarily include: (i) transformation of the scientific and technological achievements; (ii) cultivation of innovative talents in the healthcare service market; and (iii) integration and sharing of high-quality medical resources.

Major Rights and Obligations:

(i) We provide "one-stop" services for the transformation of the scientific and technological achievements as well as the incubation of high-tech projects, including but not limited to professional knowledge consulting services and the introduction of industrial resources and market capital. Under the guidance of the counterparty, we plan and organize relevant activities and trainings.

	(ii)	The counterparty provides guidance and support for us during the cooperation, including but not limited to coordinating relevant resources and providing support for the transformation of the scientific and technological achievements as well as the incubation of high-tech projects. In addition, the counterparty reviews whether we have obtained the relevant qualifications and licenses required when conducting relevant activities and/or trainings from time to time.
Termination and Renewal:	(i)	The cooperation agreement generally shall take effect from the date of its signing by both parties. After the cooperation agreement has come into effect, it shall not be terminated unilaterally by either party unless otherwise agreed in writing by both parties or otherwise agreed in the cooperation agreement or for reasons provided by law.
	(ii)	Both parties shall generally discuss whether to continue the cooperation and decide whether to renew the agreement one month before the expiration of the cooperation agreement.

OUR HOSPITAL INVESTMENT AND ACQUISITION

In addition to six of our self-owned private for-profit hospitals acquired or established by us and two of our managed private not-for-profit hospitals during the Track Record Period, we plan to continue to expand our network of hospitals by both external strategic acquisition and organic growth.

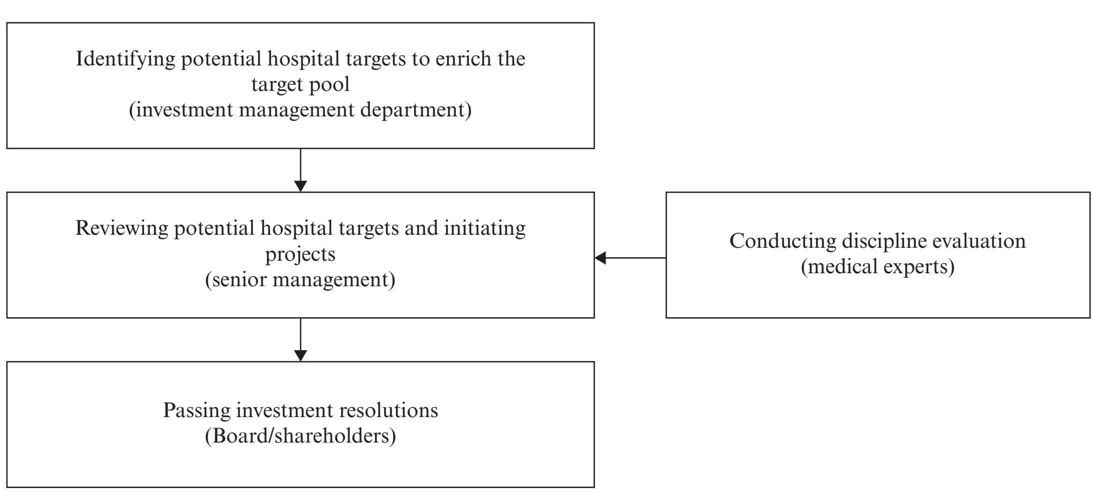
Strategic Acquisition

When appropriate opportunities arise, we will also consider acquiring hospitals in new markets, which has sizable population, certain level of economic development and relatively high level of demand for oncology healthcare services. We believe our previous operating experience will support us in identifying potential acquisition opportunities and successfully integrating newly acquired hospitals' operations into our existing network of hospitals. We plan to invest in acquired hospitals to bring them in line with our existing standards and strengthen their oncology specialties.

We systematically review and screen potential hospital targets. When expanding by acquisition, we will primarily target hospitals (i) which aligns with our strategy and core business; (ii) located in areas with sizable population, certain level of economic development and relatively high level of demand for oncology healthcare services; (iii) being private comprehensive hospitals with oncology departments or relatively strong foundation for oncology diagnosis and treatment as well as private oncology specialist hospitals; (iv) with certain level of revenue scale and high relevant rankings among local private hospitals; (v) with a GFA of at least 20,000.0 sq.m. of operating space and adequate future expansion space for accommodating large-scale radiotherapy equipment; (vi) which are Medical Insurance Designated Medical Institutions; and (vii) with appropriate consideration to be paid for the acquisition. We evaluate hospital targets based on a number of criteria, mainly including:

- location of the target and surrounding population level;
- the target's current operations and capacity, taking into consideration its medical professionals and clinical departments;
- experience and track record of medical professionals and staff of the target;
- the target's historical medical performance and professional reputation, taking into consideration the quality and safety of the services provided by the target;
- required licenses and permits for operations and the target's historical compliance with applicable laws and regulations;
- the target's synergism with our existing In-network Hospitals;
- estimated initial investment amount required to improve the target's infrastructure; and
- ongoing operating expenses and capital requirements.

The following diagram illustrates the management and reporting structure of acquisition decision-making mechanism:



We generally carry out our strategic acquisition according to the following steps:

Identifying Potential Hospital Targets before Acquisition: We review and screen potential hospital targets in a systematic manner. To increase our economies of scale and leverage our capabilities, expertise and reputation, we strategically target hospitals conforming to our abovementioned criteria.

Investing in Hospitals: After screening and identifying potential hospital targets, we generally employ the following investment process:

- conducting due diligence and analysis on the targets;
- conducting assessment and valuation of the investment proposal and making investment decisions;
- negotiation of terms and signing investment agreements; and
- arranging operation handover, closing and completion of transactions.

When carrying out our expansion plans, we target hospitals with solid operational foundation and strong development potential. We achieve this by (i) utilizing our Group-level professional investment capability and acquisition resources to effectively screen potential hospital targets; (ii) taking advantage of our strong investment background, industry knowledge and experience to effectively communicate with potential hospital targets and build trusting relationship with the owner or founder and management of the hospitals; and (iii) simultaneously conducting in-depth due diligence, assessment and business planning of the hospitals to identify investment highlights and potential risks in a timely manner.

We have an investment management department to assess and evaluate our potential investment targets as well as conducting due diligence as a key step for making our investment decisions. With the assistance of our internal medical experts, our Shareholders Meeting makes final investment decisions.

Continuous Improvement of Hospitals after acquisition:

To realize synergies through integration among the hospitals in our network after acquisition, we focus on three main aspects:

- identifying and developing future strategies for the hospitals around full-cycle oncology healthcare services;
- improving the hospitals' organizational structure, operational efficiency and business performance; and
- improving the compensation and performance incentive mechanism to attract and retain talented medical professionals.

We achieve these mainly by:

- establishing customized business strategies and models to promote sustainable development of the hospitals and our business;
- implementing our comprehensive refined management to improve operational efficiency;
- controlling operational costs;
- providing high-quality medical and healthcare related services;
- providing ongoing training for medical professionals and administrative staff; and
- aligning values among hospital employees and hospitals to encourage solidarity and motivate employees.

During the Track Record Period, we have achieved and benefited from synergistic effects generated through the strategic acquisition by our continuous efforts to combine resources and opportunities afforded by the business combination. Please see "– Our Competitive Strengths – Strong integration capability and standardized management mode at our Group level combined with the refined management measures with the feature of 'making appropriate decisions in light of the hospital's situation' support our overall business development and enhance the treatment effect and service quality" in this section for further details.

We plan to finance the above intended acquisitions primarily by the [**REDACTED**] from the [**REDACTED**], and, if necessary or desirable, with our internal financial resources and/or bank borrowing. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets.

We may face a number of challenges in implementing our expansion plans, such as recruiting experienced physicians, technical, pharmaceutical and nursing medical professionals and other medical professionals, obtaining the requisite licenses and permits, and maintaining our competitive advantages. To this end, we intend to continue to attract and retain seasoned medical professionals to join us by offering competitive benefits and promising career opportunities.

In addition, we will, in accordance with all applicable laws, regulations and rules, apply for the necessary approvals, permits and licenses for our expansion plans. Our expansion plans are inevitably subject to our operations and the market conditions from time to time and we may make adjustments accordingly for our best interests. Please see "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – We may be unable to identify, capture or execute expansion opportunities for new hospitals, and acquired businesses may have unknown or contingent liabilities, which may affect our business, results of operations, financial condition and prospects" in this document for further details.

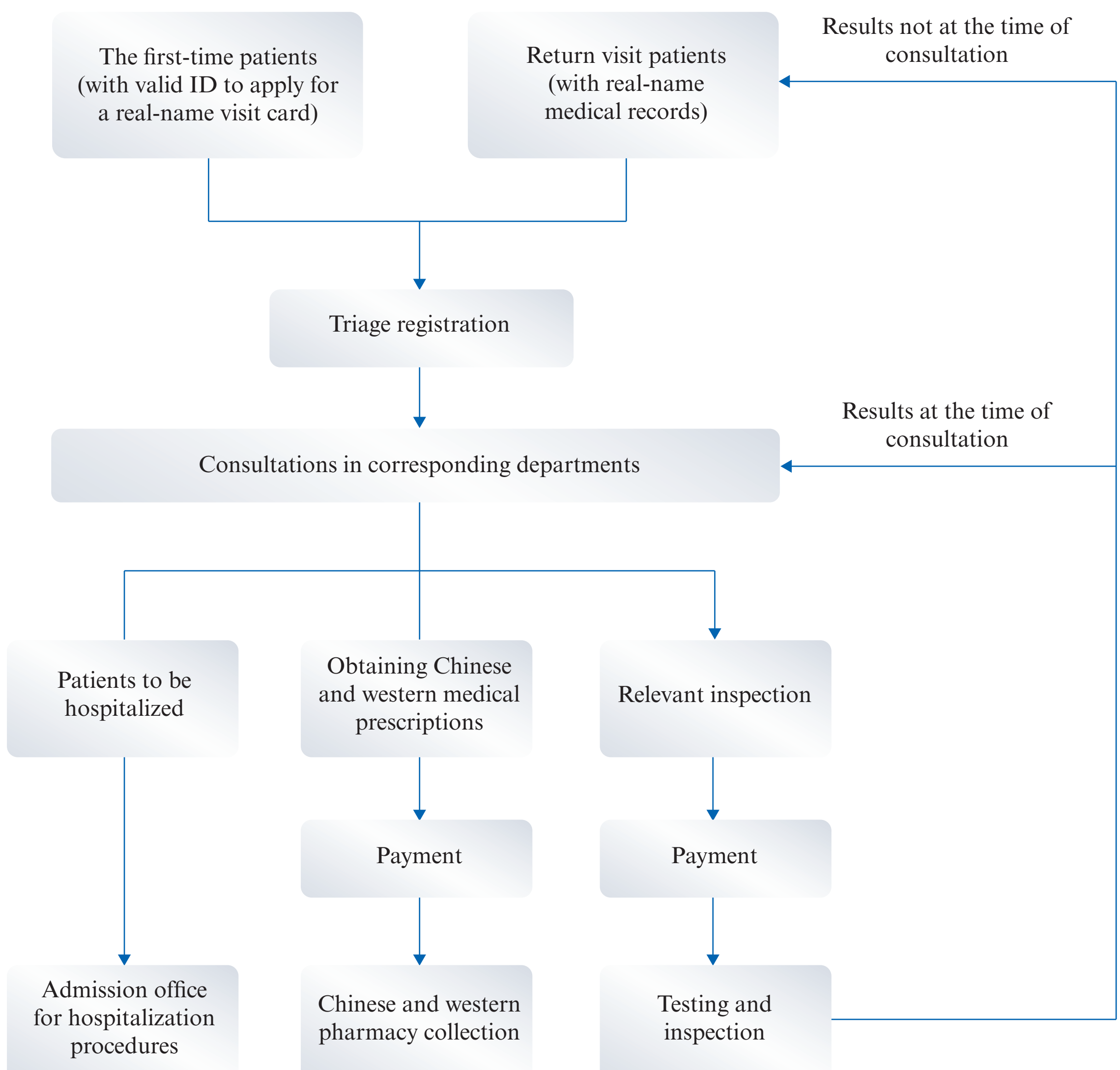
ORGANIC GROWTH OF HOSPITAL

Leveraging our successful track record and highly scalable business model, we intend to continuously upgrade our existing both self-owned hospitals and Managed Hospitals. In particular, we plan to selectively upgrade certain of our In-network Hospitals to elevate our service capacity and widen our service offerings. Please see "– Our Hospital Business – Summary of Our Self-owned Hospitals – Hospital Expansion" in this section for further details.

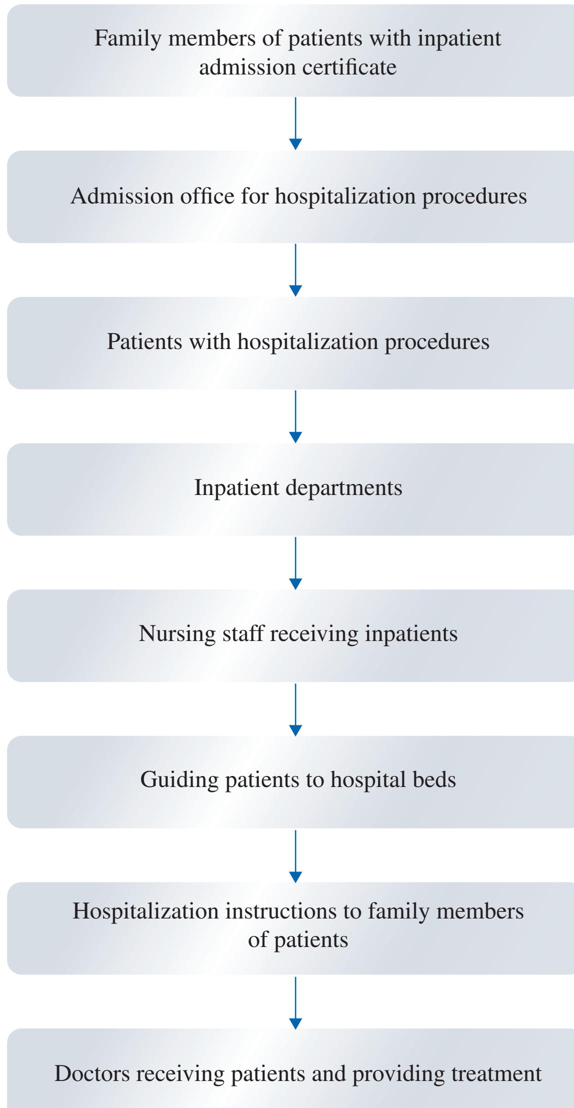
PATIENT SERVICES

Our daily operations follows our patient-centric values. We aim to offer our patients high-quality, cost-effective and the first-class healthcare services. Aiming to provide personalized treatment for our patients in a safe and friendly environment, we have developed and implemented standardized procedures of healthcare services and continuously reviewed our processes for potential improvement. The following flowcharts illustrate our treatment processes for outpatient, inpatient and emergency patient visits:

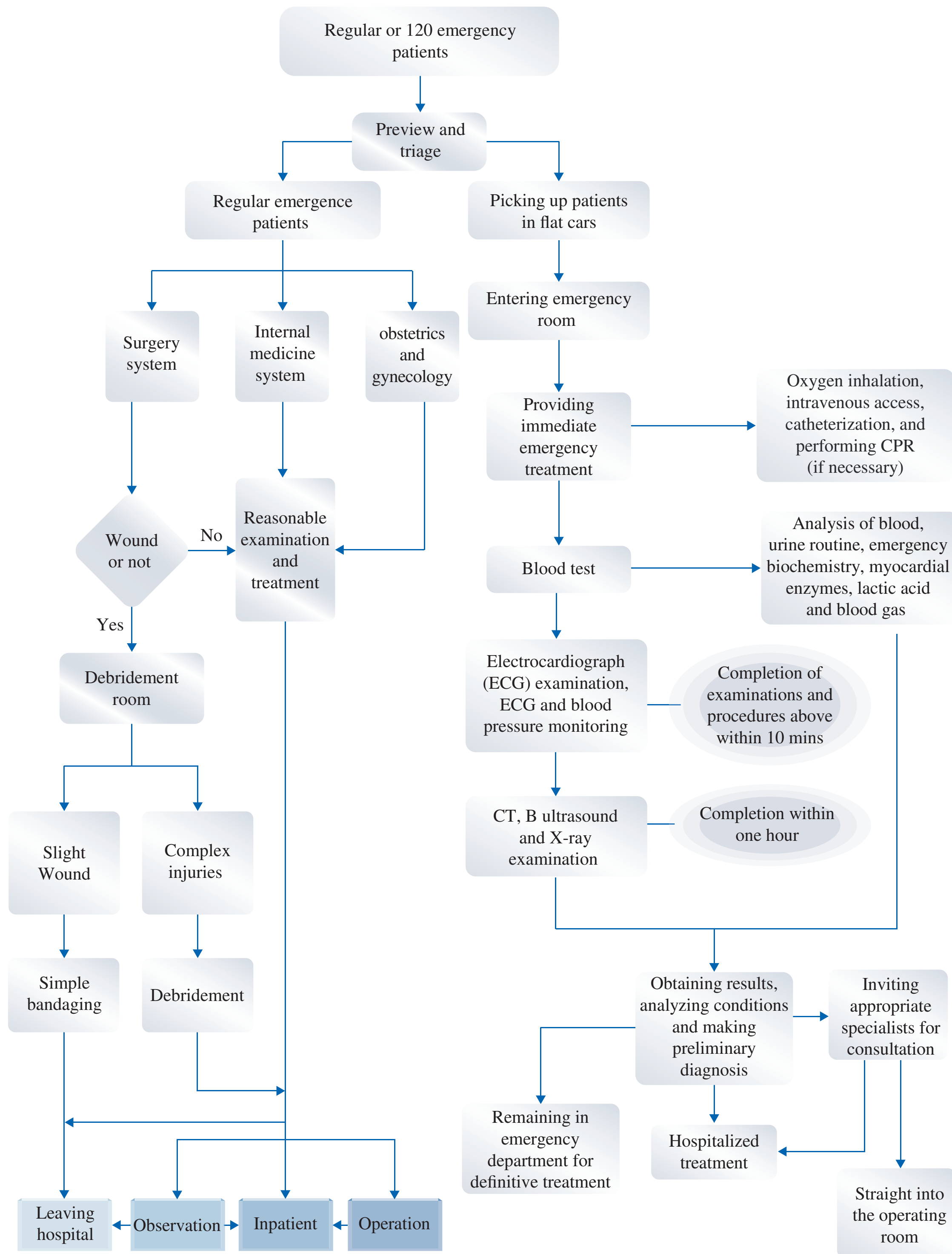
Outpatient Treatment Process



Inpatient Treatment Process



Emergency Treatment Process



In addition, we demonstrate our commitment to providing high-quality healthcare services to the patients by greatly improving our patient services. We strive to ensure that our patients receive timely and personalized information, care and services before, during and after their time spent in our In-network Hospitals. Prior to entering our hospital system, potential patients may contact our In-network Hospitals through dedicated hotlines and our online and mobile platforms. During a patient's visit, our dedicated patient services personnel, who are directly responsible for our patients, and the hospital administrative personnel can provide continuous support to the patient.

At each department, our patient services personnel are responsible for responding to inquiries regarding our In-network Hospitals, scheduling appointments, providing guidance on things to do before going to our In-network Hospitals, and sending reminders regarding scheduled appointments.

Quality Control Over Patient Services

We are subject to numerous laws, rules and regulations that regulate the qualifications and conduct of medical professionals and standards for healthcare services in the PRC. To ensure that our In-network Hospitals provide consistently high-quality services that meet or exceed the standards mandated by these applicable laws, rules and regulations, we have established a comprehensive quality control system.

We set up a number of clinical medical quality control objectives. After classifying and summarizing the potential risks, the medical department will provide feedbacks in the weekly meeting of our In-network Hospitals as well as the quality and safety meeting to further work out and enhance our internal control measures and enhance our medical quality.

In addition, our Hospital Quality and Safety Committee has been set up to supervise and manage the whole processes during the provision of our healthcare services and is responsible for holding relevant meetings regularly to solve practical problems. In our daily operation, the work of our medical department is regularly supervised and inspected in a variety of approaches, such as through the implementation of medical quality and administrative quality inspection system, holding quality analysis meeting and organizing inspections based on our cooperation with the independent third parties.

In order to comprehensively improve the overall service quality, we have set up the department for customer service and/or Patient Service Center in our In-network Hospitals, and developed the Service Quality Improvement Plan (《服務品質提升方案》) to standardize the workflow and effectively improve patient satisfaction and staff satisfaction. Our In-network Hospitals also carry out customer satisfaction survey according to the actual situation, set goals for customer satisfaction and clarify measures for improving service quality, which under the regular inspection by hospital leaders. During the Track Record Period, we conducted satisfaction survey for our customers and/or patients and most of the feedback from them indicated that they were satisfied with the inpatient services in our In-network Hospitals.

We always persist in "our patient-centric values", adhering to the working philosophy of "fairness, pragmatism, responsibility and collaboration". To raise the quality of services, we have improved the medical environment by establishing a one-stop service center that includes various convenient service measures such as hospital guidance, registration, health consultation, medical record copying, and free blood pressure measurement. We also establish outpatient rest areas and convenience service departments. Trainings are provided to all medical staff and employees with excellent service quality are selected for recognition.

We provide online and offline multi-channel appointment consultation, and arrange medical guides for pre-examination and triage in the outpatient department. We hold forums and conferences such as the Critical Disease Summit Forum (重症高峰論壇) and the Grassroots Doctors' Business Development Conference (基層醫生拓展業務會議) and also carry out science popularization lectures, free medical services, as well as gratitude and care activities.

To implement medical and healthcare related services throughout the entire process of screening, diagnosis, treatment and rehabilitation of patients, we carry out patient discharge follow-up visits. Our In-network Hospitals develop the Follow-up System for Discharged Patient (《出院患者隨訪制度》) based on the actual situation. The hospital service department will conduct the first follow-up visit within one to four weeks after the patients' discharge from the hospital according to their condition and treatment needs. Patients with critical conditions will be followed up at any time after discharge, and chronic patients requiring long-term treatment will be followed up regularly after the first follow-up, depending on the situation.

On the one hand, it enables the patients with the need of out-of-hospital rehabilitation and continued treatment of inpatients to receive scientific, professional, standardized and convenient technical services and guidance. On the other hand, we are able to find out if they are satisfied with our diagnosis and treatment, service attitude, hospital environment and other aspects during their hospitalization period, and feedback the existing problems to us for rectification.

In terms of patient complaints, we follow the Measures for the Management of Complaints in Medical Institutions (《醫療機構投訴管理辦法》) and formulate corresponding complaint management system such as the Complaint Handling Management System (《投訴處理管理制度》), the Reception Complaint Service Process (《接待投訴服務流程》), and the Nursing Complaint Management System (《護理投訴管理制度》), and the prescription for complaint handling has been clearly defined.

Our In-network Hospitals have dedicated personnel to handle patient complaints in a unified manner, setting up multiple channels to receive complaint online (such as telephone complaints, citizen networks, government platform transfers and 12320 hotline) and offline (such as on-site complaints, hospital complaints and opinion boxes); we also employ social supervisors to hold seminars irregularly to solicit feedbacks. If there is any problem in the service, we will rectify, deal with and provide feedback to the complainant. For details, please see "– Patient Services – Patient Complaints Management" in this section.

Going forward, we will continue to learn and train as to strengthen the construction of our employees' own quality team. We will also further reinforce patient follow-up and condolences to raise patient service satisfaction, utilize the hospital's advantageous medical resources and adopt different service models to provide convenient diagnosis and treatment services for patients.

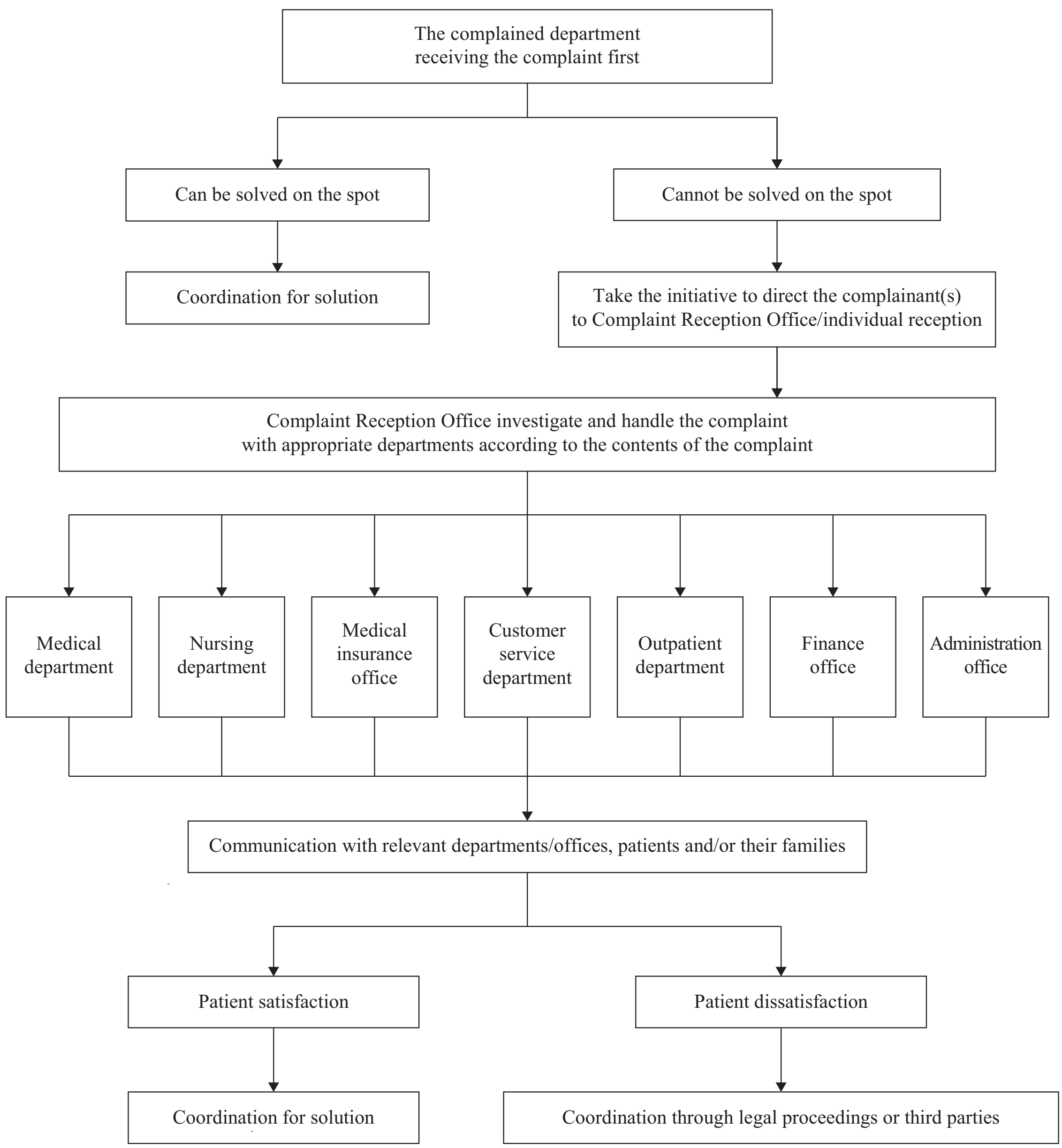
Patient Complaints Management

We carefully consider customer feedback and complaints raised by our patients and/or their families, respond to them quickly and in a systematic way, offer explanation and comfort, and coordinate with relevant departments involved. Our In-network Hospitals have established specialized internal complaint management systems and our medical management department and the Complaint Reception Office (投訴接待辦公室) under our medical management department are responsible for handling the patient complaints and clarify the relevant workflow of reception, disposal, reporting and feedback.

Our patients may lodge a complaint in person or by telephone, mail and other ways convenient for them. According to our internal policies, our staff will reach out to all of our patients who had left valid contact information with our In-network Hospitals for feedback. We can inquire about their current conditions and their views with respect to our treatment provided, services received at our In-network Hospitals, effect of medication prescribed, and the areas that we can improve.

After receiving a valid complaint, the complained department should be responsible for taking immediate actions to resolve the complaints on the spot or if further actions required, keeping records, leading the investigations and reporting to our Complaint Reception Office for further handling. We will investigate and deal with the complaints in collaboration with relevant departments according to the contents of complaints. For example, if the complaint involves unreasonable medical process to be adjusted, it will be reported to the medical department, nursing department and other relevant departments for immediate analysis and solution.

In addition, if the complaint involves services and charges, we will immediately feedback to the competent departments for coordination and processing. Moreover, if the complaint should be solved jointly by multiple departments, we will report to the hospital supervisors to take the lead in solving the problem. Our Complaint Reception Office will follow up the processing and solution situation and communicate with the patients and/or their families for feedback in a timely manner. The Complaint Reception Office will summarize the effective complaints, reflected problems, solution processing and other relevant matters annually and report to the hospital leaders for review. The following flowchart illustrates the processes of our internal complaint management system:



The contact information of the medical management department is published at prominent places of our In-network Hospitals. The medical management department acts as the primary complainant point of contact, explains the complaint process to the complainants, directs the complaints to appropriate departments for detailed investigation and root-cause analysis, conducts in-depth fact-finding, proactively oversees and manages the complaint processes, coordinates and communicates with the parties involved, accurately records all relevant findings and formulates the appropriate replies to the complainants.

The medical management department in our In-network Hospitals will effectively uphold the rights of our patients in accordance with the PRC laws and regulations, including but not limited to the right to medical consultation, the right to informed consent, the right to equal medical treatment, etc. In the event of a medical dispute, our medical management department will investigate and deal with the dispute based on our medical dispute handling procedures. For medical disputes involving other departments (including the nursing department, the medical insurance office, the logistics management department, etc.), our medical management department will immediately coordinate and organize the relevant departments to participate in the process. We maintain detailed records of the disputes.

We have procedures for handling medical disputes and incidents which are required to be followed by all our departments and staff. Our In-network Hospitals have established the medical dispute disposal management system to strengthen our management capabilities, protect the legitimate rights and interests of us, our In-network Hospitals and the patients and their families, continuously improve medical quality and prevent the recurrence of similar medical disputes.

When dealing with medical disputes, we will set up a medical dispute defect identification expert committee with a total number of no less than five members, consisting of experts in medical damage identification, medical specialties and relevant aspects. The medical experts can also be comprised of in-hospital, multi-point and out-of-hospital experts. Any material incident which has caused or may cause injury, death or any other serious consequences shall immediately be reported to the medical management department and the relevant department head, which shall investigate the incidents.

The medical management department is responsible for preserving relevant evidence and offering our patients and/or their families an explanation, and try to solve the disputes amicably. Although we have adopted preventive measures, we cannot completely eliminate the inherent risks related to medical procedures. Please see "– Legal Proceedings and Compliance" and "– Medical Incidents" in this section for further details of our medical disputes and incidents.

PROCUREMENT AND SUPPLIES

Our hospital business and supply of pharmaceuticals, medical equipment and consumables business primarily require pharmaceuticals, medical equipment and consumables for operations. We have established the procurement management department at our headquarters, which is responsible for formulating procurement management system, planning our annual procurement and negotiating the terms for our purchases.

Each In-network Hospital is generally responsible for their own procurement of pharmaceuticals, medical equipment and consumables according to the clinical usage and inventories of each In-network Hospital and regularly reports its procurement conditions to our procurement management department at our headquarters. The procurement department of each In-network Hospital regularly evaluates the existing suppliers of their own clinical departments and relevant departments and reports to the procurement management department at our headquarters for advise. On the one hand, our In-network Hospitals generally place purchase orders directly with the selected suppliers with quantities and purchase prices decided by the procurement department of each In-network Hospital.

On the other hand, our procurement management department at our headquarters occasionally arrange the centralized procurement for our hospital business and supply of pharmaceuticals, medical equipment and consumables business with large quantities or special needs to obtain a lower price and save costs. Our In-network Hospitals, under this circumstances, are required to report the overall procurement plans, quantities and purchase prices to our procurement management department for review and approval, and our procurement management department will discuss and select the appropriate suppliers to our In-network Hospitals for them to place purchase order directly with the selected suppliers. We believe centralized procurement allows us to achieve economies of scale and to better control the quality of the pharmaceuticals, medical equipment and consumables we procure.

We select our suppliers based on stringent criteria and applicable laws and regulations to ensure the quality of our supplies. When selecting suppliers, we consider, among others, their product offerings, pricing, reputation, service or product quality and delivery schedule. Our suppliers are required to possess all licenses and permits necessary to conduct their operations, including GMP Certificate and/or GSP Certificate. Only those suppliers which fulfill all our selection criteria are selected. Please see "– Environmental, Social and Governance Matters – Supply Chain Management" in this section for further details.

Our medical supplies are primarily sourced within the PRC. Depending on the different types of supplies and our relationships with the suppliers, the terms of the supply agreements with our suppliers vary from supplier to supplier. We generally do not have long-term agreements with our suppliers. We are typically given credit terms ranging from 30 days to 180 days by suppliers of our medical supplies. We normally pay our suppliers via wire transfer. Our suppliers are generally responsible for arranging the delivery to our respective In-network Hospital at their own costs. For all of the products ordered, inspections are conducted by the procurement team upon delivery to ensure strict quality control, including for expiration dates, packaging, product description and other quality indicators.

We employ a standard product return policy, and return defective or expired products to the manufacturers or the distributors according to market practice and past dealings with our suppliers. During the Track Record Period, we had not experienced any significant return of supplies that did not meet our standards and had not suffered any significant loss or damage caused by quality problems with the supplies.

The prices of most pharmaceuticals, medical equipment and consumables in China sold to medical institutions and to patients are subject to government price controls. When sold to medical institutions in China, the wholesale prices of those pharmaceuticals, medical equipment and consumables on the price control list may not exceed the "bidding prices" or other price ceilings set by the relevant PRC government authorities. Consequently, consistent with industry practice, we are subject to such price controls when purchase pharmaceuticals, medical equipment and consumables from our suppliers.

During the Track Record Period, we had not experienced any significant fluctuation in the prices of our supplies. Please see "Financial Information – Key Factors Affecting Our Results of Operations – Ability to control our costs and expenses" in this document for the sensitivity analysis of the cost of pharmaceuticals.

For the years ended December 31, 2021, 2022 and 2023, purchase from our five largest suppliers accounted for 40.2%, 34.4% and 39.0% of our total purchases in the same periods, respectively, and purchase from our largest supplier accounted for 17.0%, 12.6%, and 16.3% of our total purchases in the same periods, respectively. The following table sets forth certain information of our five largest suppliers during the Track Record Period:

Supplier	Major products purchased or services received by us	Credit terms	Settlement information	Amount of purchases	As a percentage of our total purchase	Commencement of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2023						
Supplier A[(1)]	Pharmaceuticals	30 days to three months	Bank transfer	96,622	16.3	2018
Supplier B[(1)]	Pharmaceuticals	90 days	Bank transfer	43,217	7.3	2020
Group C[(1)]	Medical equipment and consumables	90 days	Bank transfer	32,859	5.5	2018
Supplier D[(1)]	Pharmaceuticals	30 days to three months	Bank transfer	31,250	5.3	2020
Supplier E[(1)]	Pharmaceuticals, medical equipment and consumables	30 to 90 days	Bank transfer	27,417	4.6	2018
				231,365	**39.0**	

Supplier	Major products purchased or services received by us	Credit terms	Settlement information	Amount of purchases	As a percentage of our total purchase	Commencement of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2022						
Supplier A	Pharmaceuticals	three to four months	Bank transfer	59,887	12.6	2018
Supplier F[(1)]	Pharmaceuticals	five months	Bank transfer	41,488	8.8	2022
Supplier D	Pharmaceuticals	30 days to three months	Bank transfer	24,457	5.2	2020
Group C	Pharmaceuticals	90 days	Bank transfer	19,614	4.1	2018
Supplier E	Pharmaceuticals, medical equipment and consumables	60 to 90 days	Bank transfer	17,442	3.7	2018
				162,888	**34.4**	
For the year ended December 31, 2021						
Supplier A	Pharmaceuticals	30 days to 3 months	Bank transfer	51,815	17.0	2018
Supplier G[(1)]	Pharmaceuticals	90 days	Bank transfer	20,399	6.7	2019
Group C	Pharmaceuticals	90 days	Bank transfer	18,700	6.2	2018
Supplier H[(1)]	Medical equipment and consumables	180 days	Bank transfer	16,653	5.5	2019
Supplier I[(1)]	Medical equipment and consumables	180 days	Bank transfer	14,587	4.8	2021
				122,154	**40.2**	

Note:

(1) We could not disclose the identities of these suppliers primarily because they have rejected our request to publicly disclose their identities.

As of the Latest Practicable Date, all of our five largest suppliers during the Track Record Period were Independent Third Parties, and to the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest suppliers.

OUR CUSTOMERS

Our customers primarily fall into three categories: (i) patients and/or customers that receive healthcare services at our self-owned hospitals; (ii) our Managed Hospitals; and (iii) customers, which purchase our pharmaceuticals, medical equipment and consumables.

The aforementioned three categories of customers generally correspond with our three main business sectors, i.e. (i) hospital business, which contributed 68.2%, 77.0%, and 75.9% of our total revenue during the Track Record Period, respectively; (ii) hospital management business, which contributed 5.7%, 4.6%, and 3.8% of our total revenue during the Track Record Period, respectively; and (iii) supply of pharmaceuticals, medical equipment and consumables, which contributed 25.6%, 18.3% and 20.2% of our total revenue during the Track Record Period, respectively. During the Track Record Period, substantially all of our patients and/or customers for our hospital business consisted of individuals, and none of the five largest individual patients and/or customers contributed more than 1.0% of our total revenue in the same periods.

For the years ended December 31, 2021, 2022 and 2023, revenue from our five largest customers accounted for 25.4%, 18.1% and 20.4% of our total revenue in the same periods, respectively, and revenue from our largest customer accounted for 14.9%, 12.9% and 16.5% of our total revenue in the same periods, respectively. The following table sets forth certain information of our five largest customers during the Track Record Period:

Customer	Major products sold or services provided by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue	Commencement of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2023						
Huangshan Shoukang Hospital	(i) Management consulting services; and (ii) Pharmaceuticals, medical equipment and consumables	(i) three months for the first installment, and 15 business days upon issuance of financial statements for the second and last installment; and (ii) 60 to 90 days	Bank transfer	177,032	16.5	2020

Customer	Major products sold or services provided by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue	Commencement of business relationship with us
				(RMB'000)	*(%)*	
Customer A[(1)]	Pharmaceuticals	30 days	Bank transfer	35,465	3.3	2020
Customer B[(1)]	Inpatient services	nil	Bank transfer	1,704	0.2	2022
Taiyuan Wanbailin District Peace Community Health Service Center	Management consulting services	three months for the first installment, and 15 business days upon issuance of financial statements for the second and last installment	Bank transfer	1,643	0.2	2022
Customer C[(1)]	Services	15 days	Bank transfer	1,633	0.2	2022
				217,477	**20.4**	
For the year ended December 31, 2022						
Huangshan Shoukang Hospital	(i) Management consulting services; and (ii) Pharmaceuticals, medical equipment and consumables	(i) three months for the first installment, and 15 business days upon issuance of financial statements for the second and last installment; and (ii) 60 days to three months	Bank transfer	103,304	12.9	2020
Customer A	Pharmaceuticals and medical consumables	30 days	Bank transfer	32,575	4.1	2020
Customer D[(1)]	Pharmaceuticals	three months	Bank transfer	3,602	0.4	2020
Customer E[(1)]	Services	up to one month	Bank transfer	3,024	0.4	2022
Customer F[(1)]	Pharmaceuticals	180 days	Bank transfer	2,461	0.3	2020
				144,966	**18.1**	

Customer	Major products sold or services provided by us	Credit terms	Settlement information	Revenue contribution	As a percentage of our total revenue	Commencement of business relationship with us
				(RMB'000)	*(%)*	
For the year ended December 31, 2021						
Huangshan Shoukang Hospital	(i) Management consulting services; and (ii) Pharmaceuticals, medical equipment and consumables	(i) upon completion of the financial accounts; and (ii) 45 to 90 days	Bank transfer	68,837	14.9	2020
Customer A	Pharmaceuticals and medical consumables	30 days	Bank transfer	29,039	6.3	2020
Hefei Changrong Hospital(2)	Management consulting services	10 days	Bank transfer	15,487	3.4	2021
Customer G(1)	Services	30 days	Bank transfer	1,980	0.4	2020
Customer D	Pharmaceuticals	three months	Bank transfer	1,805	0.4	2020
				117,148	**25.4**	

Notes:

(1) We could not disclose the identities of these customers primarily because they have rejected our request to publicly disclose their identities; and

(2) Hefei Changrong Hospital was deregistered on September 27, 2021, which was an Independent Third Party. Please see details in relation to acquisition of Hefei Bayway Changrong Hospital in "Summary – Our In-network Hospitals" in this document.

As of the Latest Practicable Date, all of our five largest customers during the Track Record Period were Independent Third Parties, and to the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owned more than 5% of our issued share capital had any interest in any of our five largest customers.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, certain of our customers were also our suppliers (the "**Suppliers/Customers**"), to whom we primarily sold pharmaceuticals and medical consumables during the same periods. As of December 31, 2021, 2022 and 2023, we had a total of 12, 13 and 12 Suppliers/Customer(s), respectively.

For the years ended December 31, 2021, 2022 and 2023, the purchase amount from these Suppliers/Customers was RMB18.4 million, RMB15.0 million and RMB8.6 million, respectively. The reasons why we purchased products from such entities were primarily that (i) we think highly of the good reputation of these entities in healthcare industry as well as the quality of their products; (ii) we intend to maintain our stable and long-term cooperation relationship with them; (iii) they provided competitive purchase prices for the corresponding products; and (iv) the government's regulation of certain products requiring us to procure such products from designated suppliers.

During the Track Record Period, driven by the demand from Supplier/Customers on our products and services offered by us, competitive prices we provided on certain products and our stable and long-term cooperation relationship with them, the abovementioned Suppliers/Customers purchased products and received services from us.

For the years ended December 31, 2021, 2022 and 2023, our revenue derived from selling products, mainly include pharmaceuticals, medical equipment and consumables, to these Suppliers/Customers was RMB0.3 million, RMB0.7 million and RMB0.1 million, respectively.

For the years ended December 31, 2021, 2022 and 2023, we also provided services, mainly including (i) consulting services provided by our multi-site practice medical experts; and (ii) screening and early detection of cancer service, to these Suppliers/Customers. We generated revenue of approximately RMB0.2 million, RMB0.4 million and nil from these provision of services for the years ended December 31, 2021, 2022 and 2023, respectively.

Our Directors confirm that negotiations of the terms of our sales to and purchases from the Suppliers/Customers were conducted on a case-by-case basis, and the products and services supplied to and products sourced from the Suppliers/Customers were neither inter-connected nor inter-conditional with each other. The salient terms of the transactions with such Suppliers/Customers for source of products and/or services are similar to those with our other customers and suppliers, which our Directors consider normal commercial terms.

According to Frost & Sullivan, such practice is not uncommon in China's healthcare service industry. Our Directors further confirm that, during the Track Record Period, the products we sold to these Suppliers/Customers (in the context of customers) were not subsequently purchased from these Suppliers/Customers. None of our Directors, their respective close associates, or any of our Shareholder (who or which to the best knowledge of our Directors, owns more than 5% of the number of issued shares of our Company) had any interest in any of the Suppliers/Customers during the Track Record Period.

SALES AND MARKETING

We focus on the promotion of medical knowledge to the public and educate the market. We improve the health awareness of the clients, and direct and recommend the clients with needs and/or patients to our In-network Hospitals for face-to-face treatment through online and offline science and education promotion workshop.

We have a WeChat public account of our Group and all of our six self-owned hospitals and Huangshan Shoukang Hospital have their respective WeChat public accounts through which our clients and/or patients can make appointments and obtain the information of our Group and our In-network Hospitals including but not limited to clinical departments, experts, equipment and hospital locations. We also release news and updates of our In-network Hospitals, share medical and healthcare related knowledge, and provide healthcare-related lectures on our WeChat public accounts and official websites.

In addition, we also promote medical and healthcare related knowledge and enhance our brand awareness through TV's Health Talk programmes and new media platforms in the healthcare industry, such as Sohu Health and Tencent Health. We also conduct a public research and questionnaire survey in relation to screening and early detection of cancer in China to understand the market and popularize the public awareness of screening and early detection of cancer in China, with the People's Daily and Beijing Anti-Cancer Association in Beijing in September 2022. Meanwhile, we rely on word-of-mouth to market our services. On the other hand, we organize educational and promotional activities and seminars to promote our In-network Hospitals.

PRICING AND PAYMENT

Price and Pricing Control

Pursuant to the applicable PRC laws and regulations, a private for-profit medical institution is generally entitled to set the prices of its services at its own discretion. We price the services provided by our self-owned hospitals based on certain factors, including complexity of the treatment, operating costs, local market conditions and competitors' pricing of similar services; while our self-owned hospitals, as Medical Insurance Designated Medical Institutions, may charge service fees in accordance with the pricing guidelines set by the relevant local healthcare administrative authorities for services covered by the public medical insurance programs. Services provided by our Managed Hospitals, as private not-for-profit hospitals, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities.

As our Managed Hospitals in operation are also Medical Insurance Designated Medical Institutions, for services covered by the public medical insurance programs, such hospitals are also subject to the pricing guidelines set by the relevant local healthcare administrative authorities. The management team at our headquarters regularly inspects the price lists of our In-network Hospitals to ensure regulatory compliance. Some of our self-owned hospitals also offer VIP wards to patients who are willing to pay higher prices for a more comfortable and private environment and they are generally entitled to set the fees charged for VIP wards at its own discretion.

Other than narcotic pharmaceuticals and Class I psychotropic substances, which are subject to governmental pricing guidelines, our In-network Hospitals are generally entitled to set the retail prices of the pharmaceuticals and medical consumables at their own discretion. However, for pharmaceuticals and medical consumables covered by the public medical insurance programs, our In-network Hospitals are subject to the pricing guidelines set by the relevant local healthcare administrative authorities. In addition, our Managed Hospitals, as private not-for-profit hospitals, are subject to price ceilings prescribed by the national and relevant local healthcare administrative authorities. Please see "Regulatory Overview – Regulations on the Price of Healthcare Services and Medicine" in this document for further details.

Currently, the pharmaceutical zero mark-up policy (藥品零加成政策) is a requirement mainly for public hospitals 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, in order to compete effectively with public hospitals, we price these pharmaceuticals at a tariff similar to public hospitals in the same region and some of our In-network Hospitals have applied the pharmaceutical zero mark-up policy.

Medical Fees Payment and Its Development During the Track Record Period

For outpatient services provided by our In-network Hospitals, patients are generally required to pay their medical bills before receiving the services through public medical insurance programs and out-of-pocket payments themselves. For inpatient services, patients are generally required to pay a deposit in advance of admission and settle their medical bills on the day of discharge through public medical insurance programs and out-of-pocket payments themselves.

As of December 31, 2023, all of our In-network Hospitals in operation were Medical Insurance Designated Medical Institutions. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of healthcare services. In such cases, patients generally settle a portion of their medical bills through out-of-pocket payments, and the remainder was covered by the public medical insurance programs. The specific percentage covered by different public medical insurance programs may vary based on criteria including types of the insurance program and types of treatment involved and pharmaceuticals sold.

For the portion of medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our In-network Hospitals typically receive reimbursement of a majority of such portion in the following month or the month after next, with the remainder to be settled generally within the six months of the end of each public medical insurance settlement year, except when such portion exceeds the government-approved annual quota as (only applicable to medical fees for inpatient services before the reform of the health insurance payment system in the PRC) disclosed below. For the amounts in excess of the government-approved annual quota, the reimbursement typically happens in the following public medical insurance settlement year, with the majority also in the first six months.

During the Track Record Period and before the reform of the health insurance payment system in the PRC, the inpatient services provided by certain of our In-network Hospitals were subject to the government-approved annual quota for the medical fees that it is allowed to recover from the relevant public medical insurance bureau. For amounts in excess of the relevant hospitals government-approved quota, the local medical insurance bureaus may reimburse all or part of these amounts in the next year according to relevant local policies. We regard the medical fees to be recovered from the relevant public medical insurance bureaus as "variable considerations" as defined in IFRS 15 "Revenue from contracts with customers." We estimate such "variable considerations" based on the most likely recoverable amount. Such most likely recoverable amount is based on (i) historical practice; and (ii) all the reasonably available information before the reporting date. We will only recognize revenue to the extent that it is highly probable that a significant reversal will not occur.

Since January 2021, our In-network Hospitals have experienced the reform of the health insurance payment system in the PRC from the system mentioned above to DRG model or diagnosis-intervention packet ("**DIP**") model based on the big data technology, respectively. DIP model has been adopted by Huangshan Shoukang Hospital, Wuzhi Jimin Hospital, Tianjin

Nankai Jixing Hospital and Tianjin Shishi Hospital in January 2021, January 2022, April 2022 and February 2023, respectively, and DRG model has been adopted by Taiyuan Peace Hospital and Hefei Bayway Changrong Hospital in January 2022.

In comparison with the health insurance payment system with application of certain government-approved quota before, the DRG model and the DIP model are featured with different methods for determining the reimbursement amount of medical fees as well as their corresponding settlement.

- According to the Notice on Issuing the National Pilot Technical Specifications and Grouping Scheme for the Diagnosis Related Groups (DRG) Payment 《關於印發疾病診斷相關分組(DRG)付費國家試點技術規範和分組方案的通知》promulgated by the National Health Security Administration on October 16, 2019, DRG model is a case combination classification scheme, which classifies patients into different diagnostic groups based on the factors such as age, disease diagnosis, comorbidities, complications, treatment modalities, disease severity and resource consumption levels. Under the DRG payment method, the insurance institution pays according to the payment standard of the diagnosis-related group that the case enters, and no longer pays according to the actual costs (service items) of patients in the hospital.

- According to the Notice on Issuing the Technical Specifications for National Medical Insurance Payment by Diagnosis-Intervention Packet (DIP) and the DIP Disease Catalog (Version 1.0) (《關於印發國家醫療保障按病種分值付費(DIP)技術規範和DIP病種目錄庫(1.0版)的通知》) promulgated by the National Health Security Administration on November 9, 2020, DIP is a management system, which classifies medical record data based on the common characteristics of disease diagnosis and treatment methods, and calculates points based on the total annual medical insurance payment, the portion of medical insurance payment and the total score of cases in medical institutions. Under the DIP payment method, the medical insurance department forms the payment standard based on the disease score and the score point value, and no longer pays with the cost of medical service items.

- According to Frost & Sullivan, in terms of hospital operation, adopting DRG model and DIP model has certain benefits, which primarily include (i) encouraging the establishment of efficient hospital management system, including improved performance appraisal system and streamlined operation systems to promote cost-effective diagnosis and treatment methods; and (ii) directing patients from Class-III hospitals in the first-tier cities to Class-III and Class-II hospitals in the second-tier and above cities.

  The DRG model and DIP model reform guideline suggested that for common diseases, hospitals should implement the principle of "same disease with same treatment, same quality and same price" to narrow the charge gap among hospitals or use a unified charging standard, which would direct more patients to choose hospitals that are not located in the first-tier cities.

For the years ended December 31, 2021, 2022 and 2023, the received amount of public medical insurance accounts from local medical insurance centers of our self-owned hospitals under our hospital business, accounted for 29.4%, 55.6% and 52.3% of our revenue derived from hospital business for the same periods, respectively. The overall increasing trend of our proportion of revenue derived from settlement through public medical insurance programs in our total revenue during the Track Record Period was in line with the increase in our total revenue and also primarily due to (i) our Western Beijing Cancer Hospital has been recognized as a Medical Insurance Designated Medical Institution in 2021; and (ii) the completions of our acquisition of hospitals during the relevant years, which are all Medical Insurance Designated Medical Institutions, which, our Directors believe, helps us attract patients who want to obtain medical treatment under public medical insurance programs, ensure our service quality by complying with the regulatory requirements of the government for Medical Insurance Designated Medical Institutions, and enhance patients' confidence in our In-network Hospitals.

If there is any difference between the expected and actual reimbursement of the excess amounts from the local public medical insurance bureaus after the [**REDACTED**], it will be accounted prospectively in our consolidated financial statements for the year ended December 31, 2023 as change of estimate.

Similarly, for the excess amounts in any future years from 2023, we will only recognize the estimated reimbursable amounts, which we reasonably expected to receive after the closing of the annual management accounts, as revenue for the year during which the relevant healthcare services are rendered; while the difference between the expected and actual reimbursement will be accounted prospectively in our consolidated financial statements for the following year as change of estimate.

With respect to certain payments covered by public medical insurance programs, during the Track Record Period, some of our In-network Hospitals have entered into cooperation agreements with certain commercial insurance providers, according to which such providers directly settle with our relevant In-network Hospitals on behalf of the relevant local medical insurance bureaus. Pursuant to the cooperation agreements, the commercial insurance providers generally settle with our relevant In-network Hospitals on a monthly basis.

SEASONALITY

Our In-network Hospitals and radiotherapy centers, in line with the healthcare service industry in the PRC, typically have fewer patient visits shortly before and after the Chinese New Year, during which most people usually avoid visiting hospitals. As a result of the foregoing, our revenue was slightly lower in the first quarter of each financial year during the Track Record Period.

INSURANCE

Our In-network Hospitals do not require to maintain medical liability insurance. As part of our plan to evaluate the necessity of enrolling our In-network Hospitals in medical liability insurance and exploring suitable insurance products for our In-network Hospitals, we began to enroll Western Beijing Cancer Hospital in medical liability insurance since 2020 as a pilot hospital, renewable on an annual basis and gradually enrolled our other six In-network Hospitals subsequently.

Our other In-network Hospitals do not maintain any medical liability insurance and settle medical disputes against them using their internal financial resources. We do not maintain product liability insurance, business interruption insurance or key person insurance.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies. We contribute to social insurance for our employees in accordance with the applicable PRC laws, rules and regulations, except as disclosed in " – Legal Proceedings and Compliance" in this section.

Our Directors believe that the insurance coverage for our operations was adequate and was in line with industry practice as of the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. Please see "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – Our business is subject to professional and other liabilities for which we may not be insured." in this document for further details.

OCCUPATIONAL HEALTH AND SAFETY

We maintain an internal inspection procedure to ensure the safety of our In-network Hospitals premises for clients and/or patients, the public and staff. Our workplace is continuously monitored under the inspection procedure and any deficiencies in relation to our set standards will be remedied in a timely manner. We ensure that each of the departments of our In-network Hospitals is periodically inspected 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 our learning from proactive monitoring and findings from incident reviews will be used to further improve and refine our training programs, policies and working practices.

We have also adopted various measures to maintain a safe and sustainable environment. For example, each of our departments has an occupational exposure protection measure that provides guidance for safety operation to all medical professionals. We have also established a Hospital Infection Control Committee that oversees infectious disease prevention and reporting.

In addition, we conduct regular sanitization to contain the potential spread of infectious diseases at our In-network Hospitals. We have established surveillance systems to closely monitor the prevalence of nosocomial infections (醫院感染現患率) at our In-network Hospitals and ensure that they are maintained at very low levels in compliance with NHC standards. We also provide periodical occupational safety education, training and exercises to augment our staff's awareness of safety issues, which include but is not limited to fire drills and hospital disease prevention training. We provide our staff with regular health assessment to monitor their overall health. In particular, we adopt stringent assessment protocols for our medical professionals that are regularly exposed to high-risk environments such as radiation and clinical wastes to ensure their exposure is within acceptable safety limits.

Save as otherwise disclosed in this document and up to the Latest Practicable Date, no material medical incidents or work-related injuries happened at our In-network Hospitals, and no material claims for personal or property damages were made by our employee during the Track Record Period, which could cause a material adverse effect on our business, financial condition and results of operations.

INVENTORY

Our medical supplies, including pharmaceuticals, medical equipment and consumables are delivered by our suppliers in accordance with the terms of the supply contracts. Upon inspection by our quality control team, the medical supplies are then put into storage areas with controlled temperature and humidity in accordance with the storage requirements of the medical supplies and applicable laws and regulations. We have specific warehouse and storage for our inventory of pharmaceuticals, medical equipment and consumables and do not engage any third-party warehouse companies. During the Track Record Period, we were in compliance with the applicable laws and regulations in relation to the storage of medical supplies in all material aspects.

Our inventory comprises primarily the inventory of pharmaceuticals, medical equipment and consumables at our In-network Hospitals and our subsidiaries which sell pharmaceuticals, medical equipment and consumables. As of December 31, 2021, 2022 and 2023, we had inventories of RMB34.6 million, RMB55.9 million and RMB59.7 million, respectively. We maintain strict control over our pharmaceuticals and medical consumables inventories by conducting regular physical inventory counts, implement directory management and have a policy of keeping approximately 30 days of inventory to meet the needs of the hospital, which is also one of methods to promote refined management and cost control of our Group.

We establish a special working group, led by president or vice president of our In-network Hospitals, with members from the hospital office, medical department, finance department, logistics department, operation department, procurement department and other functional departments and the management units and some user departments, and the special working group is required to report the progress weekly during the period of inventory check.

Our audit and legal department reviews the inventory data and the establishment of the catalogue at each In-network Hospital, and our medical administration department conducts random on-site checks from time to time. We closely monitor the shelf life for all medical supplies. Once the pharmaceuticals or supplies are expired, or the medical equipment have reached the end of their service lives, we safely dispose of them in accordance with applicable laws and regulations, and such medical supplies are written off accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories.

OUR PROPERTIES

We occupy certain properties in the PRC 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 subsequent letting or retention as investments according to Rule 5.01(2) of the Listing Rules.

Owned Properties

As of the Latest Practicable Date, we owned land use right of one parcel of land in the PRC with a total area of 35,644.8 sq.m. and the building ownership right to the building with the GFA of 43,461.52 sq.m. located in Wuzhi County, Jiaozuo of Henan Province, which is the premises for Wuzhi Jimin Hospital. We have obtained the land use right with respect to the aforesaid land, which will expire on June 20, 2067, and building ownership certificate for the aforesaid building, which has been registered by the relevant PRC government authorities.

The following table summarizes the details of the building we owned as of the Latest Practicable Date:

Owner/ occupier	Location	Purpose	Total site area (sq.m.)	GFA (sq.m.)	Land use right certificate	Building ownership certificate
Wuzhi Jimin Hospital	Southwest corner of intersection of Heping Road and Longyuan Road, Wuzhi County, Jiaozuo City, Henan Province	Medical and health charity land/offices	35,644.8	43,461.52	Yes	Yes

As of the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include any interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Leased Properties

As of the Latest Practicable Date, we leased 13 properties with an aggregate GFA of approximately 85,699.28 sq.m. mainly for hospital premises and offices.

As of the Latest Practicable Date, 12 of our lease agreements with an aggregate GFA of 85,657.67 sq.m. had not been registered with the relevant local housing authorities. As advised by our PRC Legal Advisor, the relevant authorities may require us to complete the registration within a specified timeframe and impose a fine of no less than RMB1,000 and not exceeding RMB10,000 on us for each unregistered lease agreement if we fail to rectify within the prescribed time period, but the validity of the lease agreement and our use of such properties will not be affected. Please see "Risk Factors – Risks Relating to Regulatory Compliance – Failure to comply with the PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business, financial condition and results of operations." in this document for further details.

Our Directors confirm that, during the Track Record Period, we have not been penalized by the relevant PRC government authorities and we have not received any notice of ordering rectification within a specified time period for failure to register the relevant leased properties.

Non-compliance Incidents in Connection with Our Properties

Failing to complete the investment project filing procedures and failing to obtain a series of licenses and certificates related to the construction and acceptance of these construction projects

As of the Latest Practicable Date, Taiyuan Peace Hospital Company's leased buildings located at No. 20, Yuhe Street, Heping Street, Wanbailin District, Taiyuan City, Shanxi Province, and Wuzhi Jimin Hospital Company's owned radiology equipment building and underground parking lot building, which is around 29,000 sq.m. (land area), 340.65 sq.m. (GFA) and 3,900.0 sq.m. (GFA), failed to (i) complete the investment project filing procedures; and (ii) obtain a series of licenses and certificates related to the construction and acceptance of these construction projects. Such non-compliance incidents were primarily because our staff did not fully understand the relevant regulatory requirements or such non-compliance incidents had already taken place prior to our acquisition of the corresponding hospital.

Our PRC Legal Advisor is of the view that, according to applicable laws and regulations, we may be fined and be ordered to suspend the construction, make correction or dismantle within a stipulated period or stop using, or otherwise penalized by relevant government authorities in respect of such non-compliance incidents. However, pursuant to the consultations with government authorities, which are the corresponding competent authorities as advised by our PRC Legal Advisor, these non-compliance incidents do not constitute material breach of the applicable PRC laws and regulations, and we will not be subject to adverse actions taken by these competent government authorities, such as the order to stop the current use of relevant buildings, the order to dismantle relevant buildings, corresponding fine or administrative penalty.

Our Directors are of the view that during the Track Record Period and up to the Latest Practicable Date, no safety accidents occurred in relation to our construction projects and we had not been subject to any penalty, or order to suspend our construction or return the relevant land, or confiscation of our assets and income created from the construction as a result of the non-compliances. Based on aforementioned, our Directors consider that such non-compliances will not have any material operational or financial impact on us.

The actual use of certain of our leased properties is inconsistent with the registered use as specified in their land use rights certificates

As of the Latest Practicable Date, the actual use of certain of our leased properties is inconsistent with the registered use as specified in their land use rights certificates: (i) one of the leased properties of Hefei Bayway Changrong Hospital Company, which is 21,223.3 sq.m. (GFA) and authorised to be used for industrial purposes only, is used for medical and healthcare related activities actually; and (ii) the leased property of Tianjin Nankai Jixing Hospital Company, which is 2,000 sq.m. (GFA) and authorised to be used for commercial and financial purposes only, is used for medical and healthcare related activities actually. Such non-compliance incidents was primarily due to the limited land available for medical purposes. In practice, medical land is mainly allocated or granted to non-profit medical institutions.

Our PRC Legal Advisor is of the view that, pursuant to Land Administration Law of the PRC (《中華人民共和國土地管理法》) and Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), our current use of these properties is not in compliance with applicable laws and regulations and the competent government authorities may require us to cease the current use of such properties, and we may be imposed a fine. However, pursuant to the consultations with government authorities, which are the corresponding competent authorities as advised by our PRC Legal Advisor, (i) the rental agreements relating to these leased properties will not be deemed invalid and we are able to continue to use these leased properties for the operation of our hospitals; and (ii) the corresponding competent authorities confirm that they will not impose any penalty on us.

Besides, the landlords of relevant properties have agreed to indemnify us against any losses caused by the daily operation of these leased properties for purposes different with the registered use as specified in their land use rights certificates. Based on aforementioned, our Directors are of the view that such non-compliance incidents will not have any material operational or financial impact on us.

We leased certain of our properties from the landlords who obtained these parcel of land by way of government allocation

As of the Latest Practicable Date, we leased certain of our properties from the landlords who obtained these parcel of land by way of government allocation: the leased properties of Taiyuan Peace Hospital Company, which is 28,985 sq.m. (land area) and used as the medical institution and supporting premise, and the leased property of Tianjin Shishi Hospital Company, which is 14,597.6 sq.m. (GFA) and used as the medical institution, and the leased property of Beijing Medical Creation, which is 1,248.0 sq.m. (GFA) and used as offices, are also built on allocated land.

Our PRC Legal Advisor is of the view that our current use of these properties is not in compliance with applicable laws and regulations and the competent government authorities may require us to cease the current use of such properties according to the Provisional Regulations of the PRC for the Grant and Assignment of the Right to Use State Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》). However, pursuant to our consultations with government authorities, which are the corresponding competent authorities as advised by our PRC Legal Advisor, we are able to continue to use these leased properties of Taiyuan Peace Hospital Company and Tianjin Shishi Hospital Company and will not be ordered to relocate.

Our Directors are of the view that as the property leased by Beijing Medical Creation is used for office purposes, it is practicable for us to relocate to suitable alternatives on commercially acceptable terms within reasonable timeframe in case that the competent government authorities require us to cease the current use of such properties. Besides, the landlord of the leased properties of Taiyuan Peace Hospital Company have agreed that if the properties cannot be used normally and continuously due to the defects as aforementioned, it will bear the liability for breach of contract in strict accordance with the applicable provisions of the corresponding leasing agreement, which indicates that the landlord has the right to lease the properties and ensure that Taiyuan Peace Hospital Company can use the leased property normally during the lease period, and any party fails to perform the terms stipulated in the leasing agreement constitutes a breach of contract and shall bear the corresponding liability. Based on the aforementioned, our Directors are of the view that such non-compliance incidents will not have any material operational or financial impact on us.

We have also taken relevant rectification measures to prevent future occurrence of above non-compliance incidents, such as conducting inspections by way of site visits and reviewing the necessary documents and title certificates when assessing whether to lease a property, assessing potential legal risks upon expiry of lease agreements, and keeping records of relevant licenses and documentation. Please see "Risk Factors – Failure to comply with the PRC property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business, financial condition and results of operations" for further details.

COMPETITION

According to Frost & Sullivan, the oncology healthcare service industry in China is highly competitive and fragmented with numerous market participants. Market participants mainly comprise public and private comprehensive hospitals with oncology departments as well as public and private oncology specialist hospitals. According to Frost & Sullivan, as of the end of 2021, there were 157 oncology specialist hospitals, out of which 81 are public hospitals and 76 are private hospitals.

Our In-network Hospitals primarily compete on the following key factors: medical technology level, service quality, reputation, convenience, medical equipment performance. However, according to Frost and Sullivan, we are a leading oncology healthcare group that principally engages in the investment in, and provision of, medical and healthcare related services specializing in full-cycle oncology healthcare services in the PRC and we ranked (i) the fifth among all private oncology healthcare groups in the PRC in 2022 with corresponding market share of 0.5% in terms of oncology revenue of self-owned hospitals for the year ended December 31, 2022; (ii) the first among all private oncology healthcare groups in the PRC in terms of the number of screening and early detection of cancer centers as of December 31, 2022; and (iii) the first among all private oncology healthcare groups in the PRC in terms of the number of gastrointestinal endoscopy cases for the year ended December 31, 2022.

We are one of the very few private oncology healthcare groups that have the capability to provide full-cycle oncology healthcare services, specializing in screening and early detection of cancer and oncology rehabilitation services, according to Frost & Sullivan. Leveraging our leading market position and extensive market knowledge, we believe we are well positioned to capitalize on the future industry growth. For further details on the competitive landscape and the markets in which we operate, please see "Industry Overview" in this document.

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 recent major awards and recognitions won by the Group and our In-network Hospitals:

Year	Awards/recognitions	Award/recognition issuing body	Entity receiving award/recognition
2023	Top 100 of 2023 Autumn GAHA Hospital Competitiveness Medical Institutions Established by Social Capitals • Hospital Groups (艾力彼醫院競爭力秋季排行榜2023屆社會辦醫•醫院集團100強)	Guangzhou Asclepius Information Technology Co., Ltd.* (廣州艾力彼信息科技有限公司) and Guangzhou Institute of Asclepius Hospital Management (廣州艾力彼醫院管理中心)	The Group
2023	No. 12 of 2023 Autumn GAHA Hospital Competitiveness Medical Institutions Established by Social Capitals • Oncology Hospitals (艾力彼醫院競爭力秋季排行榜2023屆社會辦醫•腫瘤醫院第12名)	Guangzhou Asclepius Information Technology Co., Ltd.* (廣州艾力彼信息科技有限公司) and Guangzhou Institute of Asclepius Hospital Management* (廣州艾力彼醫院管理中心)	Beijing Western Cancer Hospital
2023	Oncology Multi-disciplinary Diagnosis and Treatment (MDT) Alliance Founding Unit	China Oncology MDT Alliance (中國腫瘤MDT聯盟) and MDT Group of Chinese Medical Doctor Association Society of Surgeons (中國醫師協會外科醫師分會MDT學組)	Western Beijing Cancer Hospital, Wuzhi Jimin Hospital and Huangshan Shoukang Hospital
2023	China Rehabilitation Hospital Association Director Unit (中國康復醫療機構聯盟理事單位)	China Rehabilitation Hospital Association	Taiyuan Peace Hospital
2023	No. 4 of 2023 Autumn GAHA Hospital Competitiveness Medical Institutions Established by Social Capitals • Rehabilitation Hospitals	Guangzhou Asclepius Information Technology Co., Ltd.* (廣州艾力彼信息科技有限公司) and Guangzhou Institute of Asclepius Hospital Management* (廣州艾力彼醫院管理中心)	Taiyuan Peace Hospital

Year	Awards/recognitions	Award/recognition issuing body	Entity receiving award/recognition
2023	Changzhi Medical College Teaching Hospital (長治醫學院教學醫院)	Changzhi Medical College (長治醫學院)	Taiyuan Peace Hospital
2023	Lifestyle Medicine Alliance Demonstration Center of National Center for Cardiovascular Diseases (國家心血管病中心生活方式醫學聯盟示範中心)	Lifestyle Alliance of National Center for Cardiovascular Diseases (國家心血管病中心生活方式聯盟)	Taiyuan Peace Hospital
2023	Pilot Unit of Clinical Nutrition Department of National Institute of Hospital Administration, NHC (國家衛生健康委醫院管理研究所臨床營養科試點單位)	National Institute of Hospital Administration, NHC (國家衛生健康委醫院管理研究所)	Tianjin Shishi Hospital
2023	Vice Chairman Unit of Rehabilitation Specialty of Medical Institutions Division Established by Social Capitals of Anhui Hospital Association (安徽省醫院協會社會辦醫療機構分會康復專科聯盟副主委單位)	Medical Institutions Division Established by Social Capitals of Anhui Hospital Association (安徽省醫院協會社會辦醫療機構分會)	Hefei Bayway Changrong Hospital
2023	Vice Chairman Unit of Rehabilitation Specialty Committee of Anhui Non-government Medical Institutions (安徽省非公立醫療機構協會康復專業委員會副主委單位)	Medical Institutions Division Established by Social Capitals of Anhui Hospital Association (安徽省醫院協會社會辦醫療機構分會)	Hefei Bayway Changrong Hospital
2023	"Unit Member" of Chinese Association of Rehabilitation Medicine (中國康復醫學會"單位會員")	Chinese Association of Rehabilitation Medicine (中國康復醫學會)	Hefei Bayway Changrong Hospital

Year	Awards/recognitions	Award/recognition issuing body	Entity receiving award/recognition
2023	Science Education Base of Chinese Association of Rehabilitation Medicine (中國康復醫學會科普教育基地)	Chinese Association of Rehabilitation Medicine (中國康復醫學會)	Wuzhi Jimin Hospital
2023	China Chest Pain Center Standard Edition (中國胸痛中心標準版)	China Heart House (蘇州工業園區東方華夏心血管健康研究院)	Wuzhi Jimin Hospital
2022	Chinese Hospital Association Unit Member (中國醫院協會單位成員)	Chinese Hospital Association	Beijing Western Cancer Hospital
2022	Modern Hospital Management Outstanding Case Award* (現代醫院管理優秀案例獎)	Peking University School of Continuing Medical Education (北京大學醫學繼續教育學院)	Tianjin Shishi Hospital
2022	Shanxi Province Cancer Specialist Alliance Director Unit (山西省腫瘤專科聯盟理事單位)	Shanxi Provincial Health and Family Planning Commission (山西省衛生和計劃生育委員會)	Taiyuan Peace Hospital
2022	National Alliance of Regional Medical Center Rehabilitation Medicine Specialties (國家區域醫療中心康復醫學專科聯盟)	Shanxi Bethune Hospital (山西白求恩醫院)	Taiyuan Peace Hospital
2022	Internship Base of Anhui University of Chinese Medicine (安徽省中醫藥大學實習基地)	Anhui University of Chinese Medicine (安徽中醫藥大學)	Hefei Bayway Changrong Hospital
2022	Chest Pain Center (胸痛中心) and Atrial Fibrillation Center (房顫中心)	China Chest Pain Center Alliance (中國胸痛中心聯盟)	Huangshan Shoukang Hospital
2022	Heart Failure Center (心衰中心)	China Heart Failure Center Alliance (中國心衰中心聯盟)	Huangshan Shoukang Hospital
2021	Chinese Hospital Association Unit Member	Chinese Hospital Association	Beijing Western Cancer Hospital

Year	Awards/recognitions	Award/recognition issuing body	Entity receiving award/recognition
2021	Sub-center of National Clinical Research Center for Chinese Medicine Acupuncture and Moxibustion (國家中醫針灸臨床醫學研究中心分中心)	National Clinical Research Center for Chinese Medicine Acupuncture and Moxibustion	Tianjin Shishi Hospital
2021	Chinese Association of Rehabilitation Medicine Science Popularization Demonstration Base (中國康復醫學會科普示範基地)	Chinese Association of Rehabilitation Medicine	Taiyuan Peace Hospital
2021	Digestive System Oncology Multidisciplinary Diagnosis and Treatment (MDT) Center* (消化系統腫瘤多學科診療(MDT)中心)	China Oncology MDT Alliance	Huangshan Shoukang Hospital
2021	China Trauma Rescue & Treatment Association Director Unit (中國創傷救治聯盟理事單位)	China Trauma Rescue & Treatment Association	Huangshan Shoukang Hospital
2020	National Standardized Cardiac Rehabilitation Center (國家標準化心臟康復中心)	National Clinical Research Center for Cardiovascular Diseases, Chinese Society of Cardiology and Cardiovascular Disease Prevention and Rehabilitation Professional Committee of Chinese Association of Rehabilitation Medicine	Taiyuan Peace Hospital

Year	Awards/recognitions	Award/recognition issuing body	Entity receiving award/recognition
2020	Shanxi Key Clinical Specialty Construction Project Unit (Rehabilitation Department) for Private Hospitals (山西省社會辦醫院臨床重點專科建設項目單位(康復科))	Health Commission of Shanxi Province (山西省衛健委)	Taiyuan Peace Hospital
2020	Taiyuan City Hospice Care Pilot Unit	Health Commission of Taiyuan City	Taiyuan Peace Hospital
2020	2019 Feiyue Award – Top 10 Private Medical Institutions (2019飛躍獎民營醫療機構10強)	Dingxiangyuan Yiyuanhui (丁香園醫院匯)	Huangshan Shoukang Hospital
2019	Beijing Anti-Cancer Association Screening and Early Detection of Cancer Base	Beijing Anti-Cancer Association	Western Beijing Cancer Hospital
2019	Chinese Association of Rehabilitation Medicine Unit Member (中國康復醫學會單位成員)	Chinese Association of Rehabilitation Medicine	Taiyuan Peace Hospital

EMPLOYEES

As of the Latest Practicable Date, we had 1,997 full-time employees in China, among which, 112 were employees at our headquarters level and 1,885 were employees of our self-owned hospitals. The following table shows a breakdown of our employees by function as of the Latest Practicable Date:

Functions	Number of employees	As % of total employees
Headquarters level		
Management	13	0.6
Operation	7	0.3
Finance and investment	18	0.9
Procurement	18	0.9
Technology and information management	4	0.2
Sales and promotion	31	1.6
Quality control and supervision	6	0.3
Administrative and other	15	0.8
Subtotal	**112**	**5.6**
Self-owned hospitals		
Physicians	486	24.3
– Chief physicians	25	1.2
– Associate-chief physicians	81	4.1
– Attending physicians	206	10.3
– Resident physicians	118	5.9
– Assistant physicians	56	2.8
Technical, pharmaceutical and nursing medical professionals	957	47.9
Other medical professionals[Note]	141	7.1
Management, administration and others	301	15.1
Subtotal	**1,885**	**94.4**
Total	**1,997**	**100.0**

Note: Other medical professionals in our In-network Hospitals primarily comprise practice nurses, auxiliary doctors and other patient service staff working in medical service departments, physical examination centers and emergency centers.

In addition, as of the Latest Practicable Date, our Managed Hospitals in operation had an aggregate of 992 full-time employees, including 248 physicians, 491 technical, pharmaceutical and nursing medical professionals, 111 other medical professionals and 142 management, administration and other personnel.

Our employees typically enter into standard employment contracts with us. Remuneration packages for our employees may comprise one or more of the following elements: base salary, performance-based bonus and discretionary bonus. We formulate the Employee Handbook (《員工手冊》) to regulate and manage our employees and clearly create an atmosphere of equality, respect and trust among employees in our Group and set performance targets for our employees based on their positions and departments and periodically review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals.

We offer various employee benefit plans, including housing provident funds, pension, medical, maternity, work-related injuries and unemployment benefits in accordance with applicable laws and regulations.

With respect to our Managed Hospitals, they formulate the relevant systems and policies and submit to our Group for filing, and we are not responsible for the remuneration packages and benefit plans of their employees. Except for those disclosed below in this document, we complied with applicable laws and regulations related to labor and employee benefit plans in all material aspects during the Track Record Period.

We provide both in-house and external trainings for our employees to improve their skills and knowledge. In particular, we regularly organize specialized internal training and dispatch our employees to exchange and study in our In-network Hospitals to promote the internal sharing of medical resources, hospital management experience, clinical medical management and other aspects. In order to enhance the comprehensive quality of our internal middle and senior management team and the professional skills of clinical staff, our Group will regularly take the lead in organizing relevant training courses for such employees in accordance with the laws and regulations, industry policies and our actual needs of development of full-cycle oncology healthcare services.

For our management-related personnel, we provide the core reserve personnel with opportunities to well-known colleges and universities to participate in the professional training of modern hospital management, which provides experience sharing and trainings on hospital strategic management, financial management, leadership, national policies, practice exchanges and other multi-dimensional aspects.

We cooperate with the professional recruitment platforms in healthcare industry to conduct thematic trainings for personnel related to various functions, such as brand compliance, human resource management and other relevant themes. Besides, we actively participate in the communication of cutting-edge industry information and clinical experience through closely collaborating with selected external medical institutions, such as Beijing Cancer Hospital.

As of the Latest Practicable Date, our Group has established labor union. All labor disputes are handled in accordance with all applicable laws, rules and regulations. We believe we maintain good relationships with our employees. During the Track Record Period, we did not experience any significant staff turnover or any disruption to our business operations due to labor disputes.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had (i) 38 trademarks registered in the PRC and one trademark registered in Hong Kong; (ii) 17 registered domain names in the PRC; and (iii) nine registered copyright, which we consider to be or may be material to our business. As of the Latest Practicable Date, we were in the course of applying for the registration of one patent in the PRC.

We recognize the importance of our intellectual property rights and will protect and enforce our intellectual property rights if we discover any infringement on our rights. As of the Latest Practicable Date, we were not engaged in or threatened with any pending litigation or arbitration for infringement of any intellectual property rights, whether as a claimant or as a defendant. For further details on our intellectual property rights, please see "Appendix IV – Statutory and General Information – Further Information about the Business of the Company – Our Material Intellectual Property Rights" in this document.

LICENSES, PERMITS AND CERTIFICATES

We operate in a heavily regulated industry and as a result, we are required to obtain various licenses, approvals, permits and certificates for our operations. We had obtained the material licenses, approvals, permits and certificates for our current business operations as of the Latest Practicable Date. The following table sets forth our major licenses, permits and certificates as of the Latest Practicable Date:

Hospitals/Companies	License/Permit/Certificate	Effective Date	Expiration Date
Self-owned Hospitals			
Western Beijing Cancer Hospital	Medical Institution Practicing License (醫療機構執業許可證)	April 15, 2021	December 31, 2035
	Radiation Treatment License (放射診療許可證)	February 18, 2024	N/A(1)
	Radiation Safety License (輻射安全許可證)	March 27, 2024	January 11, 2028
Tianjin Shishi Hospital	Medical Institution Practicing License	April 20, 2020	April 20, 2035
	Radiation Treatment License	July 27, 2021	N/A(1)
	Radiation Safety License	September 11, 2020	September 10, 2025
Tianjin Nankai Jixing Hospital (Hongqi Road)	Medical Institution Practicing License	November 13, 2023	November 12, 2028
	Radiation Treatment License	February 22, 2021	N/A(1)
	Radiation Safety License	August 11, 2023	August 10, 2028
Taiyuan Peace Hospital	Medical Institution Practicing License	June 29, 2023	May 31, 2030
	Radiation Treatment License	December 5, 2019	N/A(1)
	Radiation Safety License	September 30, 2021	June 15, 2024

Hospitals/Companies	License/Permit/Certificate	Effective Date	Expiration Date
Hefei Bayway Changrong Hospital	Medical Institution Practicing License	September 27, 2021	September 26, 2036
	Radiation Treatment License	July 23, 2021	N/A[(1)]
	Radiation Safety License	January 17, 2023	December 11, 2027
Wuzhi Jimin Hospital	Medical Institution Practicing License	September 19, 2023	April 19, 2033
	Radiation Treatment License	June 27, 2023	N/A[(1)]
	Radiation Safety License	June 13, 2023	June 12, 2028
Managed Hospitals			
Huangshan Shoukang Hospital	Medical Institution Practicing License	September 9, 2014	September 8, 2026
	Radiation Treatment License	June 19, 2019	N/A[(1)]
	Radiation Safety License	December 28, 2021	November 6, 2026
Taiyuan Wanbailin District Peace Community Health Service Center	Medical Institution Practicing License	April 1, 2020	March 31, 2025
Our Other Subsidiaries			
Huangshan Bokang Pharmacy Co., Ltd. (黃山博康大藥房有限公司)*	Pharmaceutical Trade License (藥品經營許可證)	November 12, 2021	January 20, 2025
	Class II Medical Device Operation Registration Certificate (第二類醫療器械經營備案憑證)	November 19, 2021	N/A[(2)]
Anhui Ruizhong	Medical Device Operation License (醫療器械經營許可證)	August 2, 2023	November 1, 2026
	Class II Medical Device Operation Registration Certificate	August 2, 2023	N/A[(2)]
	Radiation Safety License	November 20, 2023	November 19, 2028
Huangshan Bohong	Pharmaceutical Trade License	August 16, 2022	November 18, 2025
	Medical Device Operation License	August 20, 2023	August 19, 2028
	Class II Medical Device Operation Registration Certificate	August 17, 2022	N/A[(2)]

Hospitals/Companies	License/Permit/Certificate	Effective Date	Expiration Date
Anhui Weizhong Medical Equipment Sales Co., Ltd.	Medical Device Operation License	August 14, 2023	May 8, 2028
	Class II Medical Device Operation Registration Certificate	August 14, 2023	N/A(2)
	Radiation Safety License	November 27, 2023	November 26, 2028
Beijing Baize Medical Management Co., Ltd. (北京佰澤醫療管理有限公司)*	Medical Device Operation License	June 28, 2022	June 27, 2027
	Class II Medical Device Operation Registration Certificate	June 7, 2023	N/A(2)
Henan Huibai Medical Equipment Co., Ltd. (河南惠佰醫療設備有限公司)*	Medical Device Operation License	September 8, 2022	September 7, 2027
	Class II Medical Device Operation Registration Certificate	September 8, 2022	N/A(2)
Taiyuan Peace Hospital Management Company Limited (太原市和平醫院管理有限公司)*	Class II Medical Device Operation Registration Certificate	August 29, 2022	N/A(2)
Henan Tengfang Medical Equipment Co., Ltd. (河南騰方醫療設備有限公司)*	Medical Device Operation License	March 21, 2023	March 20, 2028
	Class II Medical Device Operation Registration Certificate	March 21, 2023	N/A(2)
Beijing Huishi Medical Equipment Sales Co., Ltd. (北京惠世醫療器械銷售有限公司)*	Class II Medical Device Operation Registration Certificate	September 18, 2023	N/A(2)

Notes:

(1) According to local policies, such Radiation Treatment Licenses, once issued, are perpetual and will be subject to annual inspections; and

(2) Such certificates remain valid until de-registration by us.

In addition to the above licenses, permits and certificates, we have also obtained other licenses and permits such as Maternal and Child Healthcare Technical Services License (母嬰保健技術服務執業許可證) and License for Deployment of Large-scale Medical Equipment (大型醫用設備配置許可證). For further details on our licenses, permits and certificates, please see "Regulatory Overview" in this document. We monitor the validity status of and plan to renew the necessary licenses, approvals, permits and certificates upon expiration. We had not experienced any material legal impediment in obtaining or renewing the necessary licenses, approvals, permits and certificates for our business operations during the Track Record Period and up to the Latest Practicable Date.

HISTORICAL IMPACT OF THE COVID-19 PANDEMIC ON OUR OPERATIONS

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. In an attempt to limit the spread of the virus, governments had implemented numerous measures, which had created significant volatility, uncertainty and economic disruption and had affected our business and results of operations, cash flows and financial position during the Track Record Period.

During the Track Record Period, the emergence and spread of the COVID-19 pandemic led to the implementation of mobility restrictions from time to time in areas where our business operated. Nevertheless, due to the relatively stable pandemic situation and government restricted measures, our revenue and outpatient and inpatient visits of our In-network Hospitals continued to grow since 2021. For the years ended December 31, 2021, 2022 and 2023, (i) our revenue was RMB461.6 million, RMB802.7 million and RMB1,072.2 million, respectively; (ii) the total number of outpatient visits in our self-owned hospitals was 196,457, 547,919 and 701,502, respectively; and (iii) the total number of inpatient visits in our self-owned hospitals was 5,834, 30,740 and 44,461, respectively.

The impacts of the COVID-19 pandemic may remain prevalent for a significant period of time and may continue to adversely affect our business, results of operations and financial condition even after the COVID-19 pandemic has subsided. Nevertheless, our Directors confirm that, considering (i) our revenue and outpatient and inpatient visits continued to grow since 2021 after the outbreak of the COVID-19 pandemic; (ii) the industry where we operate is generally less affected by the COVID-19 pandemic as compared to other industries, such as other offline service industries, according to Frost & Sullivan; (iii) we have taken reasonable precautionary measures pursuant to the government guidelines to minimize the impacts of the COVID-19 pandemic to our normal business operations; and (iv) since December 2022, the pandemic situation across China has improved significantly, with major cities resuming normal social and economic activities, the COVID-19 pandemic did not have any material adverse impact on our business and results of operations in the short and long term, and is not expected to bring any permanent or material interruption to our operations.

LEGAL PROCEEDINGS AND COMPLIANCE

Non-compliance Incidents

Our business is operated in the healthcare service industry, which is heavily regulated in China. For a summary of the relevant PRC laws and regulations, which our business operations are subject to, please see "Regulatory Overview" in this document.

During the Track Record Period, we had non-compliance incidents that arose in the operation of our business from time to time. Set forth below is a summary of our non-compliance matter in connection with social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date, as well as rectification actions and preventive measures that we have taken in respect of such matters:

Non-compliance Incidents	Reasons for the non-compliance	Legal consequence and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
Non-compliance incidents in connection with social insurance and housing provident funds				
During the Track Record Period, certain of our companies failed to comply with applicable laws and regulations in connection with social insurance and housing provident funds. The following companies in our Group failed to fully make social insurance and housing provident fund contributions for their employees: (i) Wuzhi Jimin Hospital Company; (ii) Taiyuan Peace Hospital Company; (iii) Anhui Shoukang Investment; (iv) Tianjin Shishi Hospital Company; (v) Hefei Bayway Changrong Hospital Company; (vi) Western Beijing Cancer Hospital Company; (vii) Anhui Ruizhong; (viii) Tianjin Nankai Jixing Hospital (Hongqi Road); (ix) Huangshan Bohong; (x) Tianjin Baihui Medical Management; and (xi) Taiyuan Peace Management.	The non-compliance incidents were primarily due to (i) inconsistent implementation of the PRC laws and regulations by local authorities; and (ii) the relevant human resources personnel who did not fully understand the relevant requirements under the PRC laws and regulations.	According to the applicable PRC laws and regulations, with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts, and they may impose a maximum fine or penalty equivalent to three times the outstanding amounts if we fail to do so. According to the applicable PRC laws and regulations, with respect to housing provident funds, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. We have not historically received any notification from the relevant authorities alleging that we had not fully made social insurance and/or housing provident fund contributions, nor have we received any request for payment of any outstanding amounts by the relevant authorities. As advised by our PRC Legal Advisor, on the condition that we pay the outstanding amount and the charges in respect of deferred payment as requested by the competent PRC government authorities within the prescribed time, the likelihood of us being subject to administrative penalties by the relevant PRC government authorities is relatively low.	We have taken the following rectification measures to prevent future occurrence of such non-compliance incidents: (i) we have formulated internal policies related to the application and management of social insurance and housing provident funds policies, such as Employee Welfare Management Measures (《員工福利管理辦法》); (ii) we have assigned special personnel to carry out daily monitoring of applicable laws, regulations and local government policies, to follow up and understand the relevant updates; and (iii) we have assigned special personnel to supervise the payment of employees' social insurance and housing provident funds every month. As of the Latest Practicable Date, we have made arrangements for, and will arrange, payment of contributions in relation to social insurance and housing provident fund for our employees according to the applicable PRC laws and regulations.	Our Directors considered that such non-compliance incidents would not have a material operational or financial impact on us, considering that: (i) as of the Latest Practicable Date, we had not received any request from any relevant authorities to make such payments; (ii) as of the latest Practicable Date, we were not aware of any employee complaints nor were involved in any labor disputes with our employees with respect to contributions of social security insurance and housing provident fund; (iii) we have made provisions in a total amount of RMB4.3 million, RMB6.1 million and RMB7.2 million, respectively, in respect of the potential liabilities arising from our non-compliance concerning social insurance and housing provident fund contributions for the years ended December 31, 2021, 2022 and 2023; and

Non-compliance Incidents	Reasons for the non-compliance	Legal consequence and potential maximum penalties	Remedies and rectification measures taken to prevent future breach and ensure on-going compliance	Potential impact on our operations and financial condition
				(iv) Our Controlling Shareholders warrant that we will not suffer impairment of assets or increase of liabilities arising from any contributions or top-up payments, late fees, claims, penalties as a result of non-payment of social insurance premiums or housing provident fund in full and they undertake to indemnify us in full for such losses. We also warrant that we will pay the outstanding amount and the charges in respect of deferred payment as requested by the competent PRC government authorities within the prescribed time if we are ordered by them. As advised by our PRC Legal Advisor, on the condition that we pay the outstanding amount and the charges in respect of deferred payment as requested by the competent PRC government authorities within the prescribed time, the likelihood of us being subject to administrative penalties by the relevant PRC government authorities is relatively low.

For more details of our non-compliance matters during the Track Record Period and up to the Latest Practicable Date, please also see "Risk Factors – Risks Relating to Regulatory Compliance – We conduct our business in a heavily regulated industry and incur on-going compliance costs as well as face penalties for non-compliance." in this document and "– Our Properties" in this section.

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, and save as disclosed in this document, we had not been subject to any fines or legal action involving non-compliance with the applicable PRC laws or regulations relating to our business that would have a material impact on our business operations.

Undergoing Litigation

As of the Latest Practicable Date, we had one undergoing litigation in relation to contract dispute. In July 2023, one of our business partners (the "**Plaintiff**"), which entered into a cooperation agreement (the "**Cooperation Agreement**") with Hefei Changrong Hospital to provide services for the clinical laboratory construction of Hefei Changrong Hospital in December 2017, filed a claim against Hefei Bayway Changrong Hospital Company and Bayway Rehabilitation and Health with the People's Court of Baohe District, Hefei City, Anhui Province (安徽省合肥市包河區人民法院), claiming the compensation and relevant litigation cost in the total sum of approximately RMB9.2 million as well as the termination of the Cooperation Agreement.

As of the Latest Practicable Date, this undergoing litigation was still awaiting its first hearing. Hefei Bayway Changrong Hospital Company and Bayway Rehabilitation and Health have engaged a PRC litigation counsel who is of the view that risks are remote that the court would rule against us, in consideration of the major reasons that (i) the Cooperation Agreement is not binding on Hefei Bayway Changrong Hospital Company and Bayway Rehabilitation and Health, because they are not the signing parties of the Cooperation Agreement; (ii) the evidences provided by the Plaintiff are insufficient; and (iii) the Plaintiff's claims lack the support of relevant legal basis. In light of the foregoing and based on the advice of the PRC litigation counsel, our Directors are of the view that risks are remote that the court would rule against us.

MEDICAL INCIDENTS

Resolved and Settled Medical Disputes

Due to the subjective nature of the healthcare services, our In-network Hospitals occasionally encounter medical disputes brought by our patients and/or their families against us. Such medical disputes were settled through private settlement, mediation or litigation. During the Track Record Period and up to the Latest Practicable Date, our In-network Hospitals did not experience any medical disputes that could cause a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period and up to the Latest Practicable Date, the total amount of monetary compensation paid by our self-owned hospitals to settle medical disputes was approximately RMB1.9 million. In each of the above medical disputes, we believe that the medical professionals have followed appropriate procedures and protocols. None of the medical disputes settled by our In-network Hospitals during the Track Record Period and up to the Latest Practicable Date involved any determination of serious medical incidents (醫療事故).

Unresolved Medical Disputes

During the Track Record Period and up to the Latest Practicable Date, we had three unresolved medical disputes in relation to the identification of medical damage liability. As of the Latest Practicable Date, these medical disputes were still undergoing judicial appraisal. We believe that these medical disputes reflect the inherent risks in relation to our business and operations.

During the Track Record Period and up to the Latest Practicable Date, none of the physicians, technical, pharmaceutical and nursing medical professionals and other medical professionals of our In-network Hospitals were involved in any proceeding for administrative penalties or otherwise determined to be liable for serious medical incidents.

INTERNAL CONTROL AND RECTIFICATION MEASURES

Our Directors are responsible for monitoring our internal control system and reviewing its effectiveness. In accordance with applicable laws and regulations, we have implemented measures with a view to establishing and maintaining our risk management and internal control system, including the establishment of risk management policies, monitoring of operational processes and compliance with applicable laws and regulations.

In particular, our Directors have attended trainings conducted by our Hong Kong legal advisors on the ongoing obligations, duties and responsibilities of directors of publicly [**REDACTED**] companies under the Companies Ordinance, the SFO and the Listing Rules and our Directors are fully aware of their duties and responsibilities as directors of a [**REDACTED**] company in Hong Kong.

We [have established] an Audit Committee, which comprises three independent non-executive Directors. The Audit Committee has also adopted its terms of reference, which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements. The Audit Committee is empowered under its terms of reference to review any arrangement, which may raise concerns about possible improprieties in financial reporting, internal control or other matters. We have also appointed Caitong International Capital Co., Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules to ensure that, among others, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

With respect to medical disputes, we require all our departments and staff to follow our internal procedures on handling medical disputes. Any material incident, which has caused or may cause injury, death or any other serious consequences shall immediately be reported to the department of medical administration, office of doctor-patient relationship and the relevant department head, which shall investigate the incidents. The department of medical administration and office of doctor-patient relationship are responsible for preserving relevant evidence and offering our patients and/or their families an explanation, and try to solve the disputes amicably.

With respect to anti-corruption, we have specific policies and procedures in place. The design and implementation of anti-corruption policies and procedures are overseen by our management and Audit Committee. Related policies are set forth in the employee handbook and code of conduct. We have a zero tolerance policy towards acceptance of any form of bribes by doctors, staff and hospital management team.

We have also established a whistle blower program, dedicated hotline and email address to receive named or anonymous reports of corruption charges, and stringent investigation protocols. Any employee found in breach of the relevant hospital's anti-corruption policies faces termination of employment. Our employees undergo anti-corruption trainings on an annual basis and we maintain relevant training records.

With respect to our non-compliance incidents during the Track Record Period, we have put in place the following enhanced corporate governance measures to ensure that we will comply with applicable tax laws and regulations:

- ***Internal Policies:*** We have formulated a series of internal policies in various aspects related to our operation, such as the Employee Welfare Management Measures (《員工福利管理辦法》), in order to reduce the risk of non-compliance incidents in our business operation.

- ***Government Policies Monitoring:*** We assign special personnel to carry out daily monitoring of applicable laws, regulations and local government policies, to follow up and understand the relevant updates, especially the laws and regulations of social insurance and housing provident fund, so as to ensure that the staff of our Group can accurately understand the current relevant regulatory requirements. Besides, we provide trainings in relation to compliance matters to our senior management team and relevant staff from time to time.

- ***Internal control consultant:*** We have engaged an internal control consultant to help optimize our risk management and internal control systems and put in place enhanced corporate governance measures as advised by the internal control consultant.

Based on (i) the facts and circumstances leading to our non-compliance incidents as described in "Risk Factors – Risks Relating to Regulatory Compliance – We conduct our business in a heavily regulated industry and incur on-going compliance costs as well as face penalties for non-compliance." in this document, "– Legal Proceedings and Compliance – Non-compliance Incidents" and "– Our Properties" in this section; (ii) the remedial actions taken to address such incidents; and (iii) the foregoing internal control measures, our Directors are of the view, after considering the facts and reviewing the above internal control measures, and are satisfied, that

(i) the above measures will effectively ensure a proper internal control system to prevent future similar non-compliance with the PRC laws and regulations; and

(ii) our non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08, 3.09 and 8.15 on the Listing Rules and the suitability of our Company under Rule 8.04 of the Listing Rules.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

As an oncology healthcare group engaged in the investment in, and provision of, medical and healthcare related services in the PRC, we focus on the medical and healthcare related needs of the aging society. With full-cycle oncology healthcare services as our core area, we provide high-quality medical resources, rich management experience and systematic improvement plans to our In-network Hospitals from the aspects of disciplinary planning and development, talent cultivation, brand building, and operational management.

By benchmarking with the requirements set out in the industry and the Listing Rules, we have identified environmental, social and governance ("**ESG**") matters highly related to corporate sustainability, including healthcare service quality, customer relationship management, enhancing public health awareness, occupational health and safety, etc. In this regard, we have established relevant policies, management processes or operation manuals, such as the Hospital Management System (《醫院管理制度》), the Hospital System Responsibilities (《醫院制度職責》), the Eighteen Medical Core Systems (《十八項醫療核心制度》), and the Follow-up System for Discharged Patient (《出院患者隨訪制度》), etc..

Governance on ESG Matters

We are well aware that a top-down ESG governance framework is crucial for effective and efficient ESG management. In terms of ESG governance, we have established a three-level ESG governance system including "decision-making level – executive level – practice level", including:

(i) From the perspective of governance, we have set up a Strategy and Development Committee under the Board, which is responsible for the strategy and decision-making of ESG matters, assessing and determining the Group's ESG risks, and ensuring that the Group establishes an appropriate and effective ESG risk management and internal control system to strengthen the oversight and supervision of ESG matters.

(ii) From the perspective of management, we have set up an ESG leadership group at the headquarters level, with main responsibilities as follows:

- monitoring the latest ESG-related laws and regulations, including the applicable provisions of the Listing Rules, informing the Board of any changes in applicable laws and regulations at any time, and updating the Group's ESG policies in accordance with the latest regulatory requirements;

- identifying the main stakeholders of the Group based on our business operations and understanding the influence and independence of relevant stakeholders on ESG matters;

- regularly assessing ESG related risks, especially climate-related risks, in accordance with applicable laws, regulations and policies, so as to ensure the performance of our responsibilities related to ESG matters;

- heads of each department undertaking ESG issues are responsible for risk assessment and risk management of ESG matters under his/her own function, and regularly report to the leader of ESG working group to elaborate the Group's environmental, social and governance management policies, strategies, related importance and objectives, and explain how they are related to the Group's business;

- monitoring the effectiveness of our ESG policies and ensuring their implementation, and providing confirmation to the Board on the effectiveness of the system; and

- reporting the implementation of our ESG policies to our Board every year and prepare ESG reports (after the [**REDACTED**]).

(iii) From the perspective of executive level, we have set up an ESG working group mainly consisting of affiliated In-network Hospitals and companies, which is responsible for the promotion, guidance, execution monitoring, and information reporting of specific ESG matters in various In-network Hospitals and companies under the leadership of the ESG leadership group at headquarters.

We value communication with investors, patients, employees, partners, communities, government or regulatory agencies, industry associations and other stakeholders. We also pay attention to important issues of concern to all stakeholders, continuously improve management, in order to better respond to their expectations and create value for all stakeholders.

Resource Usage

Energy usage

The energy consumption in the operation processes mainly includes electricity, natural gas, gasoline and diesel. The natural gas consumption is attributed to the use of canteen boiler and the direct gas turbine used for heating and refrigeration. Gasoline and diesel are mainly used by hospital vehicles. In terms of energy use, we have established the Green Office Management Measures (《綠色辦公管理措施》), the Hospital Electricity Management System (《醫院用電管理制度》), the Energy Conservation and Consumption Reduction Management Measures (《節能降耗管理辦法》), etc.

During the Track Record Period, we have actively carried out a series of energy-saving and consumption reduction measures, primarily including, making energy saving signs to actively promote the concept of energy saving and consumption reduction to employees; arranging property management personnel to conduct inspections and promptly turn off unnecessary energy switches; formulating management regulations for the use of air conditioning to standardize the indoor temperature at which the air conditioner can be turned on in winter and summer as well as the heating/cooling temperature after it is turned on, and performing quarterly cleaning and maintenance; applying voice control for electricity use in public areas; promoting paperless office work and reduce disposable office supplies (such as paper cups, tissues, etc.).

In terms of saving gasoline, we have adopted the working mode of "preventive maintenance" for vehicles, regularly inspect and maintain, and implement fine inspection and repair to control hidden dangers and defects in their infancy; improve driver competency, driving safety awareness and their familiarity with energy-saving driving technology, as well as reasonably arrange the driving route of vehicles.

Water resources usage

Our main sources of water intake are municipal tap water, and there are no issues with water intake. In terms of water resources management, we formulate the Water Conservation Management System (《節約用水管理制度》) and the Pump House System (《水泵房制度》), etc.

We post water conservation publicity signs in public places to strengthen the awareness of water conservation among staff, patients and their families; strengthen line inspection, timely repair water supply facilities and pipelines to reduce water resource loss; promote the use of energy-saving and water-saving facilities such as solar water heaters and induction taps to achieve water conservation, and advocate water-saving technology renovation and innovation.

Green packaging

We are not a manufacturing enterprise and do not use a large amount of packaging materials. Most of the drugs provided to patients are packaged by drug manufacturers. In rare cases involving drug sub-packaging, we strive to reduce unnecessary packaging while ensuring safety and hygiene.

In addition, as for TCM, we use environmentally-friendly kraft paper to prevent dampness and facilitate patients to take them quantitatively; for prescription drugs, we attach identification labels with patient and drug information on the drug packaging box, and provide degradable bags for convenient needs of patient.

The resource usage during the Track Record Period are as follows:

	Year ended December 31,		
	2021	2022	2023
Energy Usage			
Electricity (MWh)	3,166.73	9,993.27	11,099.45
Natural gas (Cubic meter)	391,722.10	356,441.00	353,320.46
Gasoline (Litres)	155,310.65	213,795.25	182,680.46
Diesel (Litres)	–	5,751.22	5,149.45
Total comprehensive energy consumption*(Note)* (MWh)	9,080.53	20,573.11	21,157.07
Comprehensive energy consumption density (MWh/million RMB revenue)	28.85	33.29	25.99
Water Usage			
Total amount of water usage (tons)	27,455.00	154,996.31	182,527.26
Water usage density (tons/million RMB revenue)	87.24	250.84	224.20

	Year ended December 31,		
	2021	**2022**	**2023**
Packaging Material Consumption			
Total consumption of packaging materials (tons)	5.69	6.41	10.60
Paper usage (tons)	3.42	3.93	6.58
Plastic usage (tons)	2.04	2.24	3.54
Gauze usage (tons)	0.24	0.24	0.48
Consumption of packaging materials density (tons/million RMB revenue)	0.02	0.01	0.01

Note: Total comprehensive energy consumption refers to the General Principles for Calculation of Comprehensive Energy Consumption《綜合能耗計算通則》 (GB/T 2589-2020) issued by the State Administration for Market Regulation and the National Standardization Administration.

We are committed to energy conservation and resource utilization. We set the goal of the electricity consumption per million revenue and water consumption per million revenue do not exceed the 2022 intensity under the circumstance that no further expanding the scope and area of our business operations.

Emission Management

Wastewater

Our medical wastewater is pre-treated, biologically treated, chemically treated, and physically treated by hospital wastewater treatment facilities. After reaching the required standards, it enters the local sewage treatment plant for treatment through the pipeline network of urban sewage treatment plant. In the headquarters and other affiliated companies, only domestic sewage exists and is incorporated into the pipe network of the urban municipal sewage treatment plant for treatment according to local requirements. As for wastewater discharge, we have formulated the Hospital Sewage Treatment Management System (《醫院污水處理管理制度》).

Air emission

Our main sources of air pollution are particulate matter, sulfur dioxide, nitrogen oxides generated by canteen boilers and heating direct combustion units, as well as exhaust emissions from vehicles. We have installed an oil fume treatment device to treat the exhaust gas from the cafeteria; for the exhaust gas generated by heating direct combustion units, we are equipped with low nitrogen burners to maximize combustion chamber utilization and entrust a third-party professional organization to regularly test the concentration of pollutants in the air emission to ensure that it meets the pollutant emission limits required by supervision and regulations.

Waste

In terms of waste management, we strictly implement internal management systems in accordance with the Regulations on the Management of Medical Waste (《醫療廢物管理條例》) and Medical Waste Management Measures for Medical and Health Institutions (《醫療衛生機構醫療廢物管理辦法》) and based on the principle of whole process control, such as the Medical Waste Management System and Process (《醫療廢物管理制度及流程》), the Medical Waste Disposal Management System (《醫療廢物處置管理制度》), the Medical Waste Management Collection, Transportation, and Temporary Storage Work System (《醫療廢物管理收集運送、暫存工作制度》), etc.

The waste generated by our In-network Hospitals mainly consists of medical waste, general industrial solid waste, and household waste. We classify and collect infectious waste, injurious waste, pathological waste, pharmaceutical waste, and chemical waste according to the Classified Catalogue of Medical Wastes (《醫療廢物分類目錄》). After being transported to the hospital medical waste storage place by transport personnel, qualified centralized medical waste treatment units will dispose of them in time. General industrial solid waste is collected and sold to material recycling companies, while household waste is collected by classification and handled by sanitation sectors to further realize the reduction and recycling of solid waste.

The pollutant emission for the Track Record Period are as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
Wastewater Discharge			
Total amount of wastewater discharge (tons)	22,789.02	107,997.52	123,672.36
Wastewater discharge intensity (tons/million RMB revenue)	72.42	174.78	151.91
Exhaust Emissions			
SO_2 emissions (tons)	0.07	0.12	0.13
NO_x emissions (tons)	0.69	1.14	1.17
Particulate matter emissions (tons)	0.09	0.15	0.16
Waste Discharge			
Total hazardous waste (tons)	67.24	292.49	247.90
Hazardous waste density (tons/million RMB revenue)	0.21	0.47	0.30
Total non-hazardous waste (tons)	776.50	1,649.65	1,759.30
Non-hazardous waste density (tons/million RMB revenue)	2.47	2.67	2.16

Our targets in terms of wastewater and air emission are 100% compliant emission. If the local emission standards become stricter in the future, we will optimize the processing process or upgrade the relevant equipment as needed. We will continue to promote effective waste management and set a target of no longer increasing the amount of waste generated under the circumstance that no further expanding the scope and area of our business operations.

Our cost for compliance with applicable environmental protection rules and regulations mainly consists of medical waste disposal cost and sewage treatment cost. For the years ended December 31, 2021, 2022 and 2023, our medical waste disposal cost and sewage treatment cost amounted to approximately RMB0.3 million, RMB0.8 million and RMB1.3 million, respectively.

During the Track Record Period, we did not encounter any material non-compliance or complaints in relation to the health, safety and environmental protection laws and regulations. Going forward, we expect that the annual cost of compliance with health, safety and environmental protection rules and regulations may increase in line with the growth and expansion of our business.

Addressing Climate Change

We refer to Task Force on Climate-related Financial Disclosures ("**TCFD**") framework and recommendations to identify climate-related risks, assess the actual and potential impacts on our operations, strategies and financial performance, and take proactive actions to promote sustainable business development.

In terms of governance, we have initially established a management framework for climate-related risks and opportunities, defining the main responsibilities of the governance and executive levels, and fully integrating climate change into corporate governance. For details, please see "– Environmental, Social and Governance Matters – Governance on ESG Matters" in this section.

Climate-related risks include risks related to the physical impacts of climate change (hereinafter referred to as "**physical risks**") and risks related to low-carbon economic transformation (hereinafter referred to as "**transition risks**"). In terms of identifying and evaluating climate related risks, the increased frequency of acute physical risks such as heavy rainfall, typhoons and other extreme weather events may, on the one hand, lead to power shortages that directly affect hospital operations, medical facility operations and communications.

On the other hand, it may also adversely affect the stability of the supply chain, personnel commuting and transportation, resulting in the risk of reduced business continuity, increased operating costs, and increased frequency of employee and patient safety accidents. Therefore, we have formulated emergency plans for public emergencies, environmental emergencies and medical emergencies, including the Safety and Security Emergency Plan (《安全保衛應急預案》), the Environmental Emergencies Emergency Plan (《突發環境事件應急預案》), the

Sudden Disaster Accidents Medical Emergency Rescue Plan (《突發災害事故醫療應急救援預案》), and the In-Hospital Emergencies and Accidents Emergency Plan (《院內緊急意外事件應急預案》), etc., use dual power supply as well as add uninterrupted power supply in some important areas such as operating rooms and information rooms or use backup equipment to ensure supply in case of power shortages due to extreme events.

In terms of chronic physical risk and transition risk, we have not found the significant impact on our business, but we will continue to pay attention to the changes in policies and regulations, carbon reduction in infrastructure and operations, and stakeholders' expectations, so as to enhance the Group's ability to adapt to climate change.

The GHG emissions for the Track Record Period are as follows:

	Year ended December 31,		
	2021	**2022**	**2023**
GHG Emissions			
Scope I direct GHG emissions (tons of carbon dioxide equivalent)[(1)]	1,198.62	1,265.30	1,188.59
Scope II indirect GHG emissions (tons of carbon dioxide equivalent)[(2)]	1,965.58	7,599.17	8,146.67
Total GHG emissions (tons of carbon dioxide equivalent)	3,164.20	8,864.46	9,335.26
GHG emission intensity (tons of carbon dioxide equivalent/million RMB revenue)	10.05	14.35	11.47

Notes:

(1) The greenhouse gas emission factors for Scope 1 come from Appendix 4 of the China Energy Statistical Yearbook 2012《中國能源統計年鑑2012》, the Guidelines for the Preparation of Provincial Greenhouse Gas Inventories (Trial) 《省級溫室氣體清單編製指南》(試行) in May 2011, the IPCC Second Assessment Report, the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions from Public Building Operating Enterprises《公共建築運營企業溫室氣體排放核算方法和報告指南》, and the Guidelines for Calculating Greenhouse Gas Emissions from Energy Consumption (Version 2.1) 《能源消耗引起的溫室氣體排放計算工具指南(2.1版)》.

(2) The greenhouse gas emission factors for Scope 2 come from the Notice of the Ministry of Ecology and Environment on Doing a Good Job in the Management of Greenhouse Gas Emissions Reports for Enterprises in the Power Generation Industry from 2023 to 2025 《關於做好2023-2025年發電行業企業溫室氣體排放報告管理有關工作的通知》(applied to the calculation of 2022 and 2023), the Notice of the Ministry of Ecology and Environment on Doing a Good Job in the Management of Greenhouse Gas Emissions Reports for Enterprises in 2022 《關於做好2022年企業溫室氣體排放報告管理相關重點工作的通知》(applied to the calculation of 2021) and the Accounting Methods and Reporting Guidelines for Greenhouse Gas Emissions from Public Building Operating Enterprises《公共建築運營企業溫室氣體排放核算方法和報告指南》issued by the National Development and Reform Commission.

Supply Chain Management

In terms of supply chain management, we have established the Qualified Supplier Management Measures (Trial) (《合格供應商管理辦法(試行)》) and other systems to establish business relations with qualified suppliers in a standardized manner.

We have reviewed the whole process of contract/contract performance (early quotation negotiation, contract signing, execution, settlement, payment, quality assurance, etc.) of cooperative suppliers, and the rating is divided into four levels: excellent, good, qualified and unqualified. Our management principles for qualified suppliers include the principle of integrity complaint, that is, in the whole process of supplier management, suppliers can complain to the audit and legal department and procurement management department of the Group for violations of rules, disciplines, laws, incorruptions, violations of professional ethics, violations of industry standards and requirements, etc. The department receiving the complaint shall immediately deal with and solve the problem or seek assistance from the superior for joint settlement. We also advocate suppliers to practice the ESG concept, continue to pay attention to ecological and environmental protection, fulfill social responsibilities, and improve the level of governance. For more details on supply chain management, please see "– Procurement and Supplies" in this section.

Integrity and Anti-corruption

In terms of anti-bribery and anti-corruption, we have formulated specific policies and internal control procedures. We have formulated the Anti-Fraud and Reporting Complaints Management Measures (《反舞弊及舉報投訴管理辦法》) to regulate the professional behavior of company directors, senior and intermediate management personnel, and ordinary employees. We strictly abide by applicable laws, industry norms and guidelines, professional ethics, and company rules and regulations, clarify the responsibility for anti-fraud work, and disclose the hotline, report box, email, communication address, etc. to the public. We publicize and implement anti-corruption related systems regularly to our affiliated units, and focus on promoting and auditing key personnel such as procurement and finance positions. Our In-network Hospitals have also formulated relevant systems according to the actual situation, such as the Construction System of Fashion (《行風建設制度》), the Implementation Plan of clean Employment Action (《廉潔從業行動實施方案》) and other regulations to standardize employee behaviour.

In addition to internal and external whistle-blowing, we have formulated and follow the Internal Audit Management Measures (《內部審計管理辦法》), improve the internal audit mechanism, standardize internal audit work, and prevent business risks. We also conduct outgoing audits of senior executives.

Community Public Welfare Activities

We take the initiative to shoulder social responsibilities, actively carry out community activities, and continue to invest in public welfare undertakings. We carry out health education activities in the community, build medical association (remote electrocardiogram, remote dynamic electrocardiogram, chest pain center construction, stroke center construction, trauma center construction), provide technical assistance, share resources, carry out health lectures and professional knowledge training, provide public free medical services, organize voluntary blood donation activities, visit nursing homes, and donate money and goods for people in need. For example, Western Beijing Cancer Hospital has organized blood donation activities for seven consecutive years as of December 31, 2023. On November 29, 2022, Hefei Bayway Changrong Hospital received a letter of appreciation from Hefei Central Blood Bank (合肥中心血站) for our employees' active participation in blood donation activities.

Besides, we provide free medical and healthcare related services to residents in communities regularly, including carrying out a series of diagnosis services and promoting medical and healthcare related knowledge to enhance residents' awareness of health protection. In particular, in response to the 28th National Cancer Prevention and Control Publicity Week (腫瘤防治宣傳周) of the China Anti-Cancer Association, Huangshan Shoukang Hospital launched a large-scale free diagnosis activity with 11 departments on April 15, 2022, providing free medical and healthcare related services and health guidance for residents and patients, so as to popularize knowledge of scientific disease prevention and control and screening and early detection of cancer. Furthermore, during the COVID-19 pandemic period, we proactively established nucleic acid testing sites, offered COVID-19 nucleic acid tests and our employees served as volunteers in the peak and resurgences of the pandemic for communities nearby to support pandemic prevention and control.

In order to promote the development of healthcare industry, we also organize industry forums and academic conferences from time to time. For example, Wuzhi Jimin Hospital held a national oncology academic forum in March 2023; Tianjin Nankai Jixing Hospital carried out special activities of TCM and orthopedic diseases volunteer clinic in April 2023; Taiyuan Peace Hospital has led the establishment of a local rehabilitation medical community and a rehabilitation service guidance center for the disabled since August 2021 which has raised local residents' awareness of rehabilitation medical treatment and helped disabled patients better return to society by providing free medical services and giving health gifts through lectures.

For our community public welfare activities, we publicize them through the Internet (TV stations, local media, WeChat public account, Tiktok account, slow disease group and other WeChat groups and WeChat subscription accounts) and physical materials (hospital brochures, promotional materials with logo and digital screen display) to expand our influence and attract more people of vision to participate in public welfare activities.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), our Company will be held by our Controlling Shareholders in aggregate of approximately [**REDACTED**], including (a) entities ultimately controlled by Ms. Xu in aggregate as to [**REDACTED**], including Bayway Fund L.P. (as to [**REDACTED**]), Sugar Berry (as to [**REDACTED**]), Cheery Smiley (as to [**REDACTED**]) and Backspace (as to [**REDACTED**]); and (b) Xuxi Holding as to [**REDACTED**] pursuant to the arrangement under the Concert Party Agreements.

Therefore, for the purpose of this document and as defined under the Listing Rules, each of the following persons/entities are or are deemed as a Controlling Shareholder of the Company:

(i) Ms. Xu;

(ii) the Shareholders and their intermediate controlling entities controlled by Ms. Xu, including (a) Bayway Fund L.P. and its intermediate controlling entities, namely, Rose Violet X, Wineberry X and Crimson X; and Blue Crystal K, Shanghai Minbei, Suzhou Beiyi Baihui and Baihui Investment Fund; and (b) Sugar Berry and its intermediate controlling entities, namely, Shanghai Huijin and Anhui Beiyi Huijin; (c) Cheery Smiley and its intermediate controlling entities, namely, Shanghai Huifang and Anhui Beiyi Huifang; and (d) Backspace and its intermediate controlling entities, namely Shanghai Huitong and Anhui Beiyi Huitong; and

(iii) Xuxi Holding, Shanghai Xuxi Management, Shanghai Xukun Management as the Pre-[**REDACTED**] Investors of our Company, and their ultimate beneficial owners, Cui Yifan (崔一帆) and Zhu Hongbing (朱紅兵) pursuant to the arrangement under the Concert Party Agreements. Cui Yifan (崔一帆) is a director of each of Beiyi Baihui Medical (Shanghai) and Bayzed Medical Investment, and the son of Zhu Hongbing (朱紅兵).

(i) Ms. Xu

Ms. Xu is our executive Director, senior vice president and Controlling Shareholder. For background of Ms. Xu and the background of her joining our Group, please see "Directors and Senior Management" and "History, Reorganization and Corporate Structure – Our Corporate Development" in this document.

(ii) Shareholders and their intermediate controlling entities controlled by Ms. Xu

(a) Bayway Fund L.P. and its intermediate controlling entities, namely, Rose Violet X, Wineberry X and Crimson X; and Blue Crystal K, Shanghai Minbei, Suzhou Beiyi Baihui and Baihui Investment Fund

Prior to the Reorganization, Suzhou Beiyi Baihui was the single largest shareholder of Beiyi Baihui Medical Management (Shanghai) Co., Ltd.* (北醫佰惠醫療管理(上海)有限公司) ("**Beiyi Baihui Medical (Shanghai)**"), the then onshore holding company of our Group.

Suzhou Beiyi Baihui was then held by (i) Baihui Investment Fund, the sole general partner, as to approximately 1.25% of the partnership interests; and (ii) Suzhou Baihui Tongxin Hospital Management Company Limited* (蘇州佰惠同欣醫院管理有限公司), Guangdong Guancheng Industrial Investment Company Limited* (廣東貫成實業投資有限公司), Dongguan Changshi Particle Investment Company Limited* (東莞市長實粒子投資有限公司), Shanghai Yu'an Investment Group Company Limited* (上海裕安投資集團有限公司), and Baicheng Baixin, each being the limited partners, as to approximately 45.32%, 38.38%, 6.27%, 6.27%, and 2.51% of the partnership interests, respectively.

As part of the Reorganization, (i) Bayway Fund L.P. was set up to serve as the offshore structure designated to subscribe for the Shares in our Company in order to mirror the then equity interests held by Suzhou Beiyi Baihui in Beiyi Baihui Medical (Shanghai); and (ii) Rose Violet X, Wineberry X and Crimson X were set up to serve as the offshore structure designated to subscribe for the partnership interests in Bayway Fund L.P. in order to mirror the then partnership interests held by Baihui Investment Fund in Suzhou Beiyi Baihui.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), Bayway Fund L.P. will hold approximately [**REDACTED**] of our total issued Shares. Bayway Fund L.P. is an exempted limited partnership registered in the Cayman Islands with Rose Violet X as its sole general partner that has the exclusive power to manage and operate its businesses and being authorized and empowered to carry out and implement any and all of the purposes and objects of the partnership, including the power to vote in respect of the Shares held by Bayway Fund L.P.. Rose Violet X is a wholly-owned subsidiary of Wineberry X, which in turn is owned as to [**REDACTED**] by Crimson X, the sole shareholder of which is Ms. Xu, and [**REDACTED**] by Gamboge C Limited, the sole shareholder of which is Cui Yong (崔勇). Crimson X and Gamboge C Limited are both investment vehicles which have no operations other than exclusively holding the said individuals' interest in Wineberry X.

Accordingly, Ms. Xu will be deemed to control approximately [**REDACTED**] of our enlarged total issued Shares directly held by Bayway Fund L.P. through her interests in Crimson X, Wineberry X and Rose Violet X.

As part of the Reorganization, the composition of partners in Suzhou Beiyi Baihui has undergone certain changes and Blue Crystal K and Shanghai Minbei were set up to serve as the offshore structure designated to subscribe for the partnership interests in Bayway Fund L.P. in order to mirror the then partnership interests held by Dongguan Changshi Particle Investment Co., Ltd.* (東莞市長實粒子投資有限公司), Shanghai Yu'an Investment Group Co., Ltd.* (上海裕安投資集團有限公司) and Baicheng Baixin, in aggregate, in Suzhou Beiyi Baihui.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), Blue Crystal K, as a limited partner, would hold [**REDACTED**] of the partnership interests in Bayway Fund L.P.. Blue Crystal K is a company limited by shares and incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Minbei, a limited partnership established in the PRC with Baihui Investment Fund as the sole general partner and Suzhou Beiyi Baihui as the limited partner. Baihui Investment Fund is also the sole general partner of Suzhou Beiyi Baihui, and is owned as to [**REDACTED**] by Ms. Xu.

While Blue Crystal K is not entitled to exercise or control the exercise of any voting power at the general meetings of our Company (as it only serves as a limited partner of Bayway Fund L.P. whom shall take no part in the control or management of the business or affairs of the partnership nor shall have any authority to act for or on behalf of the partnership), as the exercise of the voting rights of Blue Crystal K, Shanghai Minbei, Baihui Investment Fund and Suzhou Beiyi Baihui are ultimately controlled by Ms. Xu, these entities are also considered as the Controlling Shareholders of our Company.

Pursuant to the limited partnership agreement of Bayway Fund L.P., the management and operation of the partnership and formulation of its investment policy shall be vested exclusively in the general partner (i.e. Rose Violet X), who is authorized and empowered to carry out and implement any and all of the purposes and objectives of the partnership. The limited partners of Bayway Fund L.P., on the other hand, shall take no part in the control or management of the business or affairs of the partnership, nor shall they have any authority to act for or on behalf of the partnership in general. As such, despite their respective partnership interests held in Bayway Fund L.P., each of Verdancy C Limited and Lavender J Limited (and their respective ultimate controllers) is not considered as a controlling shareholder of our Company as none of them are entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company nor are in a position to control the composition of a majority of our Board.

(b) Sugar Berry and its intermediate controlling entities, namely, Shanghai Huijin and Anhui Beiyi Huijin

As part of the Reorganization, Sugar Berry and Shanghai Huijin were set up to serve as the offshore structure designated to subscribe for the Shares in our Company in order to mirror the then equity interests held by Anhui Beiyi Huijin in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), Sugar Berry will hold approximately [**REDACTED**] of our total issued Shares. Sugar Berry is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Huijin, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huijin being the limited partner. Anhui Beiyi Huijin is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner. Baihui Investment Fund in turn is owned as to [**REDACTED**] by Ms. Xu.

Accordingly, Ms. Xu will be deemed to control approximately [**REDACTED**] of our [**REDACTED**] total issued Shares directly held by Sugar Berry through her interests in Shanghai Huijin, Anhui Beiyi Huijin and Baihui Investment Fund.

(c) Cheery Smiley and its intermediate controlling entities, namely, Shanghai Huifang and Anhui Beiyi Huifang

As part of the Reorganization, Cheery Smiley and Shanghai Huifang were set up to serve as the offshore structure designated to [**REDACTED**] for the Shares in our Company in order to mirror the then equity interests held by Anhui Beiyi Huifang in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), Cheery Smiley will hold approximately [**REDACTED**] of our total issued Shares. Cheery Smiley is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Huifang, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huifang being the limited partner. Anhui Beiyi Huifang is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner. Baihui Investment Fund in turn is owned as to [**REDACTED**] by Ms. Xu.

Accordingly, Ms. Xu will be deemed to control approximately [**REDACTED**] of our [**REDACTED**] total issued Shares directly held by Cheery Smiley through her interests in Shanghai Huifang, Anhui Beiyi Huifang and Baihui Investment Fund.

(d) Backspace and its intermediate controlling entities, namely Shanghai Huitong and Anhui Beiyi Huitong

As part of the Reorganization, Backspace and Shanghai Huitong were set up to serve as the offshore structure designated to [**REDACTED**] for the [**REDACTED**] in our Company in order to mirror the then equity interests held by Anhui Beiyi Huitong in Beiyi Baihui Medical (Shanghai), the then onshore holding company of our Group.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), Backspace will hold approximately [**REDACTED**] of our total issued Shares. Backspace is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Huitong, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huitong being the limited partner. Anhui Beiyi Huitong is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner. Baihui Investment Fund in turn is owned as to [**REDACTED**] by Ms. Xu.

Accordingly, Ms. Xu will be deemed to control approximately [**REDACTED**] of our [**REDACTED**] total issued Shares directly held by Backspace through her interests in Shanghai Huitong, Anhui Beiyi Huitong and Baihui Investment Fund.

The Concert Party Agreements

Shanghai Xukun Management first invested in our Group in around March 2020 by subscribing for approximately 10.53% of the then shareholding interests in Bayzed Medical Investment, the then onshore holding company of our Group before we underwent an internal restructuring in late 2021. In March 2020, Suzhou Beiyi Baihui and Shanghai Xukun Management entered into a concert party agreement (the "**Original Concert Party Agreement**") pursuant to which they agreed to, among others, vote unanimously at all shareholders' meetings and directors' meetings, discuss and reach consensus with each other before proposing to shareholders' meetings and directors' meetings, and act in concert, in respect of all key operations and development matters of Bayzed Medical Investment. If they cannot agree on a relevant issue, the party holding less equity interests in Bayzed Medical Investment among the two shall act in accordance with the direction of the party holding more equity interests. As such, Suzhou Beiyi Baihui and Shanghai Xukun Management are parties acting in concert, and have since then jointly effected their control of our Group as a unified group of shareholders. Suzhou Beiyi Baihui was ultimately controlled by Ms. Xu while Shanghai Xukun Management was ultimately controlled by Zhu Hongbing (朱紅兵) and Cui Yifan (崔一帆) (being the son of Zhu Hongbing (朱紅兵)).

As part of the Reorganization, Bayway Fund L.P. was set up to serve as the offshore entity mirroring the equity holding of Suzhou Beiyi Baihui in our Group while Xuxi Holding was set up to serve as the offshore structure designated to subscribe for the Shares in our Company in order to mirror the then equity interests held by Shanghai Xukun Management in our Group. As such and in view of the parties' intention to continue with the acting in concert arrangement under the Original Concert Party Agreement, on May 31, 2023, Bayway Fund L.P. and Xuxi Holding entered into a renewed concert party agreement, pursuant to which Bayway Fund L.P. and Xuxi Holding agreed on essentially the same acting in concert arrangements in respect of all key operations and development matters of our Company under the Original Concert Party Agreement as abovementioned.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), Xuxi Holding will hold approximately [**REDACTED**] of our total issued Shares. Xuxi Holding is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Xuxi Management, a limited partnership established in the PRC with Cui Yifan (崔一帆) being the sole general partner and Shanghai Xukun Management being the limited partner. Shanghai Xukun Management is a company established in the PRC which in turn is owned as to [**REDACTED**] by Zhu Hongbing (朱紅兵) and as to [**REDACTED**] by Cui Yifan (崔一帆). Cui Yifan is a director of each of Beiyi Baihui Medical (Shanghai) and Bayzed Medical Investment, and the son of Zhu Hongbing. While Zhu Hongbing (朱紅兵) is only having the controlling interests in Shanghai Xukun Management (the limited partner of Shanghai Xuxi Management), given her relationship with Cui Yifan (崔一帆), our Company voluntarily deems Zhu Hongbing (朱紅兵) and Cui Yifan (崔一帆) as a group of controllers in respect of their indirect interests in Xuxi Holding, and accordingly, each of Shanghai Xuxi Management, Shanghai Xukun Management, Cui Yifan (崔一帆) and Zhu Hongbing (朱紅兵) will be deemed to control approximately [**REDACTED**] of our [**REDACTED**] total issued Shares directly held by Xuxi Holding.

Due to the arrangement under the Concert Party Agreements, each of Ms. Xu and the entities controlled by her, namely, Bayway Fund L.P., Rose Violet X, Wineberry X, Crimson X, Blue Crystal K, Shanghai Minbei, Suzhou Beiyi Baihui, Baihui Investment Fund, Sugar Berry, Shanghai Huijin, Anhui Beiyi Huijin, Cheery Smiley, Shanghai Huifang, Anhui Beiyi Huifang, Backspace, Shanghai Huitong, Anhui Beiyi Huitong, and Xuxi Holding, Shanghai Xukun Management, Shanghai Xuxi Management, Zhu Hongbing and Cui Yifan will be a group of Controlling Shareholders of our Company and each of them will be a Controlling Shareholder of our Company. Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme are not exercised), the said group of Controlling Shareholders will deem to be interested, in aggregate, approximately [**REDACTED**] of our total issued Shares.

COMPETITION

As of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their respective close associates had any interest in any business which competes or is likely to compete, either directly or indirectly with our Group's business which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after the [**REDACTED**], taking into consideration the factors below:

Management Independence

Our management and operational decisions are made by our Board and our senior management team. Our Board consists of eight members, comprising five executive Directors and three independent non-executive Directors. Please see "Directors and Senior Management – Our Board" in this document for further details.

The executive Directors and the senior management team are responsible for the day-to-day management of our operations. Save for Ms. Xu who is the Controlling Shareholder of our Company, all other Directors and other members of our senior management team are independent of the Controlling Shareholders. Notwithstanding the role of Ms. Xu in our Group, our Directors are of the view that our Company is able to function independently from Ms. Xu for the following reasons:

(i) all of the other Directors are independent of Ms. Xu and decisions of our Board require the approval of a majority vote from our Board;

(ii) we [have appointed] three independent non-executive Directors, comprising over one-third of the total members of our Board, who have sufficient knowledge, experience and competence to provide a balance of the potentially interested Directors and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole;

(iii) our Company has established internal control mechanisms to identify connected transactions to ensure that our Shareholders or Directors with conflicting interests in a proposed transaction will abstain from voting on the relevant resolutions;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director is obliged to declare and fully disclose such potential conflict of interest and shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(v) each of our Directors is aware of his or her fiduciary duties and responsibilities under the Listing Rules as a director, which require that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests.

Based on the above, we believe that our Board and senior management team as a whole are able to play a managerial role at our Company independently from our Controlling Shareholders and their close associates after the [**REDACTED**].

Operational Independence

We have full rights to make all decisions regarding, and to carry out, our own business operations independently from our Controlling Shareholders and their close associates and will continue to do so after [**REDACTED**]. Our Group has also established a number of internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business.

We have established our own organisational structure, with each department assigned to specific areas of responsibilities which have been in operation and are expected to continue to operate independently from our Controlling Shareholders and their close associates. We have our own employee headcount for our operations and our own management of human resources, cash and accounting, invoicing and billing. We are also in possession of all relevant assets, licenses, trademarks and other intellectual property necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the above, our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders and our Group is able to operate independently from our Controlling Shareholders after the [**REDACTED**].

Financial Independence

Our Group has its own independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We make financial decisions and determine our use of funds according to our own business needs. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders. We have made tax filings and paid tax independently of our Controlling Shareholders pursuant to applicable laws and regulations. We have adequate internal resources and a strong credit profile to support our daily operation. We do not expect to rely on our Controlling Shareholders or any of their close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [**REDACTED**] from the [**REDACTED**]. As of the Latest Practicable Date, there was no outstanding loan extended by our Controlling Shareholders or their respective close associates to us and no guarantee has been provided for our benefit by our Controlling Shareholders or any of their respective close associates.

Based on the above, our Directors are of the view that there is no financial dependence on our Controlling Shareholders or any of their close associates.

NON-COMPETITION [REDACTED]

On [●], our Controlling Shareholders entered into a deed of non-competition ("**Deed of Non-competition**") in favor of our Company (for ourselves and on behalf of each of our subsidiaries from time to time), pursuant to which each of our Controlling Shareholders has irrevocably undertaken to us on a joint and several basis that at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that their respective close associates and/or companies controlled by them (other than our Group) shall:

(i) not, directly or indirectly, be interested or involved or engaged in or carry out or concern with or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged by our Group in the PRC and any other country or jurisdiction in which our Group carries on such business and/or in which any member of our Group carries on business mentioned above currently and from time to time (the "**Restricted Activity**");

(ii) not solicit any existing employee or then existing employee of our Group for employment;

(iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its/her knowledge in its/her capacity as our Controlling Shareholders or otherwise for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;

(v) not invest or participate in or carry out any project or business opportunity of the Restricted Activity; and

(vi) not to invest or participate in or carry out any project or business opportunity of the Restricted Activity, unless pursuant to the exceptions set out below.

The above undertakings are subject to the exceptions that:

(i) our Controlling Shareholders is entitled to invest, participate and be engaged in or carry out any Restricted Activity or any project or business opportunity, regardless of value, which has been offered or made available to our Group, provided always that information about the principal terms thereof has been disclosed to our Company and our Directors, and our Company shall have, after review (taking into account whether the entering into of such project or business opportunity will be in the best interest of our Group and our subsidiaries) and approval by our Directors (including our independent non-executive Directors without the attendance by any Director with beneficial interest in such projects or business opportunities at the meeting, in which resolutions have been duly passed by the majority of the independent non-executive Directors), confirmed its rejection in writing to be involved or engaged in, or to participate in or carry out, the relevant Restricted Activity and provided also that the principal terms on which that relevant close associate of our Controlling Shareholders invests, participates or engages in or carries on, the Restricted Activity are substantially the same as or not more favorable than those disclosed to our Company. Subject to the above, if our Controlling Shareholders decides to be involved, engaged, participate in or carry out the relevant Restricted Activity, whether directly or indirectly, the terms of such involvement, engagement, participation or carrying on must be disclosed to our Company and our Directors as soon as practicable; and

(ii) each of our Controlling Shareholders may either by himself/herself/itself individually or through his/her/its close associate(s) hold and/or be interested in any shares or other securities in any listed company which engages or is involved in any business or activity which directly or indirectly competes with the Restricted Activity, provided that our Controlling Shareholders and their respective close associates will not participate in or be otherwise involved in the management of that listed company, and (a) the total shareholding held by our Controlling Shareholders and their respective close associates in such listed company, whether directly or indirectly, do not, in aggregate, exceed five per cent of the issued share capital of such listed company; or (b) the business or activity conducted or engaged in by such listed company which is in direct or indirect competition with the Restricted Activity accounts for less than 10% of that listed company's consolidated turnover for any financial year or consolidated assets as of any financial year end.

The Deed of Non-competition is conditional on (i) the [**REDACTED**] Committee granting [**REDACTED**] of, and permission to deal in, all our Shares in issue and to be issued under the [**REDACTED**] and our Shares which may be issued pursuant to the exercise of the [**REDACTED**] and the outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme; and (ii) the obligations of [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by [**REDACTED**]) and that the [**REDACTED**] not being terminated in accordance with their terms or otherwise.

For the above purpose, the "**Relevant Period**" means the period commencing from the [**REDACTED**] and shall expire on the earlier of the dates below:

(i) as for our Controlling Shareholders, the date on which our Controlling Shareholders cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be the controlling shareholders of our Company for the purpose of the Listing Rules; and

(ii) the date on which our Shares cease to be [**REDACTED**] on the Stock Exchange.

Under the Deed of Non-competition, each of our Controlling Shareholders has unconditionally and irrevocably undertaken to our Group to allow our Directors, their respective representatives and the auditors of our Group to have sufficient access to the records of each of our Controlling Shareholders and their respective close associates to ensure compliance with the terms and conditions of the Deed of Non-competition. Each of our Controlling Shareholders has unconditionally and irrevocably undertaken under the Deed of Non-competition that he/she/it shall provide to us and our Directors (including our independent non-executive Directors) from time to time all information necessary for the annual review by our independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition by our Controlling Shareholders. Each of our Controlling Shareholders has also unconditionally and irrevocably undertaken to make an annual declaration as to full compliance with the terms of the Deed of Non-competition and a consent to disclose such letter in our annual report.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), which sets out principles of good corporate governance.

Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(ii) 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;

(iii) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) 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 the independent non-executive Directors for the Annual Review;

(v) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(vi) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(vii) we have appointed Caitong International Capital Co., Limited as our Compliance Advisor to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

OUR BOARD

Our Board consists of eight Directors, comprising five executive Directors, and three independent non-executive Directors. Our Board is responsible for and has general power for the management and conduct of our business.

Directors

The following table sets forth the general information regarding our Directors:

Name	Age	Current position	Date of appointment as a Director	Date of joining us	Role and responsibilities	Relationship with other Directors and/or senior management
Mr. Zhao Yongkai (趙永凱)	53	Executive Director and chairman of our Board	December 9, 2021	January 3, 2018	Responsible for the overall business strategy planning of our Group	None
Ms. Xu Xu (徐旭)	43	Executive Director and senior vice president	December 9, 2021	December 1, 2017	Responsible for the procurement, audit and legal matters of our Group	None
Dr. Chen Haoyang (陳昊陽)	51	Executive Director and president	July 1, 2023	August 11, 2021	Responsible for the overall operation and management of our Group	None
Mr. Lu Jizhong (盧繼忠)	56	Executive Director and vice president	July 1, 2023	April 9, 2019	Responsible for the oncology rehabilitation business of our Group	None

Name	Age	Current position	Date of appointment as a Director	Date of joining us	Role and responsibilities	Relationship with other Directors and/or senior management
Mr. Feng Yu (馮宇)	42	Executive Director, vice president and chief medical officer (首席醫療官)	July 1, 2023	September 10, 2021	Responsible for medical management and medical informatization of our Group	None
Mr. Chan Hok Leung (陳學良)	61	Independent non-executive Director	[●]	[●]	[Responsible for supervising and providing independent opinion to our Board]	None
Ms. Liu Shuang (劉爽)	52	Independent non-executive Director	[●]	[●]	[Responsible for supervising and providing independent opinion to our Board]	None
Dr. Guo Wei (郭衛)	66	Independent non-executive Director	[●]	[●]	[Responsible for supervising and providing independent opinion to our Board]	None

Executive Directors

Mr. ZHAO Yongkai (趙永凱), aged 53, is our executive Director and chairman of our Board. He was appointed as our Director on December 9, 2021. On July 1, 2023, he was re-designated as an executive Director and was appointed as chairman of our Board.

Mr. Zhao has over 28 years of working experience and 18 years of experience in the medical, pharmaceutical and healthcare sectors, and is highly experienced in the financial management and strategic planning as well as the operation, management, and development of medical, pharmaceutical and healthcare institutions.

From November 2000 to August 2005, Mr. Zhao served at CITIC Guoan Information Industry Co., Ltd (中信國安信息產業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000839). After that, from October 2005 to August 2017, he pivoted to the medical, pharmaceutical and healthcare sectors, and from April 2012 to August 2017, he was a director and he served as the chairman from May 2015 to August 2017 of PKU HealthCare Corp., Ltd (北大醫藥股份有限公司), a company principally engaged in the research and development, manufacturing and sales of pharmaceuticals, which is listed on the

Shenzhen Stock Exchange (stock code: 000788) ("**PKU Healthcare**")*Note* and several companies, where he gained substantial experience in the operation, management, and development of medical, pharmaceutical and healthcare institutions, which among others, include:

Period of service	Name of the company	Principal business activities	Position	Responsibilities
From November 2013 to October 2017	PKUCare Industrial Park Technology Co., Ltd.* (北大醫療產業園科技有限公司)	Development and operation of PKUCare Industrial Park	Chairman	Responsible for overall strategy and daily operation management
From January 2014 to April 2016	PKUCare Medical Rehabilitation Hospital Management Co., Ltd. (北大醫療康復醫院管理有限公司)	Consultation, management and training of rehabilitation institutions, wholesale of medical devices	Chairman	Responsible for overall strategy and daily operation management
From April 2015 to October 2016	PKU Healthcare Industry Group Co., Ltd.* (北大醫療產業集團有限公司)	Hospital operation management	Director	Responsible for overall daily operation management

Note: PKU Healthcare was disciplined by the CSRC on May 5, 2017 for failing to disclose in its regular filing in July 2014 certain entrustment arrangements in relation to the shareholdings of PKU Healthcare among its shareholders (the "**Disclosure Incident**"). Such Disclosure Incident arose as PKU Healthcare had not been notified by the said shareholders of such entrustment arrangements. As a result, it failed to comply with the relevant disclosure requirement under provisions 63, 67(2)(8) and 193 of the Securities Law (《證券法》) in the PRC and the CSRC gave a warning to and fined PKU Healthcare and persons involved in the Disclosure Incident and related to the relevant shareholders of PKU Healthcare.

Although Mr. Zhao was a director of PKU Healthcare at the material time of the Disclosure Incident (i.e. July 2014), the Directors are of the view that the Disclosure Incident does not have any negative implication on Mr. Zhao's character and integrity and his suitability to act as a Director of the Company given that: (a) Mr. Zhao was not subject to any disciplinary action nor was he found personally liable for any misconduct in relation to the Disclosure Incident by the CSRC, and he was not mentioned in the decision of administrative penalty of the CSRC that he had been involved in the Disclosure Incident; (b) Mr. Zhao has not been prohibited from acting as a director of any PRC entities by any PRC regulatory authorities. According to a report issued by the Chongqing Supervision Bureau of the CSRC on November 10, 2023, it confirmed that there was no integrity information against Mr. Zhao in their records; (c) Mr. Zhao was appointed as the chairman of PKU Healthcare in May 2015. Mr. Zhao continued to serve as the chairman and a director of PKU Healthcare subsequent to the disciplinary action of the CSRC against PKU Healthcare until August 2017 when he resigned from the office of his own accord; (d) Mr. Zhao is independent from the relevant shareholders of PKU Healthcare who were penalized given the Disclosure Incident; and (e) except for the Disclosure Incident, PKU Healthcare was not disciplined by any PRC authorities for any breach of the PRC securities rules and regulations during the period when Mr. Zhao was a director of PKU Healthcare.

Mr. Zhao joined us in January 2018. After joining us and up till the Latest Practicable Date, he has assumed various positions in our Group, which include, among others, serving as the executive partner (appointed representative) at two of our subsidiaries, the chairman of the board of eight of our subsidiaries and director at 12 of our subsidiaries.

Mr. Zhao obtained his bachelor's degree in engineering from the China Agricultural University (中國農業大學), which was formerly known as the Beijing Agricultural Engineering University (北京農業工程大學), in Beijing, the PRC in July 1995 and his bachelor's degree in financial accounting from the Renmin University of China (中國人民大學) in Beijing, the PRC in January 2000. Mr. Zhao obtained his master's degree in senior management business management (高級管理人員工商管理) from the Chongqing University (重慶大學) in Chongqing, the PRC in June 2015.

Mr. Zhao has been a non-practicing certified public accountant (非執業註冊會計師) of the Beijing Institute of Certified Public Accountants (北京註冊會計師協會) since 2000.

Ms. XU Xu (徐旭), aged 43, is our executive Director and senior vice president. She was appointed as our Director on December 9, 2021. On July 1, 2023, she was re-designated as an executive Director. On April 24, 2024, she was appointed as our senior vice president. She is also our Controlling Shareholder.

Ms. Xu has over 20 years of experience in medical operation and management. She is highly experienced in modernized hospital operation and management.

Ms. Xu has taken up a variety of senior management positions at PKU Healthcare Industry Group Co., Ltd.* (北大醫療產業集團有限公司) and its subsidiaries from February 2005 to December 2015, and several other companies from February 2016 to July 2017, the positions she has taken up include:

Period of service	Name of the company	Principal business activities	Position	Responsibilities
From February 2005 to December 2012	PKU Healthcare Industry Group Co., Ltd.* (北大醫療產業集團有限公司) (formerly known as Peking University International Hospital Group Co., Ltd.* (北大國際醫院集團有限公司))	A comprehensive hospital integrating medical treatment, teaching and research	Vice president and board secretary	Hospital management and industrial resource integration; participating in the discussion of the company's development plan, business operation plan and major decisions, and assisting the chairman of the board and president to convene important meetings

Period of service	Name of the company	Principal business activities	Position	Responsibilities
From December 2012 to December 2015	Peking University International Hospital	Class-III comprehensive hospital	General manager/deputy leader of the project operation management department, vice president of operations	Responsible leading the project operation management department (leading the preparation for the establishment of the hospital) and the operation management of the hospital
From February 2016 to July 2017	Western Beijing Cancer Hospital Company (formerly known as Beijing New Mileage Cancer Hospital* (北京新里程腫瘤醫院))	Oncology specialist hospital	General manager	Responsible for overall daily operation and management of the hospital
From February 2016 to July 2017	Beijing New Journey Healthcare Group Co., Limited* (北京新里程健康產業集團有限公司)	Medical and health industry operation	Chief operating officer (COO) of its company	Daily operation and management of the hospital

Ms. Xu joined us in December 2017. After joining us and up till the Latest Practicable Date, she has assumed various positions in our Group, which include, among others, serving as chairwoman of the board at three of our subsidiaries and director at seven of our subsidiaries.

Immediately following the completion of the [**REDACTED**], Ms. Xu will be deemed to control approximately [**REDACTED**] of the issued share capital of our Company, within the meaning of Part XV of the SFO. Please see "Relationship with Our Controlling Shareholders" and "Substantial Shareholders" in this document for further details.

Ms. Xu obtained her bachelor's degree in law from the Southwest University of Political Science and Law (西南政法大學) in Chongqing, the PRC in July 2003. She later obtained her master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in Beijing, the PRC in November 2019.

Dr. CHEN Haoyang (陳昊陽), aged 51, is our executive Director and president. He was appointed as our executive Director on July 1, 2023. On April 24, 2024, he was appointed as our president.

Dr. Chen has over 24 years of work experience in the medical industry. From April 2000 to March 2019, he served at the Fifth Medical Center of the Chinese People's Liberation Army General Hospital* (中國人民解放軍總醫院第五醫學中心) (Class-IIIA specialist hospital) and was assigned to various positions, such as a researcher and vice researcher in the hospital. From March 2019 to March 2021, he served as a researcher at the Sixth Medical Center of the Chinese People's Liberation Army General Hospital* (中國人民解放軍總醫院第六醫學中心) (Class-IIIA comprehensive hospital).

Dr. Chen joined us in August 2021. After joining us and up till the Latest Practicable Date, he has assumed various positions in our Group, which include, among others, serving as the chairman of the board at one of our subsidiaries and director at ten of our subsidiaries.

Dr. Chen obtained his master's degree in pedagogy from Southwest University* (西南師範大學) in June 2000. Subsequently, in June 2007, he obtained his doctor's degree in management at the Third Military Medical University of Chinese People's Liberation Army (中國人民解放軍第三軍醫大學) (currently known as Army Medical University of Chinese People's Liberation Army (中國人民解放軍陸軍軍醫大學)). Since January 2016, he has obtained the qualification of postgraduate tutor of the Third Military Medical University of Chinese People's Liberation Army (currently known as Army Medical University of Chinese People's Liberation Army).

In December 2018, Dr. Chen was one of the members of the first prize of the Military Science and Technology Progress Award* (軍隊科技進步一等獎).

Mr. LU Jizhong (盧繼忠), aged 56, is our executive Director and vice president. He was appointed as our executive Director on July 1, 2023. On April 24, 2024, he was appointed as our vice president.

Mr. Lu has over 32 years of working experience and around 19 years of experience in hospital management and operation. From July 1991 to May 2000, Mr. Lu was the attending physician engaged in clinical work at Huainan Xinhua Medical Group Xinhua Hospital* (淮南新華醫療集團新華醫院). He joined Shanghai Yodak Cardiothoracic Hospital as an executive vice president of hospital in January 2005, in which he was responsible for the daily management and operation of the hospital, and stayed until April 2009. After that, he joined Shanghai HyGet Medical Management Co., Ltd* (上海海格醫院管理有限公司) in May 2009 and served as the managing director until December 2018, and was responsible for its overall operation and management. Mr. Lu was appointed as a Member of the Second Committee of the Rehabilitation Institution Management Professional Committee* (康復機構管理專業委員會) of the Chinese Association of Rehabilitation Medicine in January 2023.

Mr. Lu joined us in April 2019. After joining us and up till the Latest Practicable Date, he has assumed various positions in our Group, which include, among others, serving as chairman of the board at one of our subsidiaries and director at seven of our subsidiaries.

Mr. Lu obtained his bachelor's degree in clinical medicine at the North China University of Science and Technology (華北理工大學), which was formerly known as Hebei Polytechnic University (河北理工大學), North China Coal Medical University (華北煤炭醫學院) and Hebei United University (河北聯合大學), in Tangshan of Hebei Province, the PRC in July 1991.

He later obtained his master's degree in surgery at the Second Military Medical University (第二軍醫大學) in Shanghai, the PRC in June 2004.

Mr. Lu obtained his Attending Physician Qualification Certificate* (主治醫師資格證) from the Health Technical Position Evaluation Committee of the Huainan Bureau of Mine* (淮南礦務局衛生技術申級職務評審委員會) in December 1997.

Mr. Feng Yu (馮宇), aged 42, is our executive Director, vice president and chief medical officer (首席醫療官). He was appointed as our executive Director on July 1, 2023. On April 24, 2024, he was appointed as our chief medical officer and vice president.

Mr. Feng has over 17 years of working experience and 13 years of experience in the medical operation and management, and healthcare sectors. He joined the 5th Medical Centre of the Military General Hospital of China* (解放軍總醫院第五醫學中心) (Class-IIIA specialist hospital), which was formerly known as the 302 Military Hospital of China (中國人民解放軍第302醫院), in June 2007 and served as a clinician until December 2019, and was responsible for the medical diagnosis and treatment of patients and medical management of the hospital, including but not limited to medical quality and safety management, hospital and discipline development, administration management, information management, disease prevention and control. After that, he served as the medical director (醫學總監) at Beijing Dashu Yida Technology Co., Ltd.* (北京大數醫達科技有限公司) from February 2021 to July 2021, where he was responsible for managing the medical department.

Mr. Feng joined us in September 2021. After joining us and up till the Latest Practicable Date, he serves as a vice president, chief medical officer and general manager of medical management department of our Group.

Mr. Feng obtained his master's degree in clinical medicine from the Second Military Medical University* (中國人民解放軍第二軍醫大學) in Shanghai, the PRC in June 2007.

Mr. Feng then obtained his practicing physician qualification (執業醫師資格) from the Department of Health, Chinese People's Liberation Army General Logistics Department (中國人民解放軍總後勤部衛生部) in December 2011.

Independent non-executive Directors

Mr. CHAN Hok Leung (陳學良), aged 61, is our independent non-executive Director. He was appointed as our independent non-executive Director on [●].

Mr. Chan has around 31 years of working experience in the corporate finance sector. From June 1994 to November 2007, he worked in the corporate finance division (mergers and acquisitions department) as manager, senior manager, associate director and director at the SFC and was responsible for securities regulation. He worked in Platinum Securities Company Limited between December 2007 and October 2009 and was responsible for advising on corporate finance. He joined Neutral Financial Holding Company Limited (中和金控有限公司), which was formerly known as Asian Capital (Corporate Finance) Limited (卓亞融資有限公司), in November 2009. He served as an executive director until October 2016 and was responsible for advising on corporate finance. During the same period, from June 2010 to June 2016, he served as an executive director at Kingwisoft Technology Group Company Limited (金慧科技集團股份有限公司), which was formerly known as Asian Capital Holdings Limited (卓亞資本有限公司) and is a corporate financial advisory and consulting company listed on GEM of the Stock Exchange (stock code: 8295). He was responsible for general management and operation, formulating investment strategies and business development. From January 2017 to January 2019, he was the Managing Director at First Prosperous Capital Company Limited (瀚盛資本有限公司), which was formerly known as Cypress House Capital Limited (柏坊資本有限公司), and was responsible for advising on corporate finance. Then since January 2019, he has been serving as the Managing Director at China Sunrise Capital Limited (華升資本有限公司), which was formerly known as First Capital International Finance Limited (首控國際金融有限公司), and has been responsible for advising on corporate finance. Since March 2019, he has also been serving as a non-executive director of Numans Health Food Holdings Company Limited (紐曼思健康食品控股有限公司), which engages in the marketing, sales and distribution of health supplements in the PRC.

Mr. Chan obtained his bachelor's degree in business and management from the Victoria University of Wellington, New Zealand in April 1988. He later obtained his master's degree in business management from the University of Warwick in the United Kingdom in July 2000. In October 2009, he also obtained his master's degree in hotel and tourism management from the Hong Kong Polytechnic University (香港理工大學).

Mr. Chan obtained his membership and fellow membership of the Hong Kong Institute of Certified Public Accountants in January 1993 and September 1997 respectively.

Ms. LIU Shuang (劉爽), aged 52, is our independent non-executive Director. She was appointed as our independent non-executive Director on [●].

Ms. Liu has more than 21 years of working experience in the legal industry. From December 2003 to September 2007, she served as a lawyer and a partner at Hills and Co.* (廣東君道律師事務所) where she provides legal services. After that, she joined DeHeng Law Offices (Shenzhen) (北京德恒(深圳)律師事務所) as a lawyer in October 2007 and has been serving as a partner since July 2015.

Ms. Liu obtained her bachelor's degree in law and economics from Beijing Business School* (北京商學院) in Beijing, the PRC in June 1993. She later obtained her master's degree in law from the Northwest University of Political Science and Law (西北政法大學) in Xi'an, the PRC in July 2001.

Ms. Liu obtained her lawyer qualification certificate (律師資格證書) from the Department of Justice of Inner Mongolia Autonomous Region* (內蒙古自治區司法廳) in April 1994.

Dr. GUO Wei (郭衛), aged 66, is our independent non-executive Director. He was appointed as our independent non-executive Director on [●].

Mr. Guo has more than 31 years of working experience in the medical industry. From 1993 to 1995, he was the chief physician and deputy director at the orthopedics department of Peking University People's Hospital (北京大學人民醫院) (previously known Beijing Medical University People's Hospital* (北京醫科大學附屬人民醫院)) and was responsible for providing medical services. From 1998 to 2002, he was the deputy director of the bone tumor Department, director of the bone disease and bone tumor research laboratory and chief physician at Peking University People's Hospital. Since 2002, he has been working at Peking University People's Hospital as the director of the orthopedic oncology department and the director of the orthopedic oncology research laboratory, dealing with the daily management of the department business and providing medical services. In August 2022, he obtained "Top Ten Health Guards in the Capital* (首都十大健康衛士)" issued by the Beijing Municipal Health Commission.

Mr. Guo obtained his bachelor's degree in medicine from Qingdao Medical College (青島醫學院), the PRC (currently known as Qingdao University's Qingdao Medical College (青島大學醫學部)) in August 1984 and later his master's degree in surgery from Sun Yat-sen University of Medical Sciences (中山醫科大學), the PRC (currently known as Zhongshan School of Medicine, SYSU (中山大學中山醫學院)) in July 1989. In June 1993, he obtained a doctoral degree in medicine from Beijing Medical University (北京醫科大學), the PRC (currently known as Peking University Health Science Center (北京大學醫學部)).

Save as disclosed above, none of our Directors had held any directorships in [**REDACTED**] companies during the three years immediately prior to the Latest Practicable Date, there is no other information in respect of the Directors to be disclosed pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules, and there is no other matter that needs to be brought to the attention of Shareholders or potential investors.

Each of our Director confirms that he or she does not have any interest in a business, apart from the business of our Company, 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 confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on October 31, 2023: and (ii) understood his or her obligations as a director of a [**REDACTED**] issuer under the Listing Rules.

Each of our independent non-executive Directors has confirmed that: (1) his or her independence after taking into consideration each of the factors referred to under Rules 3.13(1) to 3.13(8) of the Listing Rules; (2) that he or she does not have any past or present financial or other interest in the business of our Company or our subsidiaries, or any connection with any core connected person of our Company; and (3) there are no other factors which may affect his or her independence at the time of his or her appointment as our independent non-executive Director.

SENIOR MANAGEMENT

Our senior management team is responsible for the day-to-day management of our business. The table below sets out certain information in respect of our senior management team.

Name	Age	Position	Date of appointment as senior management	Date of joining us	Role and responsibilities	Relationship with other Directors and/or senior management
Mr. Zhao Yongkai (趙永凱)	53	Executive Director and chairman of our Board	July 1, 2023	January 3, 2018	Responsible for the overall business strategy planning of our Group	None
Dr. Chen Haoyang (陳昊陽)	51	Executive Director and president	April 24, 2024	August 11, 2021	Responsible for the overall operation and management of our Group	None
Ms. Xu Xu (徐旭)	43	Executive Director and senior vice president	April 24, 2024	December 1, 2017	Responsible for the procurement, audit and legal matters of our Group	None
Mr. Lu Jizhong (盧繼忠)	56	Executive Director and vice president	April 24, 2024	April 9, 2019	Responsible for the oncology rehabilitation business of our Group	None
Mr. Yao Le (姚樂)	37	Vice president and chief financial officer	April 24, 2024	January 1, 2019	Responsible for the financial and capital matters and investment management of our Group	None
Mr. Feng Yu (馮宇)	42	Executive Director, vice president and chief medical officer (首席醫療官)	April 24, 2024	September 10, 2021	Responsible for medical management and medical informatization of our Group	None

Name	Age	Position	Date of appointment as senior management	Date of joining us	Role and responsibilities	Relationship with other Directors and/or senior management
Dr. Jiang Zheng (姜錚)	44	Assistant president	April 24, 2024	June 17, 2022	Responsible for the group's full-cycle oncology innovative medical service business, cancer screening business of our Group, and operations of Peking University Medicine Technology Transfer and Innovation Center (北大醫學科技成果轉化與創新創業中心)	None

Mr. ZHAO Yongkai (趙永凱), aged 53, is our executive Director and chairman of our Board. For further details, please see "– Our Board – Directors – Executive Directors" in this section.

Dr. CHEN Haoyang (陳昊陽), aged 51, is our executive Director and president. For further details, please see "– Our Board – Directors – Executive Directors" in this section.

Ms. XU Xu (徐旭), aged 43, is our executive Director and senior vice president. For further details, please see "– Our Board – Directors – Executive Directors" in this section.

Mr. LU Jizhong (盧繼忠), aged 56, is our executive Director and vice president. For further details, please see "– Our Board – Directors – Executive Directors" in this section.

Mr. Feng Yu (馮宇), aged 42, is our executive Director, vice president and chief medical officer (首席醫療官). For further details, please see "– Our Board – Directors – Executive Directors" in this section.

Mr. YAO Le (姚樂), aged 37, is our vice president and chief financial officer. He was appointed as our vice president and chief financial officer on April 24, 2024.

Mr. Yao has more than 13 years of working experience. He worked as an officer of the financial management department (財務管理部門職員) at the Founder Group (北大方正集團有限公司) from July 2010 to June 2012, and as a finance manager (財務經理) from November 2013 to February 2016, in which he was responsible for a variety of financial management matters. He then joined Founder Financing Services LLC* (方正證券承銷保薦有限責任公司) in March 2016 as a vice president of the investment banking division, in which he was responsible for the initial public offering, restructuring, and merger and acquisition projects, and he stayed in the position until December 2017. From December 2017 to December 2018, Mr. Yao served as the general manager of the investment department of Baicheng Baixin.

Mr. Yao joined us in January 2019. From January 2019 to March 2020, he served as the assistant president of Bayzed Medical Investment, responsible for the Group's investment management matters. From April 2020 to March 2022, he served as the vice president of Bayzed Medical Investment and the general manager of Anhui Shoukang Investment, responsible for the operation and management of Anhui Shoukang Investment and its subsidiaries. Since April 2022, he has been served as the vice president and chief financial officer of Bayzed Medical Investment, and various positions in our Group, which include, among others, being director at seven of our subsidiaries.

Mr. Yao obtained his bachelor's degree in accountancy from the Zhengzhou University of Aeronautics (鄭州航空工業管理學院) in Zhengzhou, the PRC in July 2010. He later obtained his master's degree in accounting and financial management from the University of York (約克大學) in York, the United Kingdom in January 2014. He has been pursuing an executive master's degree in business administration on a part-time basis at the Peking University (北京大學) in Beijing, the PRC since August 2022.

Dr. Jiang Zheng (姜錚), aged 44, is our assistant president. He was appointed as our assistant president on April 24, 2024.

Dr. Jiang has more than 20 years of working experience. He has assumed various positions including assistant researcher (助理研究員) of the Institute of Disease Control and Prevention, Academy of Military Medical Sciences* (軍事醫學科學院疾病預防控制所) from June 2004 to October 2011. He then worked at the Affiliated Hospital of Academy of Military Medical Sciences* (軍事醫學科學院附屬醫院), which was formerly known as the 307th Hospital of the People's Liberation Army* (中國人民解放軍第307醫院) and has assumed various positions including a chief of scientific training section (科研科科長) of medical department, mainly responsible for overall research and development management from November 2011 to November 2020. He then joined Yidu Cloud (Beijing) Technology Co., Ltd.* (醫渡雲(北京)技術有限公司) in January 2021 as a chief of operations (運營總監) until June 2022.

Dr. Jiang joined us in June 2022. He has served as a deputy general manager of the medical management department of Bayzed Medical Investment, mainly responsible for management of oncology-related business from June 2022 to November 2022, and has served as a general manager of innovation and development department of Bayzed Medical Investment, mainly responsible for management of oncology full-cycle healthcare services since November 2022 and served as a director and assistant president of Bayzed Medical Investment since March 2024. He also has served as a general manager of Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), mainly responsible for comprehensive operation management since July 2023.

Dr. Jiang obtained his bachelor's degree in military preventive medicine (軍事預防醫學) from the Third Military Medical University* (中國人民解放軍第三軍醫大學) in Chongqing, the PRC in June 2004. He obtained his master's degree in military preventive medicine (軍事預防醫學) from the People's Liberation Army Academy of Military Sciences* (中國人民解放軍軍事科學院) in Beijing, the PRC in July 2010. He later obtained his PhD degree in public health and preventive medicine – military preventive medicine (公共衛生與預防醫學 – 軍事預防醫學) from the People's Liberation Army Academy of Military Sciences* (中國人民解放軍軍事科學院) in Beijing, the PRC in August 2020.

Dr. Jiang obtained his professional qualification certificate of first-level/senior technical medical professional class national science and technology consultant (一級/高級技師級國家科技諮詢師職業資格證書) from the Ministry of Human Resources and Social Security of the People's Republic of China (中華人民共和國人力資源和社會保障部) in January 2016 and the national licensed physician certificate (國家執業醫師證書) from the Ministry of Health of the People's Republic of China (中華人民共和國衛生部) in December 2005.

Save as disclosed above, none of our senior management hold any directorship in any [**REDACTED**] companies in the last three years.

JOINT COMPANY SECRETARY

Mr. Fan Kunkun (范坤坤), aged 31, will be appointed as our joint company secretary upon [**REDACTED**]. He joined our Group in February 2019 and is the deputy general manager of the audit and legal department (presiding over work) of Bayzed Medical Investment.

Mr. Fan has more than 9 years of working experience. He joined Grandall Law Firm Shijiazhuang Office* (國浩律師(石家莊)事務所) in June 2015 to serve as a trainee lawyer until March 2017, and served as a lawyer from March 2017 to February 2019.

Mr. Fan joined us in February 2019. After joining us, he has assumed various positions in our Group, which include, among others, serving as the legal manager of Bayzed Medical Investment from February 2019 to July 2020, the legal and operation officer of Anhui Shoukang Investment from July 2020 to March 2022, the chief legal officer of Bayzed Medical Investment from March 2022 to December 2022, and deputy general manager of the audit and legal department (presiding over work) of Bayzed Medical Investment since January 2023.

Mr. Fan obtained his bachelor's degree in law from Hebei GEO University (河北地質大學), which was formerly known as Shijiazhuang College of Economics* (石家莊經濟學院), Hebei Geology College* (河北地質學院) and Xuanhua Geology School* (宣化地質學校), in Shijiazhuang of Hebei Province, the PRC in June 2015.

Mr. Fan obtained his legal professional qualification certificate (法律職業資格證書) from the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in August 2015.

Ms. CHAN Sze Ting (陳詩婷), will be appointed as our joint company secretary upon [**REDACTED**].

Ms. Chan has over 18 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong [**REDACTED**] companies as well as multinational, private and offshore companies. Ms. Chan currently serves as a director of the corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Chan holds a bachelor of laws degree from the University of London.

BOARD COMMITTEES

We [have established] an Audit Committee, a Remuneration Committee and a Nomination Committee in accordance with the Articles and the Listing Rules. Each committee operates in accordance with its terms of reference established by our Board.

Audit Committee

We [have established] an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The Audit Committee consists of three Directors, namely Mr. Chan Hok Leung (陳學良), Dr. Guo Wei (郭衛) and Ms. Liu Shuang (劉爽), with Mr. Chan Hok Leung (陳學良) currently serving as the chairperson. Mr. Chan Hok Leung (陳學良) has the appropriate professional experiences as required under Rules 3.10(2) and 3.21 of the Listing Rules.

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, among others:

- reviewing our compliance, accounting policies and financial reporting procedures;

- proposing the appointment or change of external auditors to our Board, monitoring the independence of external auditors and evaluating their performance;

- examining the financial information of the Group and reviewing financial reports and statements of the Group;

- examining the financial reporting system, the risk management and internal control system of our Group, overseeing their rationality, efficiency and implementation and making recommendations to our Board; and

- dealing with other matters that are authorized by our Board.

Nomination Committee

We [have established] a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code. The Nomination Committee consists of three Directors, namely Mr. Zhao Yongkai (趙永凱), Mr. Chan Hok Leung (陳學良) and Ms. Liu Shuang (劉爽), with Mr. Zhao Yongkai (趙永凱) currently serving as the chairperson.

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, among others:

- conducting extensive search and providing our Board with suitable candidates for our Directors, general managers and other members of the senior management team;
- reviewing the structure, size and composition of our Board (including but not limited to, gender, age, cultural and educational background, ethnicity, skills, knowledge and experience) at least annually and make recommendations on any proposed changes to our Board to complement the Group's corporate strategy;
- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management team, and making recommendations to our Board;
- assessing the independence of the independent non-executive Directors; and
- dealing with other matters that are authorized by our Board.

Remuneration Committee

We [have established] a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Ms. Liu Shuang (劉爽), Mr. Zhao Yongkai (趙永凱) and Mr. Chan Hok Leung (陳學良), with Ms. Liu Shuang (劉爽) currently serving as the chairperson.

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 team and evaluate and make recommendations on employee benefit arrangements which includes, among others:

- establishing, reviewing and making recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management team;
- determining the terms of the specific remuneration package of each Director and members of senior management team;
- reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; and

- other duties conferred by our Board.

CORPORATE GOVERNANCE

Corporate Governance Code

Our Directors recognize the importance of incorporating elements of good corporate governance in our management structures and internal control procedures so as to achieve effective accountability.

We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that our Board should include a balanced composition of executive directors and independent non-executive directors so that there is a strong independent element on our Board, which can effectively exercise independent judgement.

We are in compliance with the requirements under all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Board Diversity

We seek to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. 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 our Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, our 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, cultural and educational background and professional experience and knowledge. Furthermore, our Nomination Committee is responsible for reviewing the diversity of our Board, reviewing our Board Diversity Policy from time to time, developing and reviewing measurable objectives for implementing our Board Diversity Policy, and monitoring the progress on achieving these measurable objectives in order to ensure that our Board Diversity Policy remains effective.

Our Directors have a balanced mix of knowledge and skills, including but not limited to overall business management, finance and accounting, research and development, and investment. They obtained degrees in various majors including engineering, business management and administration, science, accounting and finance, international law, and clinical medicine. Furthermore, as of the date of this document, our Board consists of six male members and two female members with a relatively wide range of ages ranging from 41 years old to 65 years old. We have reviewed the membership, structure and composition of our Board, and is of the opinion that the structure of our Board is reasonable, and the experience and skills of the Directors in various aspects and fields can enable our Company to maintain a high standard of operation.

COMPLIANCE ADVISOR

We have appointed Caitong International Capital Co., Limited as our compliance advisor pursuant to Rule 3A.19. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise us on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- where our Company proposes to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this document; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or [**REDACTED**] volume of its [**REDACTED**] securities or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment of our compliance advisor shall commence on the [**REDACTED**] and end on the date on which our Company distributes to Shareholders the annual report of our financial results for the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

EMOLUMENT OF OUR DIRECTORS AND SENIOR MANAGEMENT

We offer our executive Directors and senior management team emoluments in the form of salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions. Our Board will continue to review and determine the emolument packages of our independent non-executive Directors.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amounts of emoluments (including Directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) of our Directors were RMB2.35 million, RMB5.11 million and RMB6.00 million, respectively.

It is estimated that the emoluments and benefits in kind (excluding any possible payment of discretionary bonuses) equivalent to approximately RMB4.13 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force as of the date of this document.

For the years ended December 31, 2021, 2022 and 2023, the aggregate amounts of emoluments of our five highest paid individuals (including both employees and Directors) were RMB3.96 million, RMB5.58 million, and RMB6.15 million respectively. 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.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Notes 8 and 9 of the Accountant's Report set out in Appendix I to this Document. For the details of the share options that we are going to grant to our Directors and senior management team, please see "Appendix IV — Statutory and General Information — Share Option Scheme — Pre-[**REDACTED**] Share Option Scheme".

During the Track Record Period, none of our Directors waived or agreed to waive any emolument. Except as disclosed in "Financial Information", "Appendix I — Accountant's Report" and "Appendix IV — Statutory and General Information", no other payments have been paid, or are payable, by our Company or our subsidiary to our Directors or the five highest paid individuals during the Track Record Period.

SHARE OPTION SCHEME

We adopted the Pre-[**REDACTED**] Share Option Scheme. For further details, please see "Appendix IV — Statutory and General Information — Share Option Scheme — Pre-[**REDACTED**] Share Option Scheme".

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 prior to and immediately following the completion of the [**REDACTED**]:

		Aggregate par value *(US$)*
Authorized share capital		
[5,000,000,000]	Shares of par value of US$[0.00001] each as of the Latest Practicable Date	[50,000]
Issued and to be issued, fully paid or credited as fully paid immediately upon completion of the [**REDACTED**]		
[1,185,361,023]	Shares in issue as of the date of this document	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the [**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Total	[**REDACTED**]

ASSUMPTION

The above table assumes that the [**REDACTED**] becomes unconditional and the Shares are issued pursuant to the [**REDACTED**]. The above table does not take into account any Shares (i) which may be issued upon the exercise of any outstanding options to be granted under the Pre-[**REDACTED**] Option Scheme; (ii) which may be allotted and issued pursuant to the exercise of the [**REDACTED**]; or (iii) which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The [**REDACTED**] are ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set forth in the above table, and will qualify and 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

Our Company will have only one class of Shares upon completion of the [**REDACTED**], namely ordinary shares, and each ranks *pari passu* with the other Shares. Pursuant to the Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Act reduce its share capital or capital redemption reserve by our shareholders passing a special resolution. Please see "Appendix IV – Statutory and General Information" in this document for further details.

GENERAL MANDATE TO ISSUE SHARES

[Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional [**REDACTED**] to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares 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:

- [**REDACTED**] of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**]; and

- the nominal amount of our share capital repurchased by our Company (if any) pursuant to the [**REDACTED**] (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 or upon the exercise of the [**REDACTED**].

This mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting; or

- 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

- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest.]

Please see "Appendix IV – Statutory and General Information" in this document for further details of this general mandate.

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 [**REDACTED**] 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**]).

This mandate relates to repurchases made on the Stock Exchange, or on any other stock exchange the Shares may be [**REDACTED**] (and which is recognized by the [**REDACTED**] and the Stock Exchange for this purpose), and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. Please see "Appendix IV — Statutory and General Information — Further Information about Our Group — Provision of the Listing Rules" in this document for a summary of the relevant Listing Rules.

This general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting; or
- 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
- it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

Please see "Appendix IV — Statutory and General Information — Further Information about Our Group — Resolutions of the Shareholders of the Company Passed on [●]" in this document for further details of this general mandate.

SHARE OPTION SCHEME

The Company has adopted the Pre-[**REDACTED**] Share Option Scheme and is going to grant options in accordance with the Share Option Agreements under the said scheme. Under the Pre-[**REDACTED**] Share Option Scheme, the Company are going to grant options in respect of up to [98,130,435] Shares to a total of [35] eligible participants at the exercise price of RMB0.97 per Share. Please see "Appendix IV — Statutory and General Information — Share Option Scheme — [**REDACTED**] Share Option Scheme" for further details of the principal terms of the Pre-[**REDACTED**] Share Option Scheme. The terms of the Pre-[**REDACTED**] Share Option Scheme will be made available on display as disclosed in "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display".

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised), the following persons are expected to have an 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:

		As of the date of this document		Immediately after the [REDACTED]	
Name of Shareholder	**Nature of Interest**	**Number of Shares**	**Approximate Percentage of Shareholding**	**Number of Shares**	**Approximate Percentage of Shareholding**
Bayway Fund L.P.[(1)]	Beneficial interest	[682,266,228]	[57.56]%	[**REDACTED**]	[**REDACTED**]
	Persons acting in concert	[95,915,590]	[8.09]%	[**REDACTED**]	[**REDACTED**]
Xuxi Holding[(1)]	Beneficial interest	[95,915,590]	[8.09]%	[**REDACTED**]	[**REDACTED**]
	Persons acting in concert	[682,266,228]	[57.56]%	[**REDACTED**]	[**REDACTED**]
Relevant Shareholders of Bayway Fund L.P.[(1)]	Interest in controlled corporation	[778,181,818]	[65.65]%	[**REDACTED**]	[**REDACTED**]
Relevant Shareholders of Xuxi Holding[(1)]	Interest in controlled corporation	[95,915,590]	[8.09]%	[**REDACTED**]	[**REDACTED**]
Ms. Xu[(1)]	Interest in controlled corporation	[831,227,272]	[70.12]%	[**REDACTED**]	[**REDACTED**]
Zhu Hongbing (朱紅兵)[(1)]	Interest in controlled corporation	[831,227,272]	[70.12]%	[**REDACTED**]	[**REDACTED**]
Cui Yifan (崔一帆)[(1)]	Interest in controlled corporation	[831,227,272]	[70.12]%	[**REDACTED**]	[**REDACTED**]
Shanghai Zhenghesheng Enterprise Management Partnership (Limited Partnership)* (上海正闔盛企業管理合夥企業(有限合夥)) ("**Shanghai Zhenghesheng**")[(2)]	Beneficial interest	[109,090,909]	[9.20]%	[**REDACTED**]	[**REDACTED**]

		As of the date of this document		Immediately after the [REDACTED]	
Name of Shareholder	**Nature of Interest**	**Number of Shares**	**Approximate Percentage of Shareholding**	**Number of Shares**	**Approximate Percentage of Shareholding**
Relevant Shareholders of Shanghai Zhenghesheng[(2)]	Interest in controlled corporation	[109,090,909]	[9.20]%	[**REDACTED**]	[**REDACTED**]
Shanghai Shengren Enterprise Management Partnership (Limited Partnership)* (上海晟荏企業管理合夥企業(有限合夥)) ("**Shanghai Shengren**")[(3)]	Beneficial interest	[90,666,667]	[7.65]%	[**REDACTED**]	[**REDACTED**]
Relevant Shareholder of Shanghai Shengren[(3)]	Interest in controlled corporation	[90,666,667]	[7.65]%	[**REDACTED**]	[**REDACTED**]
Relevant Shareholders of Shanghai Shengren and Shanghai Xinlun[(3)]	Interest in controlled corporation	[97,437,667]	[8.22]%	[**REDACTED**]	[**REDACTED**]

Notes:

(1) Bayway Fund L.P. is an exempted limited partnership registered in the Cayman Islands with Rose Violet X as its sole general partner. Rose Violet X is a wholly-owned subsidiary of Wineberry X, which in turn is owned as to 80% by Crimson X, the sole shareholder of which is Ms. Xu. In respect of the limited partners of Bayway Fund L.P., each of (i) Verdancy C Limited (a company incorporated in the BVI and is owned as to 90% by Best Power SG Capital Pte. Ltd., a Singapore incorporated private company limited by shares, which in turn is wholly owned by Marine Green C Limited, a company incorporated in the BVI and wholly-owned by Chen Hua (陳 樺), the sister of our executive Director Chen Haoyang (陳昊陽)) and (ii) Lavender J Limited (a company incorporated in the BVI and is owned as to 90% by Ultramarine H Limited, which is a company incorporated in the BVI and wholly-owned by Huang Zhuguang (黃柱光)), is interested in more than one-third of the partnership interests in Bayway Fund L.P.. Moreover, the remaining 10% of the shareholding interests in Lavender J Limited is owned by Amethyst J Limited, a company incorporated in the BVI and wholly-owned by Jiang Yanrong (蔣豔榮), who is the spouse of Huang Zhuguang. By virtue of SFO, Rose Violet X, Wineberry X, Crimson X, Verdancy C Limited, Best Power SG Capital Pte. Ltd., Marine Green C Limited, Chen Hua, Lavender J Limited, Ultramarine H Limited, Huang Zhuguang, Amethyst J Limited and Jiang Yanrong (together, the "**Relevant Shareholders of Bayway Fund L.P.**") are deemed to be interested in the Shares held by Bayway Fund L.P..

Sugar Berry holds 33,090,909 Shares in our Company, representing approximately 2.79% of the shareholding interest in our Company as of the Latest Practicable Date and approximately [**REDACTED**] immediately after the [**REDACTED**]. Sugar Berry is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Huijin, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huijin being the limited partner. Anhui Beiyi Huijin is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner. Baihui Investment Fund in turn is owned as to 80% by Ms. Xu. To the best knowledge of the Directors, Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership)* (共青城鈺晟投資管理合夥企業(有限合夥)), a limited partnership established in the PRC, is the only limited partner and is interested in one-third or more of the partnership interests in Anhui Beiyi Huijin. Gongqingcheng Yusheng Investment Management Partnership (Limited Partnership)* in turn is owned as to 98.33% by an individual who is the father of a substantial shareholder of Henan Baihui Medical Investment Management Co., Ltd.* (河南佰惠醫療投資管理有限公司), one of our Group's subsidiaries.

Cheery Smiley holds 13,454,545 Shares in our Company, representing approximately 1.14% of the shareholding interest in our Company as of the Latest Practicable Date and approximately [**REDACTED**] immediately after the [**REDACTED**]. Cheery Smiley is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Huifang, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huifang being the limited partner. Anhui Beiyi Huifang is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner. Baihui Investment Fund in turn is owned as to 80% by Ms. Xu. To the best knowledge of the Directors, Beijing Hopson Jiaye Property Management Company Limited* (北京合生嘉業物業管理有限公司), a limited company established in the PRC, is the only limited partner and is interested in one-third or more of the partnership interests in Anhui Beiyi Huifang. Beijing Hopson Jiaye Property Management Company Limited* in turn is owned as to 97.79% by an individual who is an Independent Third Party.

Backspace holds 6,500,000 Shares in our Company, representing approximately 0.55% of the shareholding interest in our Company as of the Latest Practicable Date and approximately [**REDACTED**] immediately after the [**REDACTED**]. Backspace is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Huitong, a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner and Anhui Beiyi Huitong being the limited partner. Anhui Beiyi Huitong is a limited partnership established in the PRC with Baihui Investment Fund being the sole general partner. Baihui Investment Fund in turn is owned as to 80% by Ms. Xu. To the best knowledge of the Directors, Shanghai Yuzheng Zerong Enterprise Management Company Limited* (上海毓正澤榮企業管理有限公司), a limited company established in the PRC, is the only limited partner and is interested in one-third or more of the partnership interests in Anhui Beiyi Huitong. Shanghai Yuzheng Zerong Enterprise Management Company Limited* in turn is owned as to 80% by an individual who is an Independent Third Party. As a result of her control in Baihui Investment Fund, which in turn indirectly controls each of Sugar Berry, Cheery Smiley and Backspace, by virtue of the SFO, Ms. Xu are deemed to be interested in the total Shares directly held by each of Sugar Berry, Cheery Smiley and Backspace.

Xuxi Holding is a company incorporated in the BVI and is a wholly-owned subsidiary of Shanghai Xuxi Management, a limited partnership established in the PRC with Cui Yifan (崔一帆) being the sole general partner and Shanghai Xukun Management being the limited partner. Shanghai Xukun Management is a company established in the PRC which in turn is owned as to 67% by Zhu Hongbing (朱紅兵) and as to 33% by Cui Yifan (崔一帆). Cui Yifan (崔一帆) is a director of our Group subsidiaries, and the son of Zhu Hongbing (朱紅兵). By virtue of the SFO, each of Shanghai Xuxi Management and Shanghai Xukun Management (together, "**Relevant Shareholders of Xuxi Holding**") are deemed to be interested in the total Shares directly held by Xuxi Holding. Pursuant to the arrangement under the Concert Party Agreements, Bayway Fund L.P and Xuxi Holding has agreed to, among others, vote unanimously at all shareholders' meetings and directors' meetings, discuss and reach consensus with each other before proposing to shareholders' meetings and directors' meetings, and act in concert, in respect of all key operations and development matters of the Company. See "Relationship with Our Controlling Shareholders – Our Controlling Shareholders – The Concert Party Agreements" for more details. By virtue of the SFO, each of Ms. Xu, Zhu Hongbing (朱紅兵) and Cui Yifan (崔一帆), are deemed to be interested in the total Shares directly held by Bayway Fund L.P., Xuxi Holding, Sugar Berry, Cheery Smiley and Backspace.

(2) To the best knowledge of the Directors, Zhengqi (Beijing) Asset Management Co., Ltd.* (正奇(北京)資產管理有限公司) ("**Zhengqi (Beijing)**"), a limited liability company established in the PRC, is the general partner of Shanghai Zhenghesheng. Zhengqi (Beijing) is wholly-owned by Zhengqi Holdings Corporation* (正奇控股股份有限公司) ("**Zhengqi Holdings**"), which is in turn owned as to 94.62% by Legend Holdings Corporation* (聯想控股股份有限公司), a joint stock limited liability company established under the laws of PRC and its overseas [**REDACTED**] shares are [**REDACTED**] on the Main Board of the Stock Exchange (Stock Code: 03396). Zhengqi Holdings is the sole limited partner of Shanghai Zhenghesheng and is interested in one-third of more or the partnership interests in Shanghai Zhenghesheng. By virtue of SFO, Zhengqi (Beijing), Zhengqi Holdings, and Legend Holdings Corporation* (together "**Shanghai Zhenghesheng Shareholders**") are deemed to be interested in the Shares held by Shanghai Zhenghesheng.

(3) To the best knowledge of the Directors, Shenzhen Huaxin Capital Management Co., Ltd.* (深圳市華信資本管理有限公司) ("**SZ Huaxin Capital Management**"), a limited liability company established in the PRC, is the general partner of Shanghai Shengren. SZ Huaxin Capital Management is owned as to 37% by Chuhou (Shenzhen) Management Center (Limited Partnership)* (處厚(深圳)管理中心(有限合夥)) ("**Chuhou SZ**"), the general partner of which is an individual who is an Independent Third Party. Chuhou SZ has a limited partner (being an individual) who is interested in one-third of the partnership interests in Chuhou SZ and is also an Independent Third Party (the said two individuals as "**Chuhou SZ Individual Shareholders**"). In addition, Luxin Venture Capital Group Co., Ltd* (魯信創業投資集團股份有限公司) ("**Luxin Venture**"), a joint stock limited liability company established under the laws of PRC the shares of which are [**REDACTED**] on the Shanghai Stock Exchange (Stock Code: 600783), has directly and indirectly through corporations controlled by it interested in 47% partnership interests in SZ Huaxin Capital Management in aggregate. In respect of the limited partners of Shanghai Shengren, (i) Shenzhen Zexin Management Center Partnership (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥)) ("**SZ Zexin Management**"), a limited partnership established in the PRC whose general partner being Chuhou SZ, is interested in more than one-third of the partnership interests in Shanghai Shengren. SZ Zexin Management does not have any limited partners being interested in one-third or more of the partnership interests in SZ Zexin Management; (ii) three other limited partners of Shanghai Shengren, namely, Chengdu Luxin Jingrong Phase II Venture Capital Center (Limited Partnership)* (成都魯信菁蓉貳期創業投資中心(有限合夥)) ("**CD Luxin Phase II**"), Shandong Luxin New and Old Momentum Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)) ("**SD Luxin Momentum**") and Wuxi Jintou Luxin Venture Capital Partnership (Limited Partnership)* (無錫金投魯信創業投資合夥企業(有限合夥)) ("**WX Jintou Luxin**"), each being a limited partnership established in the PRC, individually are not interested in one-third or more of the partnership interests in Shanghai Shengren, but each of CD Luxin Phase II, SD Luxin Momentum and WX Jintou Luxin is having Shandong High-tech Venture Capital Co., Ltd.* (山東省高新技術創業投資有限公司) ("**SD High-tech Venture**"), a limited company established in the PRC which is wholly owned by Luxin Venture, as general partner and/or their respective largest limited partner.

Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)) ("**Shanghai Xinlun**"), a limited partnership established in the PRC, holds 6,771,000 Shares in our Company, representing approximately 0.57% of the shareholding interest in our Company as of the Latest Practicable Date and approximately [**REDACTED**] immediately after the [**REDACTED**]. To the best knowledge of the Directors, SZ Huaxin Capital Management is the general partner of Shanghai Xinlun. Shanghai Xinlun has a limited partner, Wuxi Luxin Phase III Venture Capital Partnership (Limited Partnership)* (無錫魯信叁期創業投資合夥企業(有限合夥)) ("**Wuxi Luxin Phase III**"), which is interested in more than one-third of the partnership interests in Shanghai Xinlun. Wuxi Luxin Phase III is a limited partnership established in the PRC and whose general partner is also SZ Huaxin Capital Management, and its largest limited partner being entities ultimately controlled and/or owned by Luxin Venture as to more than one-third of the equity interests.

By virtue of SFO, (i) each of SZ Huaxin Capital Management, Chuhou SZ, Chuhou SZ Individual Shareholders, SD High-tech Venture and Luxin Venture (together, the "**Relevant Shareholders of Shanghai Shengren and Shanghai Xinlun**") are deemed to be interests in the Shares held by Shanghai Shengren and Shanghai Xinlun, and SZ Zexin Management is deemed to be interested in the Shares held by Shanghai Shengren (the "**Relevant Shareholder of Shanghai Shengren**").

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**], 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.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2021, 2022 and 2023 included in the Accountant's Report set out in Appendix I to this document, together with the 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 "Risk Factors" in this document.

OVERVIEW

We are a leading oncology healthcare group engaged in the investment in, and provision of, medical and healthcare related services in the PRC. As of the Latest Practicable Date, we operated and managed a network of eight hospitals in Beijing, Tianjin, Shanxi Province, Anhui Province and Henan Province with strategic focus on provision of full-cycle oncology healthcare services, through our direct ownership in the equity interest in six private for-profit hospitals and management over two private not-for-profit hospitals. Our mission and vision is to revere life, promote high-quality medical resources to widely contribute to the people's livelihood and build a top full-cycle oncology healthcare group in the PRC.

During the Track Record Period, we generated our revenue mainly from (i) operating six private for-profit hospitals we owned and providing healthcare services including full-cycle oncology healthcare services; (ii) managing and operating, and receiving management fees from two private not-for-profit hospitals in our In-network Hospitals; and (iii) supply of pharmaceuticals, medical equipment and consumables. Given the nature of healthcare service market in the PRC, we focus on full-cycle oncology healthcare services as a core part of our business operations, and we expect this trend to continue in the future.

We experienced significant growth during the Track Record Period. Our revenue increased from RMB461.6 million for the year ended December 31, 2021 to RMB802.7 million for the year ended December 31, 2022, and further increased to RMB1,072.2 million for the year ended December 31, 2023, representing a CAGR of 52.4%. Our gross profit increased from RMB41.4 million for the year ended December 31, 2021 to RMB79.6 million for the year ended December 31, 2022, and further increased to RMB178.2 million for the year ended December 31, 2023, representing a CAGR of 107.5%. During the Track Record Period, we generated revenue primarily from our hospital business, comprising inpatient services, outpatient services and others, which was RMB314.7 million, RMB617.9 million and RMB814.1 million for the years ended December 31, 2021, 2022 and 2023, representing 68.2%, 77.0% and 75.9% of our total revenue for the same periods, respectively.

BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Our Company was incorporated in the Cayman Islands on December 9, 2021 as an exempted company with limited liability. Our Company is an investment holding company and our Company has not carried on any business since the date of its incorporation save for the Reorganization. For more details of the Reorganization, please see "History, Reorganization and Corporate Structure" in this document.

Prior to the Reorganization, our principal business was carried out by Bayzed Medical Investment and its subsidiaries. Upon completion of the Reorganization, our Company became the holding company of the companies now comprising our Group. The Reorganization only involved interspersing our Company and certain investment holding companies, which were formed with no substantive business operations. There were no changes in the economic substance of the ownership of Bayzed Medical Investment and its subsidiaries and our business. Accordingly, our Group is regarded as a continuation of the business carried out by Bayzed Medical Investment and its subsidiaries. Our consolidated financial statements have been prepared and presented as a continuation of the consolidated financial statements of Bayzed Medical Investment and its subsidiaries, with the assets and liabilities of Bayzed Medical Investment and its subsidiaries recognized and measured at their historical carrying amounts prior to the Reorganization.

The consolidated statements of financial position of our Group as of December 31, 2021, 2022 and 2023, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of our Group, for the Track Record Period, and a summary of significant accounting policies and other explanatory information has been prepared in accordance with all applicable International Financial Reporting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board. Intra-group balances, transactions and unrealized gains/losses on intra-group transactions are eliminated in full.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe the following are key factors that affect our results of operations:

Growth of Oncology Healthcare Service Industry and the Overall Healthcare Service Market in China

As a healthcare group, our results of operations and financial condition are generally affected by the overall healthcare service market condition in China. Driven by an increasing aging population and rising public health awareness, the total healthcare expenditure in China has grown from RMB5,912.2 billion in 2018 to RMB8,484.7 billion in 2022 at a CAGR of 9.5%, and it is forecasted that the total healthcare expenditure in China will grow to RMB11,826.9 billion in 2026 at a CAGR of 8.7% and further to RMB15,116.3 billion at a CAGR of 6.3% in 2030, according to Frost & Sullivan. In terms of revenue, the revenue of private healthcare institutions in China grew significantly at a CAGR of 16.3% from RMB506.5 billion in 2018 to RMB925.6 billion in 2022. It is forecasted that the figure will grow at a CAGR of 13.4% from 2022 to 2026 and 12.4% from 2026 to 2030, and will reach RMB1,530.8 billion by 2026 and RMB2,442.1 billion by 2030.

We have strategically focused on full-cycle oncology healthcare services, which is primarily provided through our hospital business. Our revenue generated from oncology-related services was RMB177.1 million, RMB242.7 million and RMB345.0 million for the years ended December 31, 2021, 2022 and 2023, representing approximately 56.3%, 39.3% and 42.4% of our total revenue derived from our hospital business for the same periods, respectively. The proportion of revenue generated from oncology-related services in our revenue derived from our hospital business declined from approximately 56.3% for the year ended December 31, 2021 to approximately 39.3% for the year ended December 31, 2022, primarily due to the completion of the acquisition of Wuzhi Jimin Hospital (which is a comprehensive hospital) and Taiyuan Peace Hospital (which was a comprehensive hospital for the year ended December 31, 2022 and has been recognized as a rehabilitation specialist hospital in March 2023) with relatively low proportion of their revenue generated from the oncology-related services. After our acquisition, the revenue generated from oncology-related services in Wuzhi Jimin Hospital and Taiyuan Peace Hospital have realized steady growth. We believe that our revenue generated from oncology-related services in our self-owned hospitals will continue to grow by leveraging on our excellent medical resources.

Our financial performance and results of operations are significantly affected by the growth of oncology healthcare service market in China. According to Frost & Sullivan, cancer incidence in China grew from approximately 4.3 million in 2018 to approximately 4.8 million in 2022, and is expected to grow further to approximately 5.8 million in 2030. However, due to shortage in oncology medical resources, such demand remains largely unmet. Please see "Business – Our Strategies – Strengthen Our Market Leading Position by Expanding Our Hospital Network to Address the Unmet Market Demand" and "Industry Overview – Oncology Healthcare Service Market in China" in this document for more details. Leveraging our market leadership, we believe that we are well positioned to capture the significant opportunities in this underserved market.

Our ability to continuously adopt the latest technological improvements quickly and cost-efficiently has a direct effect on our financial condition and results of operations. The healthcare service industry is characterized by frequent improvements and evolving technology. As technological advances in the healthcare service industry continue to evolve rapidly, new services and equipment may arise and our success will depend on the ability of our In-network Hospitals to adapt to such technological changes, which could incur significant expenditures and may be subject to licensing or other regulatory requirements. Some of our competitors may have greater resources to respond to these technological changes than our In-network Hospitals. Please see "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – Our business may be affected by technological and therapeutic changes or by shifts in physicians' or patients' preferences for alternative services." in this document for further details.

Expansion of Our Business

We have and will continue to expand our network of hospitals by both external extension and organic growth. We have significantly expanded our network of hospitals during recent years by acquisitions, hospital management and new establishment. In particular, we completed three acquisitions of hospitals during the Track Record Period. Please see "History, Reorganization and Corporate Structure – Our Corporate Development" in this document for further details.

As advised by Frost & Sullivan, there is a relatively high entry barriers for setting up medical and healthcare related services businesses from the ground up, which include but not limited to (i) upfront capital investment; (ii) multiple licenses, permits, and professional qualifications to be obtained; (iii) the need of highly experienced medical professionals and medical staff as well as the need of having experienced management who thoroughly understand the medical and healthcare related services market in the PRC; (iv) the establishment of the hospital management system; (v) the development and perfection of the relevant medical specialties; (vi) building brand awareness and image; and (vii) the regulatory environment. Therefore, we plan to expand our business by acquiring private hospitals from the third parties and expanding our hospital management business.

We have adopted the standardized management mode, combined with the refined management measures with the feature of "making appropriate decisions in light of the hospital's situation" based on our strong integration capability, to help each In-network Hospital build up its own differentiating characteristics and achieve their organic growth, especially during their ramp-up period after acquisition by us. Please see "Business – Our Competitive Strengths – Strong integration capability and standardized management mode at our group level combined with the refined management measures with the feature of 'making appropriate decisions in light of the hospital's situation' support our overall business development and enhance the treatment effect and service quality" and "Business – Business Management of Our In-network Hospitals" in this document for further details.

Our future growth depends upon our ability to further expand our business. Our ability to expand our business will be affected by a number of factors, including, among others: (i) changes to the PRC healthcare policies and regulations; (ii) the reputation of our existing healthcare facilities and doctors; (iii) our financial resources; and (iv) the ability to improve financial and operational performance. Our expansion may require us to make upfront investments, in particular for the expansion through acquisitions, which could impact our liquidity.

Our ability to operate hospitals after our acquisitions determines whether and how quickly we can recover our investment, which may materially affect our revenue and profitability. There is also no assurance that we will identify suitable targets to expand our business, negotiate commercially acceptable terms for such expansion, or successfully integrate any new assets or businesses in the future. Even if we are able to identify suitable targets, such expansion can be difficult, time-consuming and costly to execute, and we may not be able to secure necessary financing for such expansion. An unsuccessful expansion plan may also have an effect on our business and financial condition.

Number of Patient Visits and Average Spending per Patient Visit

During the Track Record Period, we generated revenue primarily from our hospital business, comprising inpatient services, outpatient services and others. The revenue generated from our inpatient services and outpatient services, which accounted for a majority of our revenue generated from hospital business during the Track Record Period, was a function of the number of patient visits, consisting of both inpatient and outpatient visits, and average spending per patient visit.

For the years ended December 31, 2021, 2022 and 2023, the revenue generated from our inpatient services of our hospital business represented 38.4%, 47.3% and 48.1%, respectively, of our total revenue. In the same periods, the total number of inpatient visits of our self-owned hospitals was 5,834, 30,740 and 44,461, respectively, and the average spending per inpatient visit was approximately RMB30,334.0, RMB12,341.9 and RMB11,604.3, respectively. For the years ended December 31, 2021, 2022 and 2023, the revenue generated from our outpatient services of our hospital business represented 25.9%, 27.0% and 27.0%, respectively, of our total revenue. In the same periods, the total number of outpatient visits in our self-owned hospitals was 196,457, 547,919 and 701,502, respectively, and the average spending per outpatient visit was approximately RMB609.5, RMB395.2 and RMB413.2, respectively.

Increasing the number of patient cases served in our hospital business and average spending per patient visit are important for our business growth. The number of patient cases is primarily driven by, among others, our capabilities for provision of healthcare and medical services, reputation of our physicians and acceptance degree of our In-network Hospitals by the patients. During the Track Record Period, the number of our inpatient visits and outpatient visits of our self-owned hospitals increased mainly due to (i) external strategic acquisition and organic growth; and (ii) the phase-out of the measures for pandemic prevention subject to the local governments' policies and the reduction of the negative impacts of the COVID-19 pandemic that increased the number of our patient visits significantly during the relevant periods. Please see "– Description of Key Components of Comprehensive Income – Revenue" in this section for more details.

The fluctuations in average spending per patient visit of our hospital business were primarily attributable to (i) the nature and location of the hospitals we acquired during the relevant years; (ii) the adjustments of public medical insurance programs policies in different cities where our self-owned hospitals are located, resulting in corresponding adjustments of policy requirements in pricing and payment; and (iii) the complexity of diagnosis and treatment related to oncology-related services and differences in the type of disease, patient's individual circumstances, treatment plans and the services we provide. For the years ended December 31, 2021, 2022 and 2023, our average spending per inpatient visit of our hospital business was approximately RMB30,334.0, RMB12,341.9 and RMB11,604.3, respectively, and our average spending per outpatient visit of our hospital business was approximately RMB609.5, RMB395.2 and RMB413.2, respectively. Please see "– Description of Key Components of Comprehensive Income – Revenue" in this section for more details of the reasons of the fluctuations.

Ability to control our costs and expenses

Our ability to effectively control our cost of sales and expenses while achieving expected business growth is critical to our profitability. For the years ended December 31, 2021, 2022 and 2023, cost of pharmaceuticals represented the largest component of our cost of sales, accounting for 38.0%, 37.3% and 34.7%, respectively, of our revenue for the same periods, respectively. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in cost of pharmaceuticals on our net profit for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentages)					
+15%	(19,735)	-31.9%	(33,637)	-44.5%	(34,315)	-140.6%
+10%	(13,156)	-21.2%	(22,425)	-29.7%	(22,877)	-93.7%
+5%	(6,578)	-10.6%	(11,212)	-14.8%	(11,438)	-46.9%
-5%	6,578	10.6%	11,212	14.8%	11,438	46.9%
-10%	13,156	21.2%	22,425	29.7%	22,877	93.7%
-15%	19,735	31.9%	33,637	44.5%	34,315	140.6%

Meanwhile, staff cost constituted an important component of our cost of sales, our general and administrative expenses and our selling expenses. For the years ended December 31, 2021, 2022 and 2023, our total staff cost (including those recorded in cost of sales, general and administrative expenses and selling expenses) accounted for 29.4%, 30.0% and 27.9%, respectively, of our total revenue for the same periods.

The number of our employees has been increasing along with the growth of our business, and our staff cost increased by 77.1% from RMB135.8 million for the year ended December 31, 2021 to RMB240.5 million for the year ended December 31, 2022, and further increased by 24.5% to RMB299.4 million for the year ended December 31, 2023, which was primarily due to (i) the expansion of our network of hospitals by completion of acquisitions of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital and new establishment of Tianjin Shishi Hospital; and (ii) the introduction of talents and development of medical disciplines in particular for our self-owned hospitals during the Track Record Period, which were in line with our business expansion.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in staff cost on our net profit for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentages)					
+15%	(15,273)	-24.7%	(27,053)	-35.8%	(33,678)	-138.0%
+10%	(10,182)	-16.4%	(18,035)	-23.9%	(22,452)	-92.0%
+5%	(5,091)	-8.2%	(9,018)	-11.9%	(11,226)	-46.0%
-5%	5,091	8.2%	9,018	11.9%	11,226	46.0%
-10%	10,182	16.4%	18,035	23.9%	22,452	92.0%
-15%	15,273	24.7%	27,053	35.8%	33,678	138.0%

We expect that our cost of pharmaceuticals as well as staff cost to continue to be our most significant costs and expenses going forward, particularly in light of the continued expansion and ramping up of certain of our self-owned hospitals. Our ability to control such costs and expenses may significantly affect our profitability.

With a view to incentivise certain key staff of our Group and attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group, certain of our subsidiaries, namely Western Beijing Cancer Hospital Company, Anhui Shoukang Investment and Tianjin Baihui Medical Management, adopted share schemes in July 2019, November 2021 and September 2022, respectively. Please see Note 24 to "Appendix I – Accountants' Report" and "Risk Factors – Grant of options under the share option schemes could negatively impact the financial results of our operations." in this document for further details.

CRITICAL ACCOUNTING POLICIES

We prepare our consolidated financial information in accordance with IFRS Accounting Standards, which requires us to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. We continually evaluate these estimates and associated assumptions based on our own historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We will continuously assess our assumptions and estimates going forward. We consider the policies discussed below to be critical to an understanding of our consolidated financial information as their application places the most significant demands on our management's judgment.

For details of our material accounting policies, please see Note 2 in the Accountants' Report set out in Appendix I to this document.

Revenue Recognition

Our revenue during the Track Record Period mainly represents proceeds from (i) hospital business; (ii) hospital management business; and (iii) supply of pharmaceuticals, medical equipment and consumables. Revenue is measured at the fair value of the consideration received or receivable for the goods and services in the ordinary course of our Group's activities. Our Group recognizes revenue when we transfer control of the goods or services to a customer.

Inpatient services and outpatient services of our hospital business

For inpatient services, our customers normally receive inpatient treatment, which contains various treatment components that are all highly relevant and regarded as one performance obligation. Relevant revenue of inpatient treatment is recognized over time because our customers simultaneously receive and consume the benefits provided by our Group. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of the services transferred by our Group to our customers.

For outpatient services, revenue from the provision of outpatient services is recognized at a point in time when the services are provided. Revenue is recognized when a customer obtains the control of the completed services and our Group has satisfied our performance obligations with present right to payment and the collection of the consideration is probable.

Hospital management service

Our Group provides the management related services to our Managed Hospitals over the service period. Our Managed Hospitals receive and consume the benefits provided by our Group's performance as our Group perform. Our Group use a time-based measure of progress. Revenue from provision of our hospital management services is recognized over the period in which the services are rendered. For revenue from our hospital management services, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the revenue of our Managed Hospitals.

Supply of pharmaceuticals, medical equipment and consumables

Revenue from supply of pharmaceuticals, medical equipment and consumables is recognized when control of the inventory has been transferred, being when the goods are delivered to a customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as of the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash-generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Estimated impairment of goodwill

For the purpose of impairment testing as of December 31, 2021, 2022 and 2023, goodwill arising from the acquisitions of Western Beijing Cancer Hospital Company, Tianjin Nankai Jixing Hospital Company, Anhui Shoukang Investment, Hefei Bayway Changrong Hospital Company, Wuzhi Jimin Hospital Company, and Beijing Medical Creation has been allocated to the operations of these six entities as individual cash generating units of our Group.

The recoverable amounts of the cash-generating units have been determined based on the higher of fair value less costs of disposal and value in use calculations of the underlying assets with reference to valuation reports issued by an independent valuer. These calculations use cash flow projections based on financial budgets approved by our management covering a five-year period. These cash flow projections adopted annual sales growth rates, which are based on our Group's historical experience with these operations and adjusted for other factors that are specific to each cash-generating unit. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The discount rates used are pre-taxed and reflect specific risks relating to the respective cash generating units. The key assumptions used in the value-in-use calculations for the below cash-generating units are as follows:

Western Beijing Cancer Hospital Company

	Year ended December 31,		
	2021	**2022**	**2023**
Annual sales growth rate beyond five-year period	2.50%	2.50%	2.50%
Discount rate	18.09%	17.75%	17.86%

Tianjin Nankai Jixing Hospital Company

	Year ended December 31,		
	2021	2022	2023
Annual sales growth rate beyond five-year period	2.50%	2.50%	2.50%
Discount rate	20.09%	20.22%	20.03%

Anhui Shoukang Investment

	Year ended December 31,		
	2021	2022	2023
Annual sales growth rate beyond five-year period	2.50%	2.50%	2.50%
Discount rate	19.21%	19.33%	19.25%

Hefei Bayway Changrong Hospital Company

	Year ended December 31,		
	2021	2022	2023
Annual sales growth rate beyond five-year period	*	2.50%	2.50%
Discount rate	*	18.67%	18.46%

Wuzhi Jimin Hospital Company

	Year ended December 31,		
	2021	2022	2023
Annual sales growth rate beyond five-year period	N/A	2.50%	2.50%
Discount rate	N/A	19.07%	18.94%

Beijing Medical Creation

	Year ended December 31,		
	2021	2022	2023
Annual sales growth rate beyond five-year period	N/A	2.50%	2.50%
Discount rate	N/A	19.49%	19.87%

*: Our management determined the recoverable amount of the cash-generating unit by assessing the fair value less cost of disposal of the underlying assets, which is higher than the value-in-use of Hefei Bayway Changrong Hospital Company as at December 31, 2021. The fair value measurement falls into level 3 of the fair value hierarchy. Market approach is used to determine Hefei Bayway Changrong Hospital Company cash-generating unit's fair value less costs of disposal. Please see Note 14 to "Appendix I — Accountants' Report" in this document for further details.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and 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 production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognized in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvement	Shorter of the lease term and 20 years
Buildings	8 - 50 years
Medical equipment	5 - 10 years
Motor vehicles	5 - 10 years
Office and other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Inventories

Inventories are carried at the lower of cost and net realizable value. All costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition is determined using the weighted average cost formula. 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.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognized for the right to recover products from customers sold with a right of return.

Intangible assets

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Intangible assets that are acquired by our Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses. Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortized from the date they are available for use and their estimated useful lives are as follows:

Software	5 to 10 years
Management contracts	40 years
Medical licenses	20 years
Good supply practice licenses	5 years
Cooperation relationship	6 years

Both the period and method of amortization are reviewed annually.

DESCRIPTION OF KEY COMPONENTS OF COMPREHENSIVE INCOME

The following table sets forth our summary consolidated statements of comprehensive income for the periods indicated:

	Year Ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	461,586	802,652	1,072,173
Cost of sales	(420,195)	(723,095)	(894,009)
Gross profit	41,391	79,557	178,164
Other net income	7,837	5,025	5,181
Selling expenses	(9,738)	(12,019)	(13,467)
General and administrative expenses	(72,806)	(108,587)	(147,172)
Impairment loss on trade and bills receivables	(461)	(2,063)	(274)
(Loss)/profit from operations	(33,777)	(38,087)	22,432
Finance costs	(21,058)	(24,437)	(27,042)
Loss before taxation	(54,835)	(62,524)	(4,610)
Income tax	(7,120)	(12,991)	(19,796)
Loss for the year	(61,955)	(75,515)	(24,406)

Non-IFRS Measures

To supplement our financial information which are presented in accordance with IFRS, we use non-IFRS measures, namely, adjusted EBITDA and adjusted net profit or loss, as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that such measures provide useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted EBITDA and adjusted net profit or loss may not be comparable to similarly titled financial measures presented by other companies. The use of such non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted EBITDA (non-IFRS measure) as EBITDA (which is loss for the year plus depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets, income tax expenses and finance costs) adjusted by adding (i) share-based payment expenses; and (ii) [**REDACTED**].

We define adjusted net loss (non-IFRS measures) as loss for the year adjusted for (i) share-based payment expenses; (ii) amortization of acquired assets assessment appreciation; (iii) [**REDACTED**]; and (iv) corresponding income tax influence.

Share-based payment expenses consisted of non-cash expenses arising from granting options to the participants under the share scheme adopted by Tianjin Baihui Medical Management and does not result in cash outflow. [**REDACTED**] are mainly expenses related to the [**REDACTED**] and added back mainly because they were incurred for the purpose of the [**REDACTED**].

The following table sets out EBITDA, adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure), and a reconciliation from loss for the year to EBITDA, adjusted EBITDA (non-IFRS measure) and adjusted net loss (non-IFRS measure) for the periods indicated:

	Year Ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Loss for the year	(61,955)	(75,515)	(24,406)
Add			
Share-based payment expenses	–	178	–
Amortization of acquired assets assessment appreciation	7,040	8,123	8,692
[**REDACTED**]	–	–	14,791
Corresponding income tax influence	(1,760)	(2,031)	(2,173)
Adjusted net loss (non-IFRS measure)	**(56,675)**	**(69,245)**	**(3,096)**
Loss for the year	(61,955)	(75,515)	(24,406)
Add			
Income tax expenses	7,120	12,991	19,796
Depreciation of property, plant and equipment	24,198	41,857	50,876
Amortization of intangible assets	7,801	9,266	10,276
Depreciation of right-of-use assets	18,333	23,421	25,119
Finance costs	21,058	24,437	27,042
EBITDA	**16,555**	**36,457**	**108,703**

	Year Ended December 31,		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Add			
Share-based payment expenses	–	178	–
[**REDACTED**]	–	–	14,791
Adjusted EBITDA (non-IFRS measure)	**16,555**	**36,635**	**123,494**

Revenue

During the Track Record Period, we generated our revenue mainly from (i) operating six private for-profit hospitals we owned and providing healthcare services including full-cycle oncology healthcare services; (ii) managing and operating, and receiving management fees from two private not-for-profit hospitals in our In-network Hospitals; and (iii) supply of pharmaceuticals, medical equipment and consumables. For the years ended December 31, 2021, 2022 and 2023, our revenue was RMB461.6 million, RMB802.7 million and RMB1,072.2 million, respectively. The following table sets forth the breakdown of our revenue by service offerings for the periods indicated. Please also see "Business – Our Business Model" in this document for further details.

Revenue by Service Offerings

The following table sets forth our revenue by service offerings for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Hospital business	314,696	68.2	617,905	77.0	814,112	75.9
Inpatient services	177,027	38.4	379,389	47.3	515,940	48.1
Outpatient services	119,743	25.9	216,542	27.0	289,881	27.0
Others(1)	17,926	3.9	21,974	2.7	8,291	0.8
Hospital management business	26,281	5.7	37,315	4.6	41,121	3.8
Supply of pharmaceuticals, medical equipment and consumables	118,213	25.6	146,730	18.3	215,158	20.1
Others(2)	2,396	0.5	702	0.1	1,782	0.2
Total	461,586	100.0	802,652	100.0	1,072,173	100.0

Notes:

(1) Our revenue derived from others of our hospital business during the Track Record Period primarily refer to (i) our revenue generated from provision of nucleic acid testing service; and (ii) the one-off asset royalties and other one-off relevant revenue received from Hefei Changrong Hospital.

(2) Our revenue derived from others of our business during the Track Record Period primarily refer to revenue related to our provision of medical-and-healthcare-related consultancy services.

Hospital Business

Our revenue generated from our hospital business increased by 31.8% from RMB617.9 million for the year ended December 31, 2022 to RMB814.1 million for the year ended December 31, 2023, which was primarily due to increases of RMB136.6 million and RMB73.3 million in our inpatient services and our outpatient services, respectively, which were partially offset by a decrease of RMB13.7 million in others of our hospital business from the year ended December 31, 2022 to the year ended December 31, 2023. With respect to the increase of our revenue generated from hospital business from 2022 to 2023, (i) revenue derived from our self-owned hospitals save for Wuzhi Jimin Hospital increased by RMB134.3 million from 2022 to 2023, which was attributable to organic growth as a result of our enhanced operation and management efforts and benefiting from the reduction of the negative impacts of the COVID-19 pandemic since the end of 2022; and (ii) revenue derived from Wuzhi Jimin Hospital, which was acquired by us in April 2022, increased by RMB61.9 million from 2022 to 2023, primarily due to our recognition of its revenue for only nine months in 2022, as compared to our recognition of its revenue for the entire year of 2023.

Our revenue generated from our hospital business increased by 96.3% from RMB314.7 million for the year ended December 31, 2021 to RMB617.9 million for the year ended December 31, 2022, which was primarily due to increases of RMB202.4 million and RMB96.8 million in our inpatient services and our outpatient services, respectively. With respect to the increase of our revenue generated from hospital business from 2021 to 2022, (i) RMB274.1 million was attributable to our recognition of revenue derived from Wuzhi Jimin Hospital, Taiyuan Peace Hospital and Hefei Bayway Changrong Hospital, the acquisitions of which were completed by us in April 2022, January 2022 and December 2021, respectively; and (ii) revenue derived from our then existing hospitals, i.e. Western Beijing Cancer Hospital, Tianjin Nankai Jixing Hospital and Tianjin Shishi Hospital, increased by RMB30.3 million, which was attributable to organic growth.

Our revenue generated from our hospital business is primarily driven by the number of patient visits and average spending per patient visit in the relevant periods, as well as the acquisitions of three hospitals during the Track Record Period. Inpatient services refer to the treatment of patients who are hospitalized overnight or for an indeterminate period of time in our In-network Hospitals, usually several days or weeks, subject to the patients' conditions and recovery. Outpatient services refer to the diagnosis or treatment of patients who visit our In-network Hospitals but not at this time require a bed or to be admitted for overnight care. Please see "Business – Our Hospital Business" in this document for further details.

The following table sets forth the number of patient visits and average spending per patient visit of our self-owned hospitals for the periods indicated:

	Year ended December 31,		
	2021	2022	2023
Inpatient services			
Number of inpatient visits	5,834	30,740	44,461
Average spending per inpatient visit (RMB)	30,334.0	12,341.9	11,604.3
Outpatient services			
Number of outpatient visits	196,457	547,919	701,502
Average spending per outpatient visit (RMB)	609.5	395.2	413.2

Please see "– Key Factors Affecting Our Results of Operations – Number of Patient Visits and Average Spending per Patient Visit" in this section for further details of the reasons for the fluctuations of our number of patient visits and average spending per patient visit of our hospital business during the Track Record Period.

Hospital Management Business

We manage and operate, and receive management fees from, our Managed Hospitals during the Track Record Period. We have entered into hospital management agreements with each of our Managed Hospitals, with duration of contract ranging from January 1, 2020 to December 31, 2061 for Huangshan Shoukang Hospital and from January 1, 2022 to December 31, 2061 for Taiyuan Wanbailin District Peace Community Health Service Center, respectively. After the expiration of the service period of our hospital management agreements, we own the priority right to provide our Managed Hospitals with the management consulting services as agreed in the management agreement.

Pursuant to our hospital management agreements, we are responsible for consulting, supervision and management of the hospitals' daily operations, including, among others, assistance on development of medical disciplines, performance reform, operation data analysis, brand planning, advising on establishment and implementation of management system, supply chain management such as supervising and advising on procurement of pharmaceuticals, medical equipment and consumables, external market development work including introducing medical professionals and medical equipment, staff training, financing and other aspects of management consulting services.

Revenue from our hospital management business increased by 10.2% from RMB37.3 million for the year ended December 31, 2022 to RMB41.1 million for the year ended December 31, 2023, which was primarily due to the increase in the revenue of one of our Managed Hospitals, i.e. Huangshan Shoukang Hospital, in 2023, while the management fee rate remained unchanged.

Revenue from our hospital management business increased by 42.0% from RMB26.3 million for the year ended December 31, 2021 to RMB37.3 million for the year ended December 31, 2022, which was primarily due to an upward adjustment of our management fee rate of one of our Managed Hospitals, i.e. Huangshan Shoukang Hospital, from 7.0% in 2021 to 10.0% in 2022.

Supply of Pharmaceuticals, Medical Equipment and Consumables

During the Track Record Period, we sold (i) pharmaceuticals, which primarily comprised western medicine, Chinese patent medicine (中成藥) and TCM decoction pieces (中藥飲片); and (ii) medical equipment and consumables, which primarily comprised color Doppler ultrasound diagnostic instrument and electronic nasopharyngeal endoscope (電子鼻咽喉內窺鏡), primarily in Anhui Province and Jiangsu Province in the PRC, and we also sold a small portion of pharmaceuticals, which primarily comprised western medicine, Chinese patent medicine and TCM decoction pieces in the PRC through a governmental online platform with the purpose for centralized purchase of pharmaceuticals.

Revenue from our business of supply of pharmaceuticals, medical equipment and consumables increased by 46.6% from RMB146.7 million for the year ended December 31, 2022 to RMB215.2 million for the year ended December 31, 2023, which was primarily due to that (i) we made more efforts on the promotion of our products, and (ii) Huangshan Shoukang Hospital increased its procurement of medical equipment from us based on its demand of equipment update in order to improve its healthcare services capability.

Revenue from our business of supply of pharmaceuticals, medical equipment and consumables increased by 24.1% from RMB118.2 million for the year ended December 31, 2021 to RMB146.7 million for the year ended December 31, 2022, which was primarily due to an increase in the number of our wholesale customers as a result of our enhanced promotion efforts.

Cost of Sales

Our cost of sales primarily consists of cost of pharmaceuticals, cost of medical instruments, staff cost, depreciation and amortization and others. The following table sets forth a breakdown of our cost of sales for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Cost of pharmaceuticals	175,418	41.7	298,992	44.4	371,825	41.6
Cost of medical instruments	100,076	23.8	159,570	22.1	203,303	22.7
Staff cost	93,736	22.3	175,301	24.2	219,140	24.5
Depreciation and amortization	37,243	8.9	55,163	7.6	62,467	7.0
Others	13,722	3.3	34,069	4.7	37,274	4.2
Total	420,195	100.0	723,095	100.0	894,009	100.0

Cost of pharmaceuticals primarily represents the cost of procuring pharmaceuticals for the operation of our private for-profit hospitals in our In-network Hospitals and our supply of pharmaceuticals.

Cost of medical instruments primarily represents the cost of procuring medical equipment and medical consumables for the operation of our private for-profit hospitals in our In-network Hospitals as well as our sales of medical equipment and medical consumables.

Staff cost mainly consists of salaries, wages and other benefits and contributions to defined contribution retirement plan of the full-time physicians and other medical professionals of our private for-profit hospitals in our In-network Hospitals.

Depreciation and amortization primarily comprise depreciation of medical equipment and properties used as hospital premises as well as amortization of management contracts, medical and good supply practice licenses.

For the years ended December 31, 2021, 2022 and 2023, our cost of sales were RMB420.2 million, RMB723.1 million and RMB894.0 million, respectively, accounted for 91.0%, 90.1% and 83.4% of our total revenue for the same periods, respectively.

The following tables sets forth a breakdown of our cost of sales by service offerings for the periods indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Hospital business	320,206	76.2	597,372	82.6	709,621	79.4
Hospital management business	7,070	1.7	9,545	1.3	9,539	1.1
Supply of pharmaceuticals, medical equipment and consumables	92,552	22.0	115,769	16.0	173,837	19.4
Others	367	0.1	409	0.1	1,013	0.1
Total	420,195	100.0	723,095	100.0	894,009	100.0

The increase of the percentage of cost of sales of our hospital business in our cost of sales from the year ended December 31, 2021 to the year ended December 31, 2022 was primarily due to the organic growth of then existing hospitals in our network and completions of the acquisition of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital. Such percentage decreased from 82.6% for the year ended December 31, 2022 to 79.4% for the year ended December 31, 2023, which was primarily due to the growth of our business of supply of pharmaceuticals, medical equipment and consumables in 2023, resulting in the increased percentage of cost of sales of our supply of pharmaceuticals, medical equipment and consumables in our total cost of sales for the relevant year.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of sales. For the years ended December 31, 2021, 2022 and 2023, our gross profit was RMB41.4 million, RMB79.6 million and RMB178.2 million, respectively. Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. For the years ended December 31, 2021, 2022 and 2023, our gross profit margin was 9.0%, 9.9% and 16.6%, respectively.

Gross profit/(loss) and gross profit/(loss) margin by service offerings

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin by service offerings for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Hospital business	(5,510)	(1.8)	20,533	3.3	104,491	12.8
Hospital management business	19,211	73.1	27,770	74.4	31,582	76.8
Supply of pharmaceuticals, medical equipment and consumables	25,661	21.7	30,961	21.1	41,322	19.2
Others	2,029	84.7	293	41.7	769	43.2
Total	41,391	9.0	79,557	9.9	178,164	16.6

Gross profit/(loss) and gross margin of our hospital business

The following table sets forth a breakdown of our gross profit/loss and gross margin of our hospital business by each of our self-owned hospitals for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin	Gross Profit/ (Loss)	Gross Profit/ (Loss) Margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Western Beijing Cancer Hospital[1]	(5,437)	(3.0)	298	0.2	52,502	19.2
Taiyuan Peace Hospital	N/A	N/A	18,270	19.0	37,891	31.3
Tianjin Nankai Jixing Hospital	6,050	7.5	9,996	11.2	9,359	11.0
Tianjin Shishi Hospital	(12,175)	(35.4)	(4,667)	(9.4)	(8,658)	(13.7)
Wuzhi Jimin Hospital[2]	N/A	N/A	9,495	6.6	25,816	12.5
Hefei Bayway Changrong Hospital[3]	6,052	29.9	(12,859)	(23.9)	(12,419)	(19.0)
Total gross profit of hospital business	(5,510)	(1.8)	20,533	3.3	104,491	12.8

Notes:

(1) The gross profit/loss of Western Beijing Cancer Hospital for the relevant year is the result of consolidation of the gross profit/loss of Western Beijing Cancer Hospital, Beijing Baize Medical Management Co., Ltd.* (北京佰澤醫療管理有限公司) and Beijing Huishi Medical Equipment Sales Co., Ltd.* (北京惠世醫療器械銷售有限公司) for the same periods.

(2) The gross profit/loss of Wuzhi Jimin Hospital for the relevant year is the result of consolidation of the gross profit/loss of Wuzhi Jimin Hospital, Henan Huibai Medical Equipment Co., Ltd.* (河南惠佰醫療設備有限公司) and Henan Tengfang Medical Equipment Co., Ltd.* (河南騰方醫療設備有限公司) for the same periods.

(3) We recorded gross profit margin of Hefei Bayway Changrong Hospital of 29.9% for the year ended December 31, 2021, while we recorded gross loss margin of Hefei Bayway Changrong Hospital of 23.9% and 19.0% for the years ended December 31, 2022 and 2023, respectively, primarily due to the one-off asset royalties and other relevant one-off revenue received from it in 2021.

The gross profit margin of our hospital business increased from 3.3% for the year ended December 31, 2022 to 12.8% for the year ended December 31, 2023, primarily because (i) we strengthened the development of our In-network Hospitals' medical disciplines, expanded our influence and improved our reputation, resulting in the obvious increase in the number of our patient visits of our self-owned hospitals and, thus the revenue derived from our hospital business increased during the relevant period; and (ii) we made more contributions to enhance our operation efficiency to control the increase of our cost of sales effectively despite our expansion of business during the relevant period, in particular Western Beijing Cancer Hospital.

We had a turnaround of our gross loss margin of our hospital business of 1.8% for the year ended December 31, 2021 to gross profit margin of our hospital business of 3.3% for the year ended December 31, 2022, which was primarily due to (i) the completion of the acquisition of Taiyuan Peace Hospital, which recorded higher gross profit margin of 19.0% in 2022 as compared to our other self-owned hospitals in the same period; (ii) the operation of Western Beijing Cancer Hospital improved obviously as we enhanced its operational management in 2022 to control the increase of its cost of sales, as a result of which, Western Beijing Cancer Hospital recorded gross profit margin of 0.2% in 2022, while it recorded gross loss margin of 3.0% in 2021; and (iii) the gross profit margin of Tianjin Nankai Jixing Hospital increased from 7.5% in 2021 to 11.2% in 2022, and the gross loss margin of Tianjin Shishi Hospital decreased from 35.4% in 2021 to 9.4% in 2022, which was attributable to our efforts to improve our overall operation efficiency.

Gross profit/(loss) and gross profit margin of our hospital management business

Our gross profit of our hospital management business was RMB19.2 million, RMB27.8 million and RMB31.6 million for the years ended December 31, 2021, 2022 and 2023, respectively. The gross profit margin of our hospital management business remained relatively stable at 73.1%, 74.4% and 76.8% for the years ended December 31, 2021, 2022 and 2023, respectively.

The gross profit margin of our hospital management business increased from 73.1% for the year ended December 31, 2021 to 74.4% for the year ended December 31, 2022, primarily due to the an upward adjustment of our management fee rate of one of our Managed Hospitals, i.e. Huangshan Shoukang Hospital, from 7.0% in 2021 to 10.0% in 2022.

The gross profit margin of our hospital business further increased to 76.8% for the year ended December 31, 2023, primarily because the revenue derived from our Managed Hospitals, especially Huangshan Shoukang Hospital, increased during the Track Record Period, while our cost of sales of hospital management business remained relatively stable.

Gross profit/(loss) and gross profit margin of our supply of pharmaceuticals, medical equipment and consumables

Our gross profit of our supply of pharmaceuticals, medical equipment and consumables was RMB25.7 million, RMB31.0 million and RMB41.3 million for the years ended December 31, 2021, 2022 and 2023, respectively. The gross profit of our supply of pharmaceuticals, medical equipment and consumables was 21.7%, 21.1% and 19.2% for the years ended December 31, 2021, 2022 and 2023, respectively.

The gross profit margin of our supply of pharmaceuticals, medical equipment and consumables decreased from 21.1% for the year ended December 31, 2022 to 19.2% for the year ended December 31, 2023, primarily because Anhui Ruizhong increased its sales proportion of medical equipment in 2023, which has a relatively low gross profit margin as compared to the sales of medical consumables in the same period.

The gross profit margin of our supply of pharmaceuticals, medical equipment and consumables decreased from 21.7% for the year ended December 31, 2021 to 21.1% for the year ended December 31, 2022, primarily because we reduced the sales prices of our certain pharmaceuticals and medical consumables in order to expand our corresponding market share and improve our market competitiveness.

Other Net Income

Other net income is comprised of government grants, interest income, gains/losses on disposal of property, plant and equipment and intangible assets, write-off of payables and others. The table below sets forth the amount of other net income for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	283	2,273	4,029
Interest income	5,899	1,317	1,191
Gains/(losses) on disposal of property, plant and equipment and intangible assets	334	(44)	(179)
Write-off of payables	1,831	–	–
Others	(510)	1,479	140
Total	7,837	5,025	5,181

Government grants primarily represent discretionary subsidies from the local governments and authorities for the purposes of tax refund and stabilizing employment.

Net gains/(losses) on disposal of property, plant and equipment and intangible assets primarily represent the change of the leasing arrangement of Western Beijing Cancer Hospital, that is, we prepaid its rent and rerecognized the right-of-use assets and lease liabilities in 2021.

Write-off of payables primarily represent the sales discounts we received from suppliers based on our purchase amount and negotiation with them.

For the years ended December 31, 2021, 2022 and 2023, our other net income were RMB7.8 million, RMB5.0 million and RMB5.2 million, respectively, accounting for 1.7%, 0.6% and 0.5% of our total revenue for the same periods. Our other net income remained relatively stable at RMB5.0 million and RMB5.2 million for the years ended December 31, 2022 and 2023, respectively. Our other net income decreased by 35.9% from RMB7.8 million for the year ended December 31, 2021 to RMB5.0 million for the year ended December 31, 2022, primarily due to (i) the reduction of our deposit as a result of our investment activities in 2022, which led to the obvious decrease in interest income; and (ii) we did not get any sales discounts from our suppliers in 2022, partially offset by the one-off donation we got in 2022, which led to the increase in others.

Selling Expenses

Our selling expenses consist of marketing and promotion expenses, staff cost, office and travel expenses, depreciation and amortization and miscellaneous. The following table sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Marketing and promotion expenses	4,565	46.9	5,763	48.0	6,338	47.1
Staff cost	4,577	47.0	5,101	42.4	5,917	43.9
Office and travel expenses	235	2.4	930	7.7	411	3.1
Depreciation and amortization	66	0.7	56	0.5	60	0.4
Miscellaneous	295	3.0	169	1.4	741	5.5
Total	9,738	100.0	12,019	100.0	13,467	100.0

Marketing and promotion expenses mainly consist of expenses incurred in connection with provision of free medical services, film production and publication of articles for the promotion of our Group's businesses.

Staff cost mainly consists of salaries, wages and other benefits and contributions to defined contribution retirement plan of our sales personnel.

Office and travel expenses primarily represents transportation and office expenses incurred in connection with our promotion activities.

Depreciation and amortization mainly comprises the amount of depreciation incurred for our owned property, plant and equipment and right-of-use assets and amortization of customer relationship and software for our promotion activities.

For the years ended December 31, 2021, 2022 and 2023, our selling expenses were RMB9.7 million, RMB12.0 million and RMB13.5 million, respectively, accounting for 2.1%, 1.5% and 1.3% of our total revenue for the same periods. Our selling expenses increased by 23.4% from RMB9.7 million for the year ended December 31, 2021 to RMB12.0 million for the year ended December 31, 2022, and further increased by 12.0% to RMB13.5 million for the year ended December 31, 2023, which was primarily due to (i) the expansion of our scale of hospital business; (ii) our enhanced promotion activities, such as we provide medical and healthcare related to residents in local communities in free and online promotion; and (iii) the increase in the bonus for our sales and promotion employees.

General and Administrative Expenses

Our general and administrative expenses consist of staff cost, depreciation and amortization, office and travel expenses, professional service fees, leasing and repair and maintenance expenses and others. The following table sets forth a breakdown of our general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2021		2022		2023	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Staff cost	37,446	51.4	60,068	55.3	74,300	50.5
Depreciation and amortization	13,023	17.9	19,325	17.8	23,744	16.1
Office and travel expenses	7,719	10.6	10,410	9.6	12,524	8.5
Professional service fees	8,857	12.2	11,083	10.2	20,103	13.7
Leasing, repair and maintenance	2,973	4.1	1,760	1.6	7,327	5.0
Others	2,788	3.8	5,941	5.5	9,174	6.2
Total	72,806	100.0	108,587	100.0	147,172	100.0

Staff cost primarily consists of salaries, wages and other benefits, contributions to defined contribution retirement plan and equity-settled share-based payment expenses of our management and administrative personnel.

Depreciation and amortization mainly comprises the amount of depreciation incurred for our owned property, plant and equipment and right-of-use assets and amortization of software and corporation relationship for our administrative activities.

Office and travel expenses primarily represents transportation and office expenses incurred in connection with our administrative activities.

Professional service fees primarily comprise professional service fee paid to counsel and consultants engaged by us, which are all Independent Third Parties.

Leasing, repair and maintenance expenses primarily comprise fees paid for vehicle rental and software system maintenance purposes.

For the years ended December 31, 2021, 2022 and 2023, our general and administrative expenses were RMB72.8 million, RMB108.6 million and RMB147.2 million, respectively, accounting for 15.8%, 13.5% and 13.7% of our total revenue for the same periods. Our general and administrative expenses increased by 35.5% from RMB108.6 million for the year ended

December 31, 2022 to RMB147.2 million for the year ended December 31, 2023, which was primarily due to (i) the increase in the number of our management and administrative personnel as well as their performance bonus as a result of our business growth; and (ii) the increase in our professional service fees for the [**REDACTED**]. Our general and administrative expenses increased by 49.2% from RMB72.8 million for the year ended December 31, 2021 to RMB108.6 million for the year ended December 31, 2022, which was primarily due to the expansion of our scale of hospital business as a result of the completion of the acquisitions.

Impairment Loss on Trade and Bills Receivables

Impairment loss on trade and bills receivables represents the loss allowance recognized by our Group for expected credit losses on trade and bills receivables. The amount of expected credit losses are remeasured at each reporting date to reflect changes in the credit risk of the trade and bills receivables since its initial recognition. For the years ended December 31, 2021, 2022 and 2023, our impairment loss on trade and bills receivables were RMB0.5 million, RMB2.1 million and RMB0.3 million, respectively, accounting for extremely small proportions, which were less than 1.0%, of our total revenue for the same periods.

Our impairment loss on trade and bills receivables decreased by 86.7% from RMB2.1 million for the year ended December 31, 2022 to RMB0.3 million for the year ended December 31, 2023, which was primarily because we strengthened our management of trade and bills receivables and collected most of our newly added trade and bills receivables on schedule by the end of 2023. Our impairment loss on trade and bills receivables increased by 347.5% from RMB0.5 million for the year ended December 31, 2021 to RMB2.1 million for the year ended December 31, 2022, which was primarily due to the increases of our trade and bills receivables primarily as a results of (i) the acquisitions of three hospitals; and (ii) our business growth during the same period.

Finance Costs

Our finance costs comprise our interest on interest-bearing borrowings, interest on lease liabilities and others. The following table sets forth a breakdown of our finance costs for the periods indicated:

	Year ended December 31,					
	2021		**2022**		**2023**	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Interest on interest-bearing borrowings	15,906	75.5	15,270	62.5	18,407	68.1
Interest on lease liabilities	5,042	24.0	8,347	34.2	8,249	30.5
Others	110	0.5	820	3.3	386	1.4
Total	21,058	100.0	24,437	100.0	27,042	100.0

Interest on interest-bearing borrowings primarily comprise interest expense incurred by us for our banking facilities and other borrowings from the third parties and related party.

Interest on lease liabilities primarily represent interest expense incurred by us for the right to use the property and land leased and pay for them over time. The Group leases hospital buildings and office under leases expiring in no more than twenty years. None of the leases includes variable lease payments.

For the years ended December 31, 2021, 2022 and 2023, our finance costs were RMB21.1 million, RMB24.4 million and RMB27.0 million, respectively, accounting for 4.6%, 3.0% and 2.5% of our total revenue for the same periods. Our finance costs increased from RMB24.4 million for the year ended December 31, 2022 to RMB27.0 million for the year ended December 31, 2023, primarily attributable to the obvious increase in our interest on interest-bearing loans as a result of the newly added interest-bearing merger and acquisition loan we got in February 2023. Our finance costs increased from RMB21.1 million for the year ended December 31, 2021 to RMB24.4 million for the year ended December 31, 2022, primarily attributable to an increase in our interest on lease liabilities mainly as a result of the completion of the acquisitions during relevant year.

Loss Before Taxation

The loss before taxation is equal to our profit/loss from operations less finance costs during a particular year. For the years ended December 31, 2021, 2022 and 2023, we had a loss before taxation of RMB54.8 million, RMB62.5 million and RMB4.6 million, respectively.

Income Tax Expense

Our income tax expense consists of current tax and deferred tax. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – the PRC Enterprise Income Tax			
Provision for the year	9,760	16,984	18,993
Deferred tax			
Origination and reversal of temporary differences	(2,640)	(3,993)	803
Total	7,120	12,991	19,796

We were not subject to any income, estate, corporation, capital gains or other tax in the Cayman Islands pursuant to the tax rules and regulations of the Cayman Islands during the Track Record Period. We were not subject to any income or capital gains tax in the BVI during the Track Record Period. We did not generate any assessable profits arising in Hong Kong during the Track Record Period.

Our PRC subsidiaries are subject to the PRC Enterprise Income Tax rate of 25% during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, certain of our PRC subsidiaries have enjoyed the preferential income tax treatment of Small Low-profit Enterprises, which are subject to a preferential income tax rate from 5% to 20%, including but not limited to Anhui Weizhong Medical Equipment Sales Co., Ltd. and Huangshan Bokang Pharmacy Co., Ltd..

For the years ended December 31, 2021, 2022 and 2023, our income tax expense was RMB7.1 million, RMB13.0 million and RMB19.8 million, respectively.

During the Track Record Period and up to the Latest Practicable Date, we have paid all relevant taxes and had no disputes or any unresolved tax issues with relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

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

Revenue

Our revenue increased by 33.6% from RMB802.7 million for the year ended December 31, 2022 to RMB1,072.2 million for the year ended December 31, 2023, primarily due to (i) an increase in revenue from our hospital business of RMB196.2 million; and (ii) an increase in revenue from our business of supply of pharmaceuticals, medical equipment and consumables of RMB68.4 million.

Hospital business

Our revenue generated from our hospital business increased by 31.8% from RMB617.9 million for the year ended December 31, 2022 to RMB814.1 million for the year ended December 31, 2023, which was primarily due to increases of RMB136.6 million and RMB73.3 million in our inpatient services and outpatient services, respectively, which was partially offset by a decrease of RMB13.7 million in others of our hospital business during the same periods. With respect to the increase of our revenue generated from hospital business from 2022 to 2023, (i) revenue derived from our self-owned hospitals save for Wuzhi Jimin Hospital increased by RMB134.3 million from 2022 to 2023, which was attributable to organic growth as a result of our enhanced operation and management efforts and benefiting from the reduction of the negative impacts of the COVID-19 pandemic since the end of 2022; and (ii) revenue derived from Wuzhi Jimin Hospital, which was acquired by us in April 2022, increased by RMB61.9 million from 2022 to 2023, primarily due to our recognition of its revenue for only nine months in 2022, as compared to our recognition of its revenue for the entire year of 2023.

Revenue from inpatient services increased by 36.0% from RMB379.4 million for the year ended December 31, 2022 to RMB515.9 million for the year ended December 31, 2023, which was primarily due to an increase in the number of inpatient visits, which was partially offset by a decrease in the average spending per inpatient visit for the same period. The number of inpatient visits increased by approximately 44.6% from 30,740 for the year ended December 31, 2022 to 44,461 for the year ended December 31, 2023, primarily due to (i) the increased inpatient visits benefited from our improvement of our capabilities for provision of healthcare services, promotion of our physicians and increasing acceptance degree of our hospitals by the patients; (ii) our completion of acquisition of Wuzhi Jimin Hospital in April 2022, which led to our recognition of its number of inpatient visits for only nine months in 2022, as compared to our recognition of its number of inpatient visits for the entire year of 2023; and (iii) the negative impacts of the COVID-19 pandemic was under control since the end of 2022 in the PRC. The average spending per inpatient visit decreased by approximately 6.0% from approximately RMB12,341.9 for the year ended December 31, 2022 to approximately RMB11,604.3 for the year ended December 31, 2023, primarily due to the refined management measures we have adopted, which improved the beds utilization efficiency, resulting in an decrease of the average spending per inpatient visit in Wuzhi Jimin Hospital.

Revenue from outpatient services increased by 33.9% from RMB216.5 million for the year ended December 31, 2022 to RMB289.9 million for the year ended December 31, 2023, which was primarily due to the increase in the number of outpatient visits and the average spending per outpatient visit. The number of outpatient visits increased by approximately 28.0% from 547,919 for the year ended December 31, 2022 to 701,502 for the year ended December 31, 2023, primarily due to (i) the increased outpatient visits benefited from our improvement of our capabilities for provision of medical and healthcare related services, promotion of our physicians and increasing acceptance degree of our hospitals by the patients; (ii) our completion of acquisition of Wuzhi Jimin Hospital in April 2022, which led to our recognition of its number of outpatient visits for only nine months in 2022, as compared to our recognition of its number of outpatient visits for the entire year of 2023; and (iii) the negative impacts of the COVID-19 pandemic was under control since the end of 2022 in the PRC. Our average spending per outpatient visit of our hospital business remained relatively stable for the years ended December 31, 2022 and 2023, which was approximately RMB395.2 and approximately RMB413.2 for the same periods, respectively.

Hospital management business

Revenue from our hospital management business increased by 10.2% from RMB37.3 million for the year ended December 31, 2022 to RMB41.1 million for the year ended December 31, 2023, which was primarily due to the increase in the revenue of one of our Managed Hospitals, i.e. Huangshan Shoukang Hospital, in 2023, despite the management fee rate remained unchanged for the same periods.

Supply of pharmaceuticals, medical equipment and consumables

Revenue from our business of supply of pharmaceuticals, medical equipment and consumables increased by 46.6% from RMB146.7 million for the year ended December 31, 2022 to RMB215.2 million for the year ended December 31, 2023, which was primarily due to that (i) we made more efforts on the promotion of our products, and (ii) Huangshan Shoukang Hospital increased its procurement of medical equipment from us based on its demand of equipment upgrade and/or update in order to improve its healthcare services capability.

Cost of sales

Our cost of sales increased by 23.6% from RMB723.1 million for the year ended December 31, 2022 to RMB894.0 million for the year ended December 31, 2023. Our cost of pharmaceuticals increased by 24.4% from RMB299.0 million for the year ended December 31, 2022 to RMB371.8 million for the year ended December 31, 2023 and our cost of medical instruments increased by 27.4% from RMB159.6 million for the year ended December 31, 2022 to RMB203.3 million for the year ended December 31, 2023, which was primarily due to (i) the expansion of our hospital business, which complied with the increasing trend of our revenue derived from our hospital business for the same periods; and (ii) the increase in sales of medical equipment in Anhui Ruizhong. Our staff cost also increased by 25.0% from RMB175.3 million for the year ended December 31, 2022 to RMB219.1 million for the year ended December 31, 2023, which was primarily due to (i) the introduction of talents the development of our medical disciplines, which was in line with our business expansion; and (ii) the increase of our staff's performance bonus as a result of our business growth.

Gross profit

Our gross profit increased by 123.9% from RMB79.6 million for the year ended December 31, 2022 to RMB178.2 million for the year ended December 31, 2023, primarily because (i) the increase rate of our revenue outpaced the same of our cost of sales; and (ii) benefiting from the reduction of negative impacts of the COVID-19 pandemic since the end of 2022, our In-network Hospitals were able to improve their operation efficiency afterwards.

The gross profit of our hospital business increased by 408.9% from RMB20.5 million for the year ended December 31, 2022 to RMB104.5 million for the year ended December 31, 2023, primarily because (i) the increase in gross profit of our then existing self-owned hospitals as a result of our enhanced operation and management efforts; and (ii) the completion of the acquisition of Wuzhi Jimin Hospital in April 2022, which was partially offset by the increase of gross loss of Tianjin Shishi Hospital during the relevant year, primarily because it initiated its efforts to establish medical disciplines to expand its business, thus leading to the increased cost of sales.

The gross profit of our hospital management business increased by 13.7% from RMB27.8 million for the year ended December 31, 2022 to RMB31.6 million for the year ended December 31, 2023, which was primarily due to the revenue derived from our Managed Hospitals, especially Huangshan Shoukang Hospital, increased during the relevant periods, despite our cost of sales under hospital management business remained relatively stable.

The gross profit of our supply of pharmaceuticals, medical equipment and consumables increased by 33.5% from RMB31.0 million for the year ended December 31, 2022 to RMB41.3 million for the year ended December 31, 2023 primarily because the increase of our revenue derived from sales business of Anhui Ruizhong during the same periods as a result of our efforts to promote our products.

Other net income

Our other net income increased by 3.1% from RMB5.0 million for the year ended December 31, 2022 to RMB5.2 million for the year ended December 31, 2023, primarily due to an obvious increase in our government grants from RMB2.3 million for the year ended December 31, 2022 to RMB4.0 million for the year ended December 31, 2023, mainly because Anhui Shoukang Investment received approximately RMB3.3 million of tax refund from the local government in 2023, partially offset by a decrease in others from RMB1.5 million for the year ended December 31, 2022 to RMB0.1 million for the year ended December 31, 2023, primarily because Wuzhi Jimin Hospital did not receive the one-off donation in 2023.

Selling expenses

Our selling expenses increased by 12.0% from RMB12.0 million for the year ended December 31, 2022 to RMB13.5 million for the year ended December 31, 2023, mainly due to (i) an increase in our staff cost by 16.0% from RMB5.1 million for the year ended December 31, 2022 to RMB5.9 million for the year ended December 31, 2023 primarily as a result of the increase in the bonus for our sales and promotion employees; and (ii) an increase in our marketing and promotion expenses by 10.0% from RMB5.8 million for the year ended December 31, 2022 to RMB6.3 million for the year ended December 31, 2023 as a result of the enhanced promotion activities such as free medical services to residents in local communities and online promotion.

General and administrative expenses

Our general and administrative expenses increased by 35.5% from RMB108.6 million for the year ended December 31, 2022 to RMB147.2 million for the year ended December 31, 2023, mainly due to (i) the increase in our staff cost by 23.7% from RMB60.1 million for the year ended December 31, 2022 to RMB74.3 million for the year ended December 31, 2023 as a result of the increase in the number of our management and administrative personnel as well as their performance bonus as a result of our business growth; and (ii) the increase in our professional service fees by 81.4% from RMB11.1 million for the year ended December 31, 2022 to RMB20.1 million for the year ended December 31, 2023, which was primarily for the [**REDACTED**].

Finance costs

Our finance costs increased by 10.7% from RMB24.4 million for the year ended December 31, 2022 to RMB27.0 million for the year ended December 31, 2023, primarily attributable to the obvious increase in our interest on interest-bearing loans by 20.5% from RMB15.3 million for the year ended December 31, 2022 to RMB18.4 million for the year ended December 31, 2023 as a result of the newly added interest-bearing merger and acquisition loan of RMB90.0 million we got in February 2023.

Income tax expense

Our income tax expense increased by 52.4% from RMB13.0 million for the year ended December 31, 2022 to RMB19.8 million for the year ended December 31, 2023 which was in line with the increased profitability of our In-network Hospitals as a result of our business development and improvement of service quality as well as the reduction of negative impacts of the COVID-19 pandemic since the end of 2022.

Loss for the year

As a result of the foregoing, our loss for the year decreased by 67.7% from RMB75.5 million for the year ended December 31, 2022 to RMB24.4 million for the year ended December 31, 2023. Our net loss margin decreased from 9.4% for the year ended December 31, 2022 to 2.3% for the year ended December 31, 2023.

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

Revenue

Our revenue increased by 73.9% from RMB461.6 million for the year ended December 31, 2021 to RMB802.7 million for the year ended December 31, 2022, primarily due to (i) an increase in revenue from hospital business of RMB303.2 million; (ii) an increase in revenue from our hospital management business of RMB11.0 million; and (iii) an increase in revenue from our business of supply of pharmaceuticals, medical equipment and consumables of RMB28.5 million, partially offset by a decrease in revenue from others of our business of RMB1.7 million.

Hospital business

Our revenue generated from our hospital business increased by 96.3% from RMB314.7 million for the year ended December 31, 2021 to RMB617.9 million for the year ended December 31, 2022, which was primarily due to increases of RMB202.4 million and RMB96.8 million in our inpatient services and outpatient services, respectively. With respect to the increase of our revenue generated from hospital business from 2021 to 2022, (i) RMB274.1 million was attributable to our recognition of revenue derived from hospital business of Wuzhi Jimin Hospital, Taiyuan Peace Hospital and Hefei Bayway Changrong Hospital, the acquisitions of which were completed by us in April 2022, January 2022 and December 2021, respectively; and (ii) revenue derived from our then existing hospitals, i.e. Western Beijing Cancer Hospital, Tianjin Nankai Jixing Hospital and Tianjin Shishi Hospital, increased by RMB30.3 million, which was attributable to organic growth.

Revenue from our inpatient services increased by 114.3% from RMB177.0 million for the year ended December 31, 2021 to RMB379.4 million for the year ended December 31, 2022, which was primarily due to an increase in the number of inpatient visits, partially offset by a decrease in the average spending per inpatient visit. The number of inpatient visits increased by approximately 426.9% from 5,834 for the year ended December 31, 2021 to 30,740 for the year ended December 31, 2022, primarily due to (i) organic growth of our then existing private for-profit hospitals in our In-network Hospitals; and (ii) the expansion of our scale of business as a result of the completion of the acquisition of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital. The average spending per inpatient visit decreased by approximately 59.3% from approximately RMB30,344.0 for the year ended December 31, 2021 to approximately RMB12,341.9 for the year ended December 31, 2022, primarily due to the nature and location of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital (which has been recognized as a rehabilitation specialist hospital in March 2023) and Wuzhi Jimin Hospital, which are comprehensive hospitals with relatively low average spending per patient as compared to Western Beijing Cancer Hospital with relatively high average spending per patient as a specialist hospital, which made obvious contribution to our total revenue for the year ended December 31, 2021, and are situated in the non-first-tier cities in the PRC with lower discretionary spending power, resulting in the relatively low average spending per inpatient visit.

Revenue from our outpatient services increased by 80.8% from RMB119.7 million for the year ended December 31, 2021 to RMB216.5 million for the year ended December 31, 2022, which was primarily due to an increase in the number of outpatient visits, partially offset by a decrease in the average spending per outpatient visit. The number of outpatient visits increased by approximately 178.9% from approximately 196,457 for the year ended December 31, 2021 to approximately 547,919 for the year ended December 31, 2022, primarily due to (i) organic growth of our then existing private for-profit hospitals in our In-network Hospitals; and (ii) the expansion of our scale of business as a result of the completion of the acquisition of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital. The average spending per outpatient visit decreased by approximately 35.2% from approximately RMB609.5 for the year ended December 31, 2021 to approximately RMB395.2 for the year ended December 31, 2022, primarily due to the nature and location of Taiyuan Peace Hospital (which has been recognized as a rehabilitation specialist hospital in March 2023) and Wuzhi Jimin Hospital, which are comprehensive hospitals with relatively low average spending per outpatient as compared to Western Beijing Cancer Hospital with relatively high average spending per patient as a specialist hospital, which made obvious contribution to our total revenue for the year ended December 31, 2021, and are situated in the non-first-tier cities in the PRC with lower discretionary spending power, resulting in the relatively low average spending per outpatient visit.

Hospital management business

Revenue from our hospital management business increased by 42.0% from RMB26.3 million for the year ended December 31, 2021 to RMB37.3 million for the year ended December 31, 2022, which was primarily due to an upward adjustment of our management fee rate of one of our Managed Hospitals, i.e. Huangshan Shoukang Hospital, from 7.0% in 2021 to 10.0% in 2022.

Supply of pharmaceuticals, medical equipment and consumables

Revenue from our business of supply of pharmaceuticals, medical equipment and consumables increased by 24.1% from RMB118.2 million for the year ended December 31, 2021 to RMB146.7 million for the year ended December 31, 2022, which was primarily due to an increase in the number of our wholesale customers as a result of our enhanced promotion efforts.

Cost of sales

Our cost of sales increased by 72.1% from RMB420.2 million for the year ended December 31, 2021 to RMB723.1 million for the year ended December 31, 2022. Our cost of pharmaceuticals increased by 70.4% from RMB175.4 million for the year ended December 31, 2021 to RMB299.0 million for the year ended December 31, 2022 and our cost of medical instruments increased by 59.4% from RMB100.1 million for the year ended December 31, 2021 to RMB159.6 million for the year ended December 31, 2022, primarily due to our continued expansion following the completion of the acquisition of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital. Our staff cost increased by 87.0% from RMB93.7 million for the year ended December 31, 2021 to RMB175.3 million for the year ended December 31, 2022, mainly due to an increase of the number of our full-time physicians and other kinds of medical professionals of our private for-profit hospitals in our In-network Hospitals.

Gross profit

Our gross profit increased by 92.2% from RMB41.4 million for the year ended December 31, 2021 to RMB79.6 million for the year ended December 31, 2022, primarily because the increase of our revenue outpaced our cost of sales, which was a result of our enhanced operating efficiency and our achievement of economies of scale through our continued expansion and ramping up of our In-network Hospitals.

We recorded gross loss of our hospital business of RMB5.5 million for the year ended December 31, 2021, while we recorded gross profit of our hospital business of RMB20.5 million for the year ended December 31, 2022, representing an increase of 472.7%, primarily because (i) we expanded our business by enhancing our development of medical disciplines and further improving our service quality of our then existing hospitals; and (ii) we completed the acquisitions of Taiyuan Peace Hospital, which recorded gross profit of RMB18.3 million in 2022. The gross profit of our hospital management business increased by 44.6% from RMB19.2 million for the year ended December 31, 2021 to RMB27.8 million for the year ended December 31, 2022, which was primarily due to an upward adjustment of our management fee rate of one of our Managed Hospitals, i.e. Huangshan Shoukang Hospital, from 7.0% in 2021 to 10.0% in 2022.

The gross profit of our supply of pharmaceuticals, medical equipment and consumables increased by 20.7% from RMB25.7 million for the year ended December 31, 2021 to RMB31.0 million for the year ended December 31, 2022 as we expanded the market and attracted more customers, which led to our revenue derived from this business increased from RMB118.2 million in 2021 to RMB146.7 million in 2022.

Other net income

Our other net income decreased by 35.9% from RMB7.8 million for the year ended December 31, 2021 to RMB5.0 million for the year ended December 31, 2022, primarily due to (i) a decrease in interest income by 77.7% from RMB5.9 million for the year ended December 31, 2021 to RMB1.3 million for the year ended December 31, 2022, which was mainly attributable to the reduction of our deposit as a result of our investment activities in 2022; (ii) a decrease in our write-off of payables from RMB1.8 million for the year ended December 31, 2021 to nil for the year ended December 31, 2022 primarily because we did not get any sales discounts from our suppliers in 2022, partially offset by an increase of RMB2.0 million in others from the year ended December 31, 2021 to the year ended December 31, 2022 mainly attributable to the one-off donation received by Wuzhi Jimin Hospital in 2022.

Selling expenses

Our selling expenses increased by 23.4% from RMB9.7 million for the year ended December 31, 2021 to RMB12.0 million for the year ended December 31, 2022, mainly due to (i) an increase in our marketing and promotion expenses by 26.2% from RMB4.6 million for the year ended December 31, 2021 to RMB5.8 million for the year ended December 31, 2022, primarily because that we enhanced our promotion activities, such as providing free medical services to residents in local communities and expanding online promotion; and (ii) an increase in our staff cost by 11.4% from RMB4.6 million for the year ended December 31, 2021 to RMB5.1 million for the year ended December 31, 2022, primarily attributable to an increase of the number of our sales and promotion employees.

General and administrative expenses

Our general and administrative expenses increased by 49.1% from RMB72.8 million for the year ended December 31, 2021 to RMB108.6 million for the year ended December 31, 2022, mainly due to (i) an increase in our staff cost by 60.4% from RMB37.4 million for the year ended December 31, 2021 to RMB60.1 million for the year ended December 31, 2022 primarily attributable to an increase in the number of our management and administrative personnel; and (ii) an increase in our depreciation and amortization by 48.4% from RMB13.0 million for the year ended December 31, 2021 to RMB19.3 million for the year ended December 31, 2022 mainly as a result of an increase in our property, plant and equipment that are subject to depreciation as a result of the completion of the acquisitions of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital.

Finance costs

Our finance costs increased by 16.0% from RMB21.1 million for the year ended December 31, 2021 to RMB24.4 million for the year ended December 31, 2022, primarily attributable to an increase in our interest on lease liabilities by 65.5% from RMB5.0 million for the year ended December 31, 2021 to RMB8.3 million for the year ended December 31, 2022 mainly as a result of (i) the completion of the acquisition of Taiyuan Peace Hospital; and (ii) the completion of the acquisition of Hefei Bayway Changrong Hospital in December 2021.

Income tax expense

Our income tax expense increased by 82.5% from RMB7.1 million for the year ended December 31, 2021 to RMB13.0 million for the year ended December 31, 2022, primarily due to an increase in taxable profit of certain of our subsidiaries, notwithstanding the fact that we recorded loss before income tax for the same period.

Loss for the year

As a result of the foregoing, our loss for the year increased by 21.9% from RMB62.0 million for the year ended December 31, 2021 to RMB75.5 million for the year ended December 31, 2022. Our net loss margin decreased from 13.4% for the year ended December 31, 2021 to 9.4% for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including upgrading the existing hospitals in our network, establishing and acquiring new hospitals and other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings and capital contributions from Shareholders. As of December 31, 2021, 2022 and 2023, we had cash and cash equivalents of RMB166.0 million, RMB125.2 million and RMB242.0 million respectively, consisting of cash at bank and on hand.

Cash Flows

The following table sets forth a summary of our cash flow information for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	6,415	114,395	128,371
Net cash used in investing activities	(156,449)	(208,680)	(58,606)
Net cash generated from financing activities	230,356	53,425	47,038
Net (decrease)/increase in cash and cash equivalents	80,322	(40,860)	116,803
Cash and cash equivalents at the beginning of the year	85,726	166,048	125,188
Cash and cash equivalents at the end of the year	166,048	125,188	241,991

Operating Activities

Cash generated from operations reflect our loss before taxation, adjusted for (i) the cash flow effects of certain income statement items, including depreciation and amortisation, finance costs, net loss/gain on disposal of property, plant and equipment, COVID-19-related rent concessions from a lessor, impairment loss on trade and bills receivables and share-based payment transactions; and (ii) the effects on changes in our working capital, including changes in inventories, trade and bills receivables, prepayments and other receivables, trade and bills payables, other payables and contract liabilities.

For the year ended December 31, 2023, our cash generated from operating activities was RMB148.4 million, while our loss before taxation was RMB4.6 million. The difference primarily represents upward adjustments for depreciation and amortization of RMB86.3 million, finance costs of RMB27.0 million and impairment loss on trade and bills receivables of RMB0.3 million.

The amount is further adjusted by changes in itemized balances of working capital that have a positive effect on cashflow, primarily including (i) an increase in trade and bills payables of RMB67.1 million; and (ii) an increase in other payables of RMB5.9 million. The upward adjustments are partially offset by changes in working capital that primarily included (i) an increase in trade and bills receivables of RMB26.3 million; and (ii) a decrease in contract liabilities of RMB7.8 million.

For the year ended December 31, 2022, our cash generated from operating activities was RMB123.4 million, while our loss before taxation was RMB62.5 million. The difference primarily represents upward adjustments for depreciation and amortization of RMB74.5 million, finance costs of RMB24.4 million, impairment loss on trade and bills receivables of RMB2.1 million and share-based payment transaction of RMB0.2 million. The upward adjustments are partially offset by adjustments that primarily included the adjustment for COVID-19-related rent concessions from a lessor of RMB2.7 million.

The amount is further adjusted by changes in itemized balances of working capital that have a positive effect on cashflow, primarily including (i) an increase in contract liabilities of RMB69.3 million; (ii) an increase in trade and bills payables of RMB46.3 million; and (iii) an increase in other payables of RMB17.1 million. The upward adjustments are partially offset by changes in working capital that primarily included (i) an increase in trade and bills receivables of RMB33.1 million; and (ii) an increase in inventories of RMB7.3 million.

For the year ended December 31, 2021, our cash generated from operating activities was RMB15.0 million, while our loss before taxation was RMB54.8 million. The difference primarily represents upward adjustments for depreciation and amortization of RMB50.3 million and finance costs of RMB21.1 million. The upward adjustments are partially offset by adjustments that primarily included the adjustment for COVID-19-related rent concessions from a lessor of RMB2.6 million.

The amount is further adjusted by changes in itemized balances of working capital that have a negative effect on cashflow, primarily including (i) a decrease in other payables of RMB30.9 million; (ii) an increase in trade and bills receivables of RMB29.4 million; (iii) an increase in prepayments and other receivables of RMB5.3 million; and (iv) an increase in inventories of RMB13.2 million, partially offset by changes in working capital that primarily included an increase in trade and bills payables of RMB70.8 million.

Please see Note 18(b) to the Accountants' Report contained in Appendix I to this document for further details.

Investing Activities

Our cash used in investing activities mainly reflects our cash used in loans to related parties, payments for purchases of property, plant and equipment, payment for acquisition of subsidiaries and payment for purchase of intangible assets. Our cash generated from investing activities mainly comprises received from related parties.

For the year ended December 31, 2023, our net cash used in investing activities was RMB58.6 million, which is attributable to (i) our purchase of property, plant and equipment of RMB45.4 million; (ii) our purchase of intangible assets of RMB8.4 million; and (iii) our loans to related parties of RMB6.2 million, partially offset by our received from related parties of RMB1.4 million.

For the year ended December 31, 2022, our net cash used in investing activities was RMB208.7 million, which is attributable to (i) our acquisition of subsidiaries of RMB149.4 million; (ii) our loans to related parties of RMB34.3 million; (iii) our purchase of property, plant and equipment of RMB29.4 million; and (iv) our purchase of intangible assets of RMB6.9 million, partially offset by our received from related parties of RMB11.4 million.

For the year ended December 31, 2021, our net cash used in investing activities was RMB156.4 million, which is attributable to (i) our loans to related parties of RMB82.5 million; (ii) our purchase of property, plant and equipment of RMB49.1 million; (iii) our acquisition of subsidiaries of RMB23.8 million; and (iv) our purchase of intangible assets of RMB4.9 million, partially offset by our received from related parties of RMB3.9 million.

Financing Activities

Cash inflow from financing activities mainly comprises proceeds from issuance of shares and capital contributions to subsidiaries and proceeds from interest-bearing borrowings. We use cash in financing activities primarily for repayment to related parties, acquisition of non-controlling interest, repayment of interest-bearing borrowings and interest expense paid.

For the year ended December 31, 2023, our net cash generated from financing activities was RMB47.0 million, primarily due to (i) proceeds from interest-bearing borrowings of RMB243.6 million; and (ii) proceeds from issuance of shares and capital contributions to subsidiaries of RMB128.5 million, partially offset by (i) our repayment of interest-bearing borrowings of RMB220.2 million; and (ii) our repayment to related parties of RMB46.5 million.

For the year ended December 31, 2022, our net cash generated from financing activities was RMB53.4 million, primarily due to (i) proceeds from interest-bearing borrowings of RMB184.9 million; (ii) proceeds from equity-settled share-based payment of RMB35.6 million; and (iii) proceeds from issuance of shares and capital contributions to subsidiaries of RMB35.5 million, partially offset by (i) our repayment of interest-bearing borrowings of RMB81.1 million; (ii) our repayment to related parties of RMB70.6 million; and (iii) acquisition of non-controlling interest of RMB20.9 million.

For the year ended December 31, 2021, our net cash generated from financing activities was RMB230.4 million, primarily due to (i) proceeds from issuance of shares and capital contributions to subsidiaries of RMB389.5 million; and (ii) proceeds from interest-bearing borrowings of RMB70.6 million, partially offset by (i) our repayment of interest-bearing borrowings of RMB136.6 million; and (ii) our capital element of lease rentals paid of RMB37.8 million.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period consisted of expenditures on (i) property, plant and equipment, mainly comprising leasehold improvement, construction in progress and medical equipment; and (ii) intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	24,813	59,505	41,483
Intangible assets	4,915	6,913	6,249
Total	29,728	66,418	47,732

We intend to fund our planned capital expenditures through a combination of the [**REDACTED**] from the [**REDACTED**] as well as cash generated from operations. Please see "Future Plans and Use of [**REDACTED**]" in this document for further details.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the PRC, the availability of financing on terms acceptable to us and changes in the regulatory environment in the PRC. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business.

NET CURRENT ASSETS AND LIABILITIES

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current assets/liabilities:

	As of December 31,			As of February 29,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current assets				
Inventories	34,557	55,898	59,659	66,329
Trade and bills receivables	107,725	198,912	196,339	196,227
Prepayments and other receivables	231,026	213,228	214,572	211,151
Restricted cash	20,514	20,574	20,621	20,621
Cash and cash equivalents	166,048	125,188	241,991	186,049
Total current assets	559,870	613,800	733,182	680,377

	As of December 31,			As of February 29,
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*
Current liabilities				
Trade and bills payables	154,099	264,246	251,225	239,205
Other payables	94,777	154,704	113,526	92,224
Contract liabilities	9,280	83,378	75,581	44,080
Interest-bearing borrowings	61,395	202,010	257,314	278,291
Lease liabilities	27,064	21,368	21,997	20,485
Current taxation	8,751	16,756	15,745	7,150
Total current liabilities	355,366	742,462	735,388	681,435
Net current assets/(liabilities)	204,504	(128,662)	(2,206)	(1,058)

We had net current liabilities of RMB2.2 million as of December 31, 2023, consisting of current assets of RMB733.2 million and current liabilities of RMB735.4 million, which represented an increase of RMB126.5 million from our net current liabilities of RMB128.7 million as of December 31, 2022. Such turnaround was primarily attributable to (i) an increase in cash and cash equivalents of RMB116.8 million, mainly due to the cash consideration we received from our series B financing investors in November 2023; (ii) a decrease in other payables of RMB41.2 million, mainly due to our repayment of borrowings from Chang Xiaosong (常小松) and Suzhou Beiyi Baihui; and (iii) a decrease in trade and bills payables of RMB13.0 million, mainly because we paid off part of our trade and bills payables, partially offset by an increase of interest-bearing borrowings of RMB55.3 million, mainly due to the newly added interest-bearing merger and acquisition loan of RMB90.0 million we got in February 2023.

We had net current liabilities of RMB128.7 million as of December 31, 2022, consisting of current assets of RMB613.8 million and current liabilities of RMB742.5 million, which represented a turnaround from net current assets of RMB204.5 million as of December 31, 2021 to net current liabilities of RMB128.7 million as of December 31, 2022. Such turnaround was primarily attributable to (i) an increase in interest-bearing borrowings of RMB140.6 million, mainly due to increased short-term bank borrowings to satisfy our business demand; (ii) an increase in the trade and bills payables of RMB110.1 million, primarily due to our increased procurement activities, which was in line with our business growth; (iii) an increase in contract liabilities of RMB74.1 million, mainly as a result of an increase in the account collected in advance from Huangshan Shoukang Hospital in relation to their purchase of pharmaceuticals, medical equipment and consumables; (iv) an increase in other payables of RMB59.9 million, mainly due to the completion of the acquisition of Wuzhi Jimin Hospital in the end of 2022, which had payables to Chang Xiaosong (常小松) of RMB30.0 million at that time; and (v) a decrease in cash and cash equivalents of RMB40.9 million, mainly due to our payment of cash consideration for the acquisitions of the Group, partially offset by an increase in trade and bills receivables of RMB91.2 million, primarily due to an increase in our trade receivables due from the public medical insurance programs, which was in line with the growth of our hospital business.

Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from our cash and cash equivalents on hand, cash generated from operations and bank and other borrowings. Taking into account the financial resources available to us, including cash flow from operating activities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

We recorded net current liabilities of RMB2.2 million as of December 31, 2023. For further details, please see "– Net Current Assets and Liabilities" in this section and "Risk Factors – Risks Relating to Our Business, Industry, General Operations and Financial Position and Prospects – We recorded net current liabilities during the Track Record Period, which exposes us to liquidity risk, and such positions may continue or recur after the [**REDACTED**]" in this document.

We intend to continue to finance our working capital with cash generated from our operations, external borrowings and [**REDACTED**] from the [**REDACTED**]. As of the Latest Practicable Date, we had committed unutilized banking facilities amounting to RMB132.0 million. Please also see "Indebtedness and Contingent Liabilities – Indebtedness" in this section for further details. We will continue to closely monitor the level of our working capital, particularly in view of our strategy to expand our operational capacity. After due and careful enquiry and taking into account the financial resources available to us, including cash flow from operating activities, available banking and other facilities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view, that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document. Please see Note 1 to the Accountants' Report contained in Appendix I to this document for further details.

DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Property, Plant and Equipment

Our property, plant and equipment comprised of leasehold improvement, medical equipment, office and other equipment, buildings, motor vehicles and construction in process. We had property, plant and equipment of RMB224.1 million, RMB378.5 million and RMB368.9 million as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of the net book value of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Leasehold improvement	131,278	166,464	158,594
Buildings	–	75,103	69,410
Medical equipment	68,282	118,299	116,467
Motor vehicles	1,361	1,397	2,426
Office and other equipment	10,731	13,736	13,656
Construction in progress	12,461	3,493	8,331
Total	224,113	378,492	368,884

As of December 31, 2021 and 2022, we recognized significant and enlarging net book value of property, plant and equipment, especially for leasehold improvement and medical equipment, in line with the growth of our hospital business with the completion of acquisitions of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital during the relevant periods. Our net book value of property, plant and equipment decreased from RMB378.5 million as of December 31, 2022 to RMB368.9 million as of December 31, 2023, primarily because we did not make any acquisition in 2023, while the depreciation of our property, plant and equipment continued to be incurred.

Right-of-use Assets

Our right-of-use assets comprised of land use right and property leased. We had right-of-use assets of RMB189.7 million, RMB220.8 million and RMB211.1 million as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of the net book value of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Property leased	189,740	192,689	183,627
Land use right	–	28,081	27,429
Total	189,740	220,770	211,056

Our right-of-use assets increased from RMB189.7 million as of December 31, 2021 to RMB220.8 million as of December 31, 2022, which was primarily due to our completions of acquisition. Our right-of-use assets decreased from RMB220.8 million as of December 31, 2022 to RMB211.1 million as of December 31, 2023, primarily because we did not make any acquisition in 2023, while the depreciation of right-of-use assets continued to be incurred.

Intangible Assets

Our intangible asses comprises of management contracts, medical licenses, software, good supply practice licenses and cooperation relationship. We had intangible assets of RMB228.5 million, RMB247.4 million and RMB243.4 million as of December 31, 2021, 2022 and 2023, respectively. The following table sets forth a breakdown of the net book value of our intangible assets as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Software	7,977	14,017	18,682
Management contracts	182,466	177,706	172,946
Medical licenses	36,293	52,470	49,410
Good supply practice license	1,800	1,260	720
Cooperation relationship	–	1,989	1,657
Total	228,536	247,442	243,415

Our intangible assets increased from RMB228.5 million as of December 31, 2021 to RMB247.4 million as of December 31, 2022, which was primarily due to the acquisitions of three hospitals. Our intangible assets decreased from RMB247.4 million as of December 31, 2022 to RMB243.4 million as of December 31, 2023, which was primarily due to the amortisation of existing intangible assets.

Goodwill

Goodwill represents the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of our previously held equity interest in the acquiree over the fair value of the identifiable assets and liabilities measured as of the acquisition date. Please see "– Critical Accounting Policies – Goodwill" in this section for further details.

Our goodwill increased from RMB507.5 million as of December 31, 2021 to RMB643.0 million as of December 31, 2022, which was primarily due to the completions of the acquisition of Hefei Bayway Changrong Hospital and Wuzhi Jimin Hospital during the Track Record Period. Our goodwill remained unchanged of RMB643.0 million as of December 31, 2023.

Inventories

The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	20,557	34,745	39,242
Medical consumables	11,765	17,071	15,263
Medical equipment	1,563	2,741	3,218
Spare parts	672	1,341	1,936
Total	34,557	55,898	59,659

Our inventories increased by 6.7% from RMB55.9 million as of December 31, 2022 to RMB59.7 million as of December 31, 2023, primarily attributable to the expansion of our hospital business and our business of supplying pharmaceuticals, medical equipment and consumables.

Our inventories increased by 61.8% from RMB34.6 million as of December 31, 2021 to RMB55.9 million as of December 31, 2022, primarily attributable to an increase in our procurement of pharmaceuticals and medical consumables, which was in line with the expansion of our hospital business as a result of the completion of the acquisitions of Hefei Bayway Changrong Hospital, Taiyuan Peace Hospital and Wuzhi Jimin Hospital.

For the years ended December 31, 2021, 2022 and 2023, our inventory turnover days were 24 days, 23 days and 24 days, respectively. Inventory turnover days for each year equals the average of the beginning and ending balances of inventory for that year divided by cost of sales for that year and multiplied by the number of days in that year. Our inventory turnover days remained relatively stable during the Track Record Period.

As of March 31, 2024, approximately 90.7% of our inventories as of December 31, 2023 had been utilized or sold.

Trade and bills receivables

The following table sets forth our trade receivables, net loss allowance and bills receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
Related parties	26,627	39,072	44,209
Third parties	63,629	113,249	129,951
Less: loss allowance	(1,284)	(3,347)	(3,621)
	88,972	148,974	170,539
Bills receivables	18,753	49,938	25,800
Total	107,725	198,912	196,339

Our trade receivables mainly represent the balances due from the public medical insurance programs for healthcare services provided by our private for-profit hospitals in our In-network Hospitals and our trade-nature receivables for our pharmaceuticals, medical equipment and consumables delivered. Our bills receivables primarily represent bank acceptance bills receivable from our customers for purchasing our pharmaceuticals, medical equipment and consumables. For outpatient services provided by our self-owned hospitals, patients are generally required to pay their medical bills before receiving the services through public medical insurance programs and out-of-pocket payments themselves. For inpatient services, patients are generally required to pay a deposit in advance of admission and settle their medical bills on the day of discharge through public medical insurance programs and out-of-pocket payments themselves. Patients who are covered by the public medical insurance programs may choose to rely on public medical insurance programs to pay for some of our healthcare services. In such case, patients generally settle a portion of their medical bills through out-of-pocket payments, and the remainder was covered by the public medical insurance programs.

For the portion of the medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our self-owned hospitals typically receive reimbursement of a majority of such portion in the following month or the month after next, with the remainder to be settled generally within the six months of the end of each public medical insurance settlement year, except when such portion exceeds the government-approved annual quota (only applicable to medical fees for inpatient services before the reform of the health insurance payment system in the PRC). For the amounts in excess of the government-approved annual quota, the reimbursement typically happens in the following public medical insurance settlement year, with the majority also in the first six months. Please see "Business – Pricing and Payment" in this document for further details. We typically grant a credit term ranging from one to three months to our wholesale customers for the sales of our pharmaceuticals.

The following table sets forth aging analysis of trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	73,539	126,326	151,885
Over 3 months but within 6 months	12,246	7,297	10,274
Over 6 months but within 9 months	2,370	4,406	943
Over 9 months but within 1 year	662	10,945	4,032
Over 1 year	155	–	3,405
Total	88,972	148,974	170,539

Our trade and bills receivables increased by 84.6% from RMB107.7 million as of December 31, 2021 to RMB198.9 million as of December 31, 2022, which was in line with the growth of our business. Our trade and bills receivables remained relatively stable at RMB198.9 million and RMB196.3 million as of December 31, 2022 and 2023, respectively. The amount of trade and bills receivables aging over 1 year as of December 31, 2023 was primarily attributable to trade receivables due from the public medical insurance programs.

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 aging of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experienced and reasonable and supportable information that is available at the year end date about past events, current conditions and forecasts of future economic conditions. Our impairment loss on trade and bills receivables recognised during the Track Record Period was RMB0.5 million, RMB2.1 million and RMB0.3 million as of December 31, 2021, 2022 and 2023, respectively. During the Track Record Period, we had no trade and bills receivables past due but not impaired.

For the years ended December 31, 2021, 2022 and 2023, our trade and bills receivables turnover days were 71 days, 71 days and 68 days, respectively. We calculate the trade and bills receivables turnover days using the average of the opening and closing trade receivables and bills balances for the year, divided by revenue for the relevant year, multiplied by number of days for that relevant year. Trade and bills receivables turnover days remained relatively stable during the Track Record Period.

As of March 31, 2024, 40.6% of our trade receivables as of December 31, 2023 were subsequently settled.

Prepayments and other receivables

Our prepayments and other receivables primarily consist of prepayments for inventories and services, prepayment for cost incurred in connection with the proposed [**REDACTED**] of Company's Shares, receivables from related parties, advance to third parties, deposits and amount due from staffs in relation to share-based payments. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for inventories and services	4,129	12,158	12,473
Prepayment for cost incurred in connection with the proposed [**REDACTED**] of Company's share	–	635	2,457
Receivables from related parties	184,105	180,624	185,422
Advance to third parties	5,500	–	–
Deposits	6,248	5,115	4,339
Amount due from staffs in relation to share-based payments	26,564	5,370	4,070
Amounts due from non-controlling shareholders of subsidiary	–	7,191	–
Others	4,480	2,135	5,811
Total	231,026	213,228	214,572

Our prepayment and other receivables remained relatively stable at RMB213.2 million as of December 31, 2022 and RMB214.6 million as of December 31, 2023.

Our prepayment and other receivables decreased by 7.7% from RMB231.0 million as of December 31, 2021 to RMB213.2 million as of December 31, 2022, primarily attributable to a decrease in the amount due from staffs in relation to share-based payments from approximately RMB26.6 million as of December 31, 2021 to RMB5.4 million as of December 31, 2022, mainly because we received such amount in 2022.

Trade and bills payables

Our trade and bills payables primarily relate to the purchase of pharmaceuticals, medical equipment and consumables from our suppliers, which are non-interest bearing. We typically have a credit term ranging from 30 days to 180 days by suppliers of our medical supplies. We typically pay a substantial portion of the purchase amount within one to three months after installation and inspection of medical equipment, and settle the rest of the purchase amount upon or after expiration of warranty period pursuant to relevant contracts. The warranty period for our medical equipment typically varies from 12 months to 36 months. The following table sets forth our payables for inventories and bills payable as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	140,803	251,415	249,473
Bills payables	13,296	12,831	1,752
Total	154,099	264,246	251,225

The following table sets forth the aging analysis of our 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 3 months	99,311	134,335	158,132
Over 3 months but within 6 months	26,389	81,217	58,430
Over 6 months but within 1 year	11,217	32,227	17,164
Over 1 year	3,886	3,636	15,747
Total	140,803	251,415	249,473

Our trade and bills payables were RMB154.1 million, RMB264.2 million and RMB251.2 million as of December 31, 2021, 2022 and 2023, respectively. The trade and bills payables increased from RMB154.1 million as of December 31, 2021 to RMB264.2 million as of December 31, 2022 was primarily due to our increased procurement activities, which was in line with our business growth. Our trade and bills payables remained relatively stable as of December 31, 2022 and 2023.

For the years ended December 31, 2021, 2022 and 2023, our trade and bills payables turnover days were 95 days, 106 days and 105 days respectively. We calculate the trade and bills payables turnover days using the average of the opening and closing trade payable balances for the relevant year, divided by cost of sales for that relevant year, multiplied by the number of days for that relevant year. Trade and bills payables turnover days increased from 95 days for the year ended December 31, 2021 to 106 days for the year ended December 31, 2022, primarily as a result of more acquired hospitals leading to increase in the scope of consolidation of the financial results from 2021 to 2022 and the adjustment to the payment terms of our suppliers. Such trade and bills payables turnover days remained relatively stable at 106 days and 105 days for the years ended December 31, 2022 and 2023, respectively.

As of March 31, 2024, we had settled 59.1% of our trade payables outstanding as of December 31, 2023.

Other payables

Our other payables consist of salary and welfare payables, other taxes payable, advances from related parties, payable for acquisition of non-controlling interests, payables for purchase of property, plant and equipment and others. The following table sets forth our other payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare payables	22,095	41,963	54,235
Other taxes payable	3,373	13,994	13,193
Advances from related parties	26,934	48,008	1,498
Payable for acquisition of non-controlling interests	14,469	1,617	606
Payables for purchase of property, plant and equipment	8,249	13,635	11,007
Others[Note]	19,657	35,487	32,987
Total	94,777	154,704	113,526

Note: Others primarily represent payable for services, deposits received in advance and security deposits. Our others under the other payables increased by 80.5% from RMB19.7 million as of December 31, 2021 to RMB35.5 million for the year ended December 31, 2022, which was primarily due to (i) the completion of our acquisitions of Taiyuan Peace Hospital and Wuzhi Jimin Hospital in 2022; and (ii) the security deposit for performance of contracts we received from our customers in 2022. Our others under the other payables decreased by 7.0% from RMB35.5 million as of December 31, 2022 to RMB33.0 million as of December 31, 2023, primarily because the security deposit for performance of contracts has been returned to our customers in January 2023.

Our other payables decreased by 26.6% from RMB154.7 million as of December 31, 2022 to RMB113.5 million as of December 31, 2023, which was mainly attributable to a decrease in our advances from related parties from RMB48.0 million as of December 31, 2022 to RMB1.5 million as of December 31, 2023, which was primarily due to our repayment of borrowings from Chang Xiaosong (常小松) and Suzhou Beiyi Baihui.

Our other payables increased by 63.2% from RMB94.8 million as of December 31, 2021 to RMB154.7 million as of December 31, 2022, which was mainly attributable to (i) an increase in our advances from related parties from RMB26.9 million as of December 31, 2021 to RMB48.0 million as of December 31, 2022, which was primarily due to the provision of borrowings to Wuzhi Jimin Hospital by an individual equity interest holder before our acquisition; and (ii) an increase in salary and welfare payables from RMB22.1 million as of December 31, 2021 to RMB42.0 million as of December 31, 2022, mainly due to an increase of the number of our staff personnel.

During the Track Record Period, we did not default on any other payables that would have a material adverse effect on our financial position.

Contract Liabilities

Our contract liabilities represent considerations received from our customers before our Group satisfying performance obligations. The table below sets forth revenue-related contract liabilities we recognized as of the dates as indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Supply of Pharmaceuticals, Medical Equipment and Consumables	8,570	79,901	71,854
Providing services	710	3,477	3,727
Total	9,280	83,378	75,581

Our contract liabilities increased significantly from RMB9.3 million as of December 31, 2021 to RMB83.4 million as of December 31, 2022, primarily attributable to an increase in the account collected in advance from Huangshan Shoukang Hospital related to their procurement of pharmaceuticals, medical equipment and consumables. Our contract liabilities decreased from RMB83.4 million as of December 31, 2022 to RMB75.6 million as of December 31, 2023, primarily due to the delivery of medical consumables, which led to the recognition of these contract liabilities as revenue.

Lease Liabilities

We are the lessee in respect of certain properties held under operating leases for our operating facility and offices during the Track Record Period. For any lease with a term of more than 12 months, unless the underlying asset is of low value, we recognize a right-of-use asset representing our right to use the underlying leased asset and a lease liability representing our obligation to make lease payments.

The table below sets forth the remaining contractual maturities of our lease liabilities as of the dates as indicated:

	As of December 31,		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Total minimum lease payments			
Within 1 year	29,108	28,246	30,593
After 1 year but within 2 years	20,145	20,347	27,656
After 2 years but within 5 years	60,417	66,289	74,977
After 5 years	115,059	125,460	98,089
	224,729	240,342	231,315
Less: total future interest expenses	(48,454)	(59,107)	(52,404)
Present value of lease liabilities	176,275	181,235	178,911
Present value of the minimum lease payments			
Within 1 year	27,064	21,368	21,997
After 1 year but within 2 years	17,677	14,725	20,947
After 2 years but within 5 years	47,342	46,216	57,942
After 5 years	84,192	98,926	78,025
Total	176,275	181,235	178,911

Our lease liabilities further increased by 2.8% from RMB176.3 million as of December 31, 2021 to RMB181.2 million as of December 31, 2022, which was primarily due to the completion of the acquisition of Taiyuan Peace Hospital. Our lease liabilities decreased by 1.3% from RMB181.2 million as of December 31, 2022 to RMB178.9 million as of December 31, 2023 as we paid off rents under these leases.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of interest-bearing borrowings and lease liabilities:

The following table sets forth a 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 indebtedness				
Interest-bearing borrowings	61,395	202,010	257,314	278,291
Lease liabilities	27,064	21,368	21,997	20,485
Subtotal	88,459	223,378	279,311	298,776
Non-current indebtedness				
Interest-bearing borrowings	111,215	74,365	94,042	82,961
Lease liabilities	149,211	159,867	156,914	155,279
Subtotal	260,426	234,232	250,956	238,240
Total	348,885	457,610	530,267	537,016

Our Directors confirm that there has not been any material adverse change in our indebtedness since February 29, 2024, being the latest practicable date for the purpose of our indebtedness statement, to the date of this document. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness, which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breach of covenant during the Track Record Period and up to the date of this document. As of the Latest Practicable Date, except for incurring additional bank borrowings, we did not have plans for other material external debt financings.

Except as disclosed above and the guarantees issued by the Group to certain banks in respect of the credit facilities granted to Huangshan Shoukang Hospital, we did not have, as of February 29, 2024, any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantee or other material contingent liabilities. Please see "– Related Party Transactions" in this section for further details.

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against us or any member of our Group that is likely to have a material and adverse effect on our business, financial condition and results of operations.

COMMITMENTS

As of December 31, 2021, 2022 and 2023, we did not have any significant commitments.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

The following table sets forth a breakdown of balances with related parties as of the dates indicated:

	As of December 31,			Relationship with our Group
	2021	2022	2023	
	RMB'000	*RMB'000*	*RMB'000*	
Trade related:				
Trade receivables				
Huangshan Shoukang Hospital	26,627	37,911	42,571	Entity managed by our Group
Taiyuan Wanbailin District Peace Community Health Service Center	–	1,161	1,638	Entity managed by our Group
Contract liabilities				
Huangshan Shoukang Hospital	9,090	79,858	69,338	Entity managed by our Group
Non-trade related:				
Amount due from related parties				
Other receivables				
Huangshan Shoukang Hospital	145,687	177,424	183,571	Entity managed by our Group
Taiyuan City Peace Hospital	36,768	–	–	Entity managed by our Group
Taiyuan Wanbailin District Peace Community Health Service Center	–	–	51	Entity managed by our Group
Shi Yu	1,050	–	–	Non-controlling shareholder and key management personnel of a subsidiary
Zhengqi Holdings Co., Ltd.	600	3,200	1,800	Entity has significant influence over our Group

	As of December 31,			Relationship with our Group
	2021	2022	2023	
	RMB'000	*RMB'000*	*RMB'000*	
Amount due to related parties				
Other payables				
Taiyuan Wanbailin District Peace Community Health Service Center	–	6,628	1,498	Entity managed by our Group
Beijing Bayway Investment Fund Management Co. Ltd.	14	–	–	Entity controlled by one of our Controlling Shareholders
Chang Xiaosong	–	30,000	–	Non-controlling shareholder and key management personnel of a subsidiary
Suzhou Beiyi Baihui	26,920	11,380	–	Entity controlled by one of our Controlling Shareholders
Interest-bearing borrowings				
Zhengqi Holdings Co., Ltd.	43,138	60,210	15,525	Entity has significant influence over our Group
Guarantees provided				
– Huangshan Shoukang Hospital	46,593	118,370	132,180	Entity managed by our Group

For details of our related party transactions, please see Note 30 to the Accountants' Report set out in Appendix I to this document.

Our amounts due to and from related parties primarily represent cash advances to and from related parties. During the Track Record Period, advances to and from related parties are primarily non-trade related cash advances we made to or received from related parties in relation to business operation. As of December 31, 2021, 2022 and 2023, we recorded non-trade related amounts due from related parties of RMB184.1 million, RMB180.6 million and RMB185.4 million, respectively, and recorded non-trade related amounts due to related parties of RMB70.1 million, RMB108.2 million and RMB17.0 million, respectively.

During the Track Record Period, we provided non-interest-bearing loans to Huangshan Shoukang Hospital to meet their capital needs, which were non-trade in nature. The amount due from Huangshan Shoukang Hospital as of December 31, 2023 reflected the balance of the principal amount of the such non-interest-bearing loans. Please see note 30 to the Accountants' Report in Appendix I to this document.

Taking into account that there is a relatively high entry barriers for setting up medical and healthcare related services business from the ground up, particularly upfront capital investment, our Managed Hospitals generally need financial support from their related parties to meet their capital needs to pay for cost of pharmaceuticals and medical instrument and staff cost, especially during their ramping-up period. According to Frost & Sullivan, this is consistent with the market practice. In accordance with the relevant agreements, we provided these funds to support the business development of our Managed Hospitals and these amounts due from or to such related parties will be settled from time to time, depending on the progress of development of the corresponding hospitals, until the final settlement.

In addition, in order to support the business development of Huangshan Shoukang Hospital, the Group has also issued guarantees to certain banks in respect of the credit facilities in the amount of RMB75.0 million, RMB254.0 million and RMB234.0 million granted to Huangshan Shoukang Hospital as of December 31, 2021, 2022 and 2023, respectively, the amount of which is the maximum total amount Huangshan Shoukang Hospital can utilize under the aforementioned credit facilities as of the corresponding dates. Please see note 30 to the Accountants' Report in Appendix I to this document.

As of the Latest Practicable Date, we had implemented abundant internal control measures with a view to mitigating our exposure to risks including credit risk, operational risk and liquidity risk and helping ensure our related party transactions, primarily including the following measures:

(i) inspecting the contract execution and supplemental matters under the requirements of the approval documents by our general management department, audit and legal department and financial management department;

(ii) conducting the post-transaction inspection, risk assessment and early warning from time to time. We aim to identify any potential repayment difficulties of related parties ahead of the due date and take appropriate precautionary measures;

(iii) designating staff in charge of details of the related party transactions and responsible for the proper implementation of the internal control measures;

(iv) communicating with such parties regularly to understand their profile including daily business operation, financial status, credit, actual use of [**REDACTED**], and any other material adverse change on the borrowers or their ultimate beneficial owners. The person in charge will also enquire online public information of such parties to obtain public monitoring data;

(v) formulating business guidelines and opinion on risks by classification of industry from time to time with an aim to promote healthy business development and risk control according to the macro-economy and the change in our market environment; and

(vi) overseeing our compliance with relevant laws and regulations in the PRC and to liaise with our PRC legal advisor regarding compliance issues.

In the future, we will continuously improve our internal control policies to address new or potential risks that may be related to our transactions with the related parties and our existing services and business operations due to changes in transaction details, market conditions and the regulatory environment.

As of December 31, 2023, we did not have any outstanding non-trade advances due to or due from entities controlled by ultimate controlling shareholder of the Company.

Our Directors are of the view that each of the material related party transactions set out in Note 30 to the Accountants' Report set out in Appendix I to this document was conducted on an arm's length basis and normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		
	2021	2022	2023
Profitability:			
Revenue growth rate	N.A.[6]	73.9%	33.6%
Gross profit growth rate	N.A.[6]	92.2%	123.9%
Gross margin[1]	9.0%	9.9%	16.6%
Adjusted net loss margin[2]	-12.3%	-8.6%	-0.3%
Adjusted EBITDA margin[3]	3.6%	4.6%	11.5%
Liquidity:			
Current ratio[4]	1.6x	0.8x	1.0x
Quick ratio[5]	1.5x	0.8x	0.9x

Notes:

(1) The calculation of gross margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100.0%;

(2) The calculation of adjusted net loss margin is based on adjusted net loss after taxation for the year divided by revenue for the respective year and multiplied by 100.0%;

(3) The calculation of adjusted EBITDA margin is based on adjusted EBITDA for the year divided by revenue for the respective year and multiplied by 100.0%;

(4) The calculation of current ratio is based on current assets divided by current liabilities as of year end;

(5) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year end; and

(6) The growth rates are not applicable as revenue and gross profit for the year ended December 31, 2020 are unaudited.

Analysis of Key Financial Ratios

Revenue growth rate, gross profit growth rate and gross margin

For a discussion of the factors affecting our revenue, gross profit and gross margin during the Track Record Period, please see "– Year to Year Comparison of Results of Operations" in this section.

Adjusted net loss margin and adjusted EBITDA margin

For the details of our adjusted net loss margin and adjusted EBITDA, please see "– Description of Key Components of Comprehensive Income – Non-IFRS Measures" in this section.

Current ratio and quick ratio

Our current ratio increased from 0.8 as of December 31, 2022 to 1.0 as of December 31, 2023, primarily due to (i) an increase in cash and cash equivalents of RMB116.8 million, mainly due to the cash consideration we received from our series B financing investors in November 2023; and (ii) a decrease in other payables of RMB41.2 million, mainly due to our repayment of borrowings from Chang Xiaosong (常小松) and Suzhou Beiyi Baihui; and (iii) a decrease in trade and bills payables of RMB13.0 million, mainly because we paid off part of our trade and bills payables.

Our current ratio decreased from 1.6 as of December 31, 2021 to 0.8 as of December 31, 2022, primarily due to (i) an increase in the trade and bills payables of RMB110.1 million, primarily due to our Group's increased procurement activities, which was in line with our business growth; (ii) a decrease in cash and cash equivalents of RMB40.9 million, mainly due to our payment of cash consideration for our acquisitions activities; and (iii) an increase in contract liabilities of RMB74.1 million, mainly as a result of an increase in the account collected in advance from Huangshan Shoukang Hospital in relation to their purchase of pharmaceuticals, medical equipment and consumables.

Our quick ratio was 1.5, 0.8 and 0.9 as of December 31, 2021, 2022 and 2023, respectively, which was generally in line with the fluctuation of our Group's current ratio for the same periods as aforementioned.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risks, including credit risk, liquidity risk and interest rate risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, please see Note 29 in the Accountants' Report set out in Appendix I to this document.

Credit Risk

Our credit risk is primarily attributable to trade receivables and prepayments, deposits and other receivables. Our exposure to credit risk arising from cash at bank is limited because the counterparties are banks with good credit standing, for which we consider to have low credit risk. Except for the financial guarantee given by us as set out in Note 30(d) to "Appendix I — Accountants' Report", we do not provide any other guarantees, which would expose us to credit risk.

Our trade receivables due from the third parties mainly arose from providing hospital service to patients and supply of pharmaceuticals, medical equipment and consumables, without any single customer contributing material revenue. For the receivables from hospital service, we have concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organisations may take one to three months. We have policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with the policies of the respective organisations, and fulfilling all ethics and moral responsibilities as a healthcare provider. We also have controls to closely monitor the patients' billings and claim status to minimise the credit risk. Our management assesses individually the recoverability of such receivables. The carrying amount of such receivables was RMB45.0 million, RMB89.8 million and RMB115.2 million as at December 31, 2021, 2022 and 2023, respectively.

For the receivables from supply of pharmaceuticals, medical equipment and consumables, we have granted credit terms of one to three months and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

We have performed an impairment analysis at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on aging of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experienced and reasonable and supportable information that is available at the year end date about past events, current conditions and forecasts of future economic conditions.

In respect of trade receivables due from related parties, and other receivables on behalf of deposits and prepayments, we have assessed that the expected credit loss for these receivables is immaterial under 12-month expected losses method. For further details, please see Note 29(a) in the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

Our policy is to regularly monitor our liquidity requirements and our compliance with lending covenants, to ensure that we maintain sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer term. Please see Note 29(b) in the Accountants' Report set forth in Appendix I to this document for more details about our financial liabilities by different maturity groups.

Interest Rate Risk

Our interest rate risk arises from interest-bearing borrowings. Borrowings issued at fixed rates expose us to fair value interest rate risk. Borrowings issued at variable rates expose us to cash flow interest rate risk. We currently do not use any interest rate swap contracts or other financial instruments to hedge against interest rate exposure.

For the years ended December 31, 2021, 2022 and 2023, if the interest rates had been 100 basis points higher/lower with all other variables held constant, our loss after tax and accumulated loss would have decreased or increased by approximately RMB1.1 million, RMB1.1 million and RMB0.7 million, respectively. For more information, please see Note 29(c) in the Accountants' Report set forth in Appendix I to this document.

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. We do not currently have a formal dividend policy or a fixed dividend payout ratio.

Any future declaration of dividends will be at the absolute discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. Our Board may also from time to time pay interim dividends as our Board believes to be justified by the profits of our Company, as well as special dividends on shares of any class of such amounts and on such dates as it deems fit. We cannot guarantee in what form dividends will be paid in the future.

As we are a holding company, our ability to declare and pay dividends will also depend on the availability of dividends received from our PRC subsidiaries. The PRC laws require that dividends be paid only out of the net profit calculated according to the PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including IFRSs. The PRC laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As of December 31, 2023, we did not have any distributable reserve.

[REDACTED]

We expect to incur a total of [**REDACTED**] of [**REDACTED**] (assuming an [**REDACTED**] of [**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] between [**REDACTED**] and [**REDACTED**], and assuming that the [**REDACTED**] is not exercised.

During the Track Record Period, we incurred [**REDACTED**] of [**REDACTED**], out of which [**REDACTED**] was charged to our consolidated statements of comprehensive income, while the remaining amount of [**REDACTED**] is directly attributable to the issuance of [**REDACTED**] and will be charged to equity upon completion of the [**REDACTED**]. We expect to further incur [**REDACTED**] of approximately [**REDACTED**] upon completion of the [**REDACTED**], out of which approximately [**REDACTED**] is expected to be charged to our consolidated statements of comprehensive income and approximately [**REDACTED**] is expected to be deducted from equity.

[**REDACTED**] include [**REDACTED**] of fees for legal advisors and the Reporting Accountant, [**REDACTED**] of other fees unrelated to the [**REDACTED**], and [**REDACTED**] of [**REDACTED**] payable to [**REDACTED**] and transaction fees (including [**REDACTED**], AFRC [**REDACTED**], and Stock Exchange [**REDACTED**] fee) in connection with the [**REDACTED**] of [**REDACTED**] under the [**REDACTED**]. The [**REDACTED**] above represent approximately [**REDACTED**] of our [**REDACTED**] from the [**REDACTED**] and are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

In view of the above, prospective [**REDACTED**] should note that the financial results of our Group will be adversely affected by the non-recurring [**REDACTED**] in relation to the [**REDACTED**]. Our Directors would like to emphasize that the [**REDACTED**] in relation to [**REDACTED**] are a current estimate for reference only and the amounts to be recognized in the equity and the statement of results of operation of the Group are subject to adjustment due to changes in estimates and assumptions.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2023, being the date on which the latest audited consolidated financial position statement of our Group was prepared, and there is no event since December 31, 2023, which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I in this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.

[REDACTED] ADJUSTED CONSOLIDATED [REDACTED]

Please see "[**REDACTED**] Financial Information" included as Appendix II to this document for details.

FUTURE PLANS

Please see "Business – Our Strategies" in this document for a detailed description of our future plans.

USE OF [REDACTED]

We estimate the [**REDACTED**] of the [**REDACTED**] which we will receive, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this document), will be approximately HK$[**REDACTED**], after deduction of [**REDACTED**] fees and [**REDACTED**] and estimated [**REDACTED**] payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

We intend to use the [**REDACTED**] of the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**] (or HK$[**REDACTED**]) for continuously strengthening our full-cycle oncology healthcare services primarily through purchasing medical equipment and recruiting medical professionals, which will enable us to enhance the quality of our healthcare services and satisfy the rapid growth in demand for oncology healthcare services in the markets where we operate. Please see "Business – Our Strategies" in this document for further details. In particular:

  (i) approximately [**REDACTED**] (or HK$[**REDACTED**]) will be used in strengthening our capabilities of screening and early detection of cancer services, among which, (a) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for purchasing medical equipment; (b) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for recruiting medical professionals; (c) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for appropriate market promotion; and (d) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for upgrading our Screening and Early Detection of Cancer System;

  (ii) approximately [**REDACTED**] (or HK$[**REDACTED**]) will be used in strengthening oncology treatment services capabilities, among which, (a) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for purchasing medical equipment; (b) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for recruiting medical professionals; (c) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for appropriate market promotion; and (d) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for medical professionals training;

  (iii) approximately [**REDACTED**] (or HK$[**REDACTED**]) will be used in strengthening rehabilitation services capabilities, among which, (a) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for recruiting medical professionals; (b) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for purchasing medical equipment; (c) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for appropriate market promotion; (d) approximately [**REDACTED**] (or HK$[**REDACTED**])) used for medical professionals training; and (e) approximately [**REDACTED**] (or HK$[**REDACTED**]) used for decoration and renovation; and

(iv) approximately [**REDACTED**] (or HK$[**REDACTED**]) will be used in the construction of our Oncology Center Building for Wuzhi Jimin Hospital to expand our full-cycle oncology healthcare services capability in the corresponding local market as well as improve existing medical environment for our clients and/or patients.

- approximately [**REDACTED**] (or HK$[**REDACTED**]) for acquiring hospitals, when appropriate opportunities arise, in new markets which has sizable population and relatively high level of demand for oncology healthcare services. As confirmed by Frost & Sullivan, there are sufficient potential acquisition targets up to our criteria in our target markets. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. Please see "Business – Our Hospital Investment and Acquisition – Strategic Acquisition" in this document for more details;

- approximately [**REDACTED**] (or HK$[**REDACTED**]) for expansion of our hospital management business, including but not limited to enhancing our information systems and platforms and recruiting operation and management professionals. As of the Latest Practicable Date, we had not entered into any letters of intent or agreements with any potential target hospital and had not identified any definite targets. Please see "Business – Our Hospital Management Business" in this document for more details;

- approximately [**REDACTED**] (or HK$[**REDACTED**]) for upgrading our IT infrastructure and/or systems to enhance our healthcare services provision capabilities as well as operation and management efficiency. We intend to use (i) approximately [**REDACTED**] (or HK$[**REDACTED**]) to upgrade our existing data center and software; (ii) approximately [**REDACTED**] (or HK$[**REDACTED**]) to upgrade our existing medical quality control system; and (iii) approximately [**REDACTED**] (or HK$[**REDACTED**]) to develop a series of intelligent and convenient online applications. Please see "Business – Our Strategies" in this document for further details; and

- approximately [**REDACTED**] (or HK$[**REDACTED**]) for working capital and other general corporate purposes.

If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the high-end of the [**REDACTED**] range stated in this document) and assuming the [**REDACTED**] is not exercised, we will receive additional [**REDACTED**] of approximately HK$[**REDACTED**]. If the [**REDACTED**] is fixed at HK$[**REDACTED**] per [**REDACTED**] (being the low-end of the [**REDACTED**] range stated in this document) and assuming the [**REDACTED**] is not exercised, the [**REDACTED**] we receive will be reduced by approximately HK$[**REDACTED**]. The above [**REDACTED**] of the [**REDACTED**] will be adjusted on a pro rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the estimated [**REDACTED**] range.

The additional [**REDACTED**] that we would receive if the [**REDACTED**] were exercised in full would be (i) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the high-end of the [**REDACTED**] range stated in this document), (ii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] range stated in this document), and (iii) HK$[**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the low-end of the [**REDACTED**] range stated in this document). Additional [**REDACTED**] received due to the exercise of any [**REDACTED**] will be used for the above purposes accordingly on a pro rata basis in the event that the [**REDACTED**] is exercised.

To the extent that the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to [**REDACTED**] part or all of the [**REDACTED**] to short-term interest-bearing deposits and/or money market instruments with authorized financial institutions and/or licensed banks in Hong Kong and/or the PRC.

In the event of any material change in our use of [**REDACTED**] of the [**REDACTED**] from the purposes described above or in our [**REDACTED**] of the [**REDACTED**] among the purposes described above, a formal announcement will be made.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-64, 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 BAYZED HEALTH GROUP INC AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Bayzed Health Group Inc (the "Company") and its subsidiaries (together, the "Group") set out on pages I-5 to I-64, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021 2022 and 2023, and 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 31 December 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-5 to I-64 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of Company's and the Group's financial position as at 31 December 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 [REDACTED] of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[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 in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

		Year ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	461,586	802,652	1,072,173
Cost of sales		(420,195)	(723,095)	(894,009)
Gross profit		41,391	79,557	178,164
Other net income	*5*	7,837	5,025	5,181
Selling expenses		(9,738)	(12,019)	(13,467)
General and administrative expenses		(72,806)	(108,587)	(147,172)
Impairment loss on trade and bills receivables		(461)	(2,063)	(274)
(Loss)/profit from operations		(33,777)	(38,087)	22,432
Finance cost	*6(a)*	(21,058)	(24,437)	(27,042)
Loss before taxation		(54,835)	(62,524)	(4,610)
Income tax	*7(a)*	(7,120)	(12,991)	(19,796)
Loss for the year		(61,955)	(75,515)	(24,406)
Other comprehensive income for the year		–	(32)	(1,657)
Total comprehensive income for the year		(61,955)	(75,547)	(26,063)
Loss for the year attributable to:				
Equity shareholders of the Company		(46,091)	(58,018)	(26,389)
Non-controlling interests		(15,864)	(17,497)	1,983
		(61,955)	(75,515)	(24,406)
Total comprehensive income attributable to:				
Equity shareholders of the Company		(46,091)	(58,050)	(28,046)
Non-controlling interests		(15,864)	(17,497)	1,983
		(61,955)	(75,547)	(26,063)
Loss per share	*10*			
Basic and diluted (RMB)		N/A	N/A	N/A

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000
Non-current assets				
Property, plant and equipment	*11*	224,113	378,492	368,884
Right-of-use assets	*12*	189,740	220,770	211,056
Intangible assets	*13*	228,536	247,442	243,415
Goodwill	*14*	507,471	643,049	643,049
Deferred tax assets	*25(b)*	2,639	4,688	5,662
Other non-current assets		52,311	2,710	6,158
		1,204,810	1,497,151	1,478,224
Current assets				
Inventories	*15*	34,557	55,898	59,659
Trade and bills receivables	*16*	107,725	198,912	196,339
Prepayments and other receivables	*17*	231,026	213,228	214,572
Restricted cash	*18(a)*	20,514	20,574	20,621
Cash and cash equivalents	*18(a)*	166,048	125,188	241,991
		559,870	613,800	733,182
Current liabilities				
Trade and bills payables	*19*	154,099	264,246	251,225
Other payables	*20*	94,777	154,704	113,526
Contract liabilities	*21*	9,280	83,378	75,581
Interest-bearing borrowings	*22*	61,395	202,010	257,314
Lease liabilities	*23*	27,064	21,368	21,997
Current taxation	*25(a)*	8,751	16,756	15,745
		355,366	742,462	735,388
Net current assets/(liabilities)		204,504	(128,662)	(2,206)
Total assets less current liabilities		1,409,314	1,368,489	1,476,018
Non-current liabilities				
Interest-bearing borrowings	*22*	111,215	74,365	94,042
Lease liabilities	*23*	149,211	159,867	156,914
Deferred tax liabilities	*25(b)*	44,463	47,767	49,544
		304,889	281,999	300,500
NET ASSETS		1,104,425	1,086,490	1,175,518
CAPITAL AND RESERVES	*26*			
Share capital		43	43	78
Reserves		1,022,312	987,861	1,084,046
Total equity attributable to equity shareholders of the Company		1,022,355	987,904	1,084,124
Non-controlling interests		82,070	98,586	91,394
TOTAL EQUITY		1,104,425	1,086,490	1,175,518

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries	*1*	–	–	*
Prepayments and other receivables	*17*	–	8,356	16,855
		–	8,356	16,855
Current assets				
Prepayments and other receivables	*17*	43	–	43
Cash and cash equivalents		–	–	117,263
		43	–	117,306
Current liabilities				
Other payables	*20*	–	1,831	15,999
Interest-bearing borrowings		–	131	–
		–	1,962	15,999
Net current assets/(liabilities)		43	(1,962)	101,307
Total assets less current liabilities		43	6,394	118,162
NET ASSETS		43	6,394	118,162
CAPITAL AND RESERVES				
Share capital	*26(b)*	43	43	78
Reserves	*26(c)(i)*	–	6,351	118,084
TOTAL EQUITY		43	6,394	118,162

* The balance represents an amount less than RMB500.

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company							
	Note	**Share capital**	**Share premium**	**Capital reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 26(b)	*Note 26(c)(i)*	*Note 26(c)(ii)*	*Note 26(c)(iv)*				
Balance at 1 January 2021		–	–	890,500	(20,608)	(162,248)	707,644	78,514	786,158
Changes in equity for 2021:									
Loss and total comprehensive income for the year		–	–	–	–	(46,091)	(46,091)	(15,864)	(61,955)
Issuance of shares	*26(b)*	43	–	–	–	–	43	–	43
Capital contributions to subsidiaries	*26(c)(ii)*	–	–	389,488	–	–	389,488	–	389,488
Acquisition of NCI	*28(a)*	–	–	–	(12,029)	–	(12,029)	(29,471)	(41,500)
Equity-settled share-based payment	*24*	–	–	–	(16,700)	–	(16,700)	48,891	32,191
Balance at 31 December 2021		43	–	1,279,988	(49,337)	(208,339)	1,022,355	82,070	1,104,425

	Note	Share capital	Share premium	Capital reserve	Exchange reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total equity
		Attributable to equity shareholders of the Company								
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 26(b)	*Note 26(c)(i)*	*Note 26(c)(ii)*	*Note 26(c)(iii)*	*Note 26(c)(iv)*				
Balance at 1 January 2022		43	–	1,279,988	–	(49,337)	(208,339)	1,022,355	82,070	1,104,425
Changes in equity for 2022:										
Loss for the year		–	–	–	–	–	(58,018)	(58,018)	(17,497)	(75,515)
Other comprehensive income		–	–	–	(32)	–	–	(32)	–	(32)
Total comprehensive income		–	–	–	(32)	–	(58,018)	(58,050)	(17,497)	(75,547)
Issuance of shares and capital contributions to subsidiaries	*26(b) and (c)*	–	6,668	25,000	–	–	–	31,668	11,000	42,668
Effect on equity arising from group reorganisation	*26(c)(ii)*	–	–	(6,824)	–	–	–	(6,824)	–	(6,824)
Acquisition of NCI	*28(b)*	–	–	–	–	(6,520)	–	(6,520)	(3,302)	(9,822)
Acquisition of subsidiaries	*27(c)*	–	–	–	–	–	–	–	10,214	10,214
Disposal of equity interest in a subsidiary without loss of control		–	–	–	–	(1,345)	–	(1,345)	8,145	6,800
Equity-settled share-based payment	*24*	–	–	–	–	6,620	–	6,620	7,956	14,576
Balance at 31 December 2022		43	6,668	1,298,164	(32)	(50,582)	(266,357)	987,904	98,586	1,086,490

	Note	Attributable to equity shareholders of the Company								
		Share capital	**Share premium**	**Capital reserve**	**Exchange reserve**	**Other reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 26(b)	*Note 26(c)(i)*	*Note 26(c)(ii)*	*Note 26(c)(iii)*	*Note 26(c)(iv)*				
Balance at 1 January 2023		43	6,668	1,298,164	(32)	(50,582)	(266,357)	987,904	98,586	1,086,490
Changes in equity for 2023:										
Profit for the year		–	–	–	–	–	(26,389)	(26,389)	1,983	(24,406)
Other comprehensive income		–	–	–	(1,657)	–	–	(1,657)	–	(1,657)
Total comprehensive income		–	–	–	(1,657)	–	(26,389)	(28,046)	1,983	(26,063)
Issuance of shares	*26(b)*	35	128,507	–	–	–	–	128,542	–	128,542
Effect on equity arising from group reorganisation	*26(c)(ii)*	–	–	(4,276)	–	–	–	(4,276)	–	(4,276)
Dividend declared by subsidiary to non-controlling shareholder		–	–	–	–	–	–	–	(9,175)	(9,175)
Balance at 31 December 2023		78	135,175	1,293,888	(1,689)	(50,582)	(292,746)	1,084,124	91,394	1,175,518

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Operating activities				
Cash generated from operations	*18(b)*	14,964	123,374	148,375
Income tax paid	*25(a)*	(8,549)	(8,979)	(20,004)
Net cash generated from operating activities		6,415	114,395	128,371
Investing activities				
Payment for purchase of property, plant and equipment		(49,063)	(29,437)	(45,368)
Payment for purchase of intangible assets		(4,915)	(6,913)	(8,440)
Payment for acquisition of subsidiaries, net of cash acquired	*27*	(23,800)	(149,356)	–
Received from related parties		3,858	11,362	1,400
Loans to related parties		(82,529)	(34,336)	(6,198)
Net cash used in investing activities		(156,449)	(208,680)	(58,606)
Financing activities				
Proceeds from issuance of shares and capital contributions to subsidiaries		389,488	35,520	128,542
Proceeds from interest-bearing borrowings	*18(c)*	70,603	184,901	243,587
Repayment of interest-bearing borrowings	*18(c)*	(136,590)	(81,136)	(220,197)
Capital element of lease rentals paid	*18(c)*	(37,779)	(10,516)	(17,729)
Interest element of lease rentals paid	*18(c)*	(5,042)	(8,347)	(8,249)
Interest expense paid	*18(c)*	(15,906)	(15,270)	(18,407)
Increase in deposits with banks		(482)	(60)	(47)
Withdrawal of deposits with banks		3,008	–	–
Acquisition of non-controlling interests	*18(c)*	(27,031)	(20,874)	(1,011)
Disposal of equity interest in a subsidiary without loss of control		–	5,000	–
Advances from related parties	*18(c)*	–	6,628	–
Repayment to related parties	*18(c)*	(15,540)	(70,554)	(46,510)
Dividend declared by subsidiary to non-controlling shareholder		–	–	(9,175)
Proceeds from equity-settled share-based payment		5,627	35,592	2,332
Effect on equity arising from group reorganisation	*26(c)(ii)*	–	(6,824)	(4,276)
Expenses paid in connection with the proposed issuance of new shares		–	(635)	(1,822)
Net cash generated from financing activities		230,356	53,425	47,038
Net increase/(decrease) in cash and cash equivalents		80,322	(40,860)	116,803
Cash and cash equivalents at the beginning of the year	*18(a)*	85,726	166,048	125,188
Cash and cash equivalents at the end of the year	*18(a)*	166,048	125,188	241,991

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 THE HISTORICAL FINANCIAL INFORMATION

1.1 General information

Bayzed Health Group Inc (the "Company") was incorporated in Cayman Islands on 9 December 2021 as an exempted company with limited liability under the Companies Act (As Revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, "the Group") primarily focused on hospital business and hospital management business, the revenue of the Group generated from (i) operating six private for-profit hospitals and providing healthcare services including full-cycle oncology healthcare services and other medical services, (ii) managing and operating, and receiving management fees from two private not-for-profit hospitals and (iii) supply of pharmaceuticals, medical equipment and consumables in the People's Republic of China (the "PRC").

Prior to the incorporation of the Company, the above-mentioned principal activities were carried out by Bayzed Medical Investment Group Co., Ltd. (佰澤醫療投資集團有限公司, "Bayzed Medical Investment"). and its subsidiaries (together, the "Bayzed Medical Group"). To rationalise the corporate structure in preparation of the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a corporate reorganisation (the "Reorganisation") as detailed in the section headed "History, Reorganization and Corporate Structure" in the Document. Upon completion of the Reorganisation on 8 August 2023, the Company became the holding company of the companies now comprising the Group. Details of the Group's principal subsidiaries are set out in Note 1.2.

The Reorganisation only involved interspersing the Company and certain investment holding companies, which are newly formed entities with no substantive business operations, as the new holding companies of Bayzed Medical Group. There were no changes in the economic substance of the ownership of and the business of the Group before and after the Reorganisation. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the consolidated financial statements of Bayzed Medical Group with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group include the financial performance and cash flows of the companies now comprising the Group for the Track Record Period as if the current group structure had been in existence throughout the Track Record Period (or where a company now comprising the Group was incorporated/established/acquired at a date later than 1 January 2021, for the period from the date of incorporation/establishment/acquisition, where this is a shorter period). The consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 have been prepared to present the state of financial position of the companies now comprising of the Group as at those dates as if the current group structure had been in existence as at the respective dates, taking into account the respective dates of incorporation or establishment, where applicable.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

There are no audited statutory financial statements prepared for the Company.

1.2 Subsidiaries

Upon completion of the Reorganisation and as at the date of this report, particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of establishment and operation	Registered capital	Paid-up capital	Effective interest	Principal activities
Bayzed Medical Investment Group Company Limited. ("Bayzed Medical Investment") 佰澤醫療投資集團有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 31 July 2017	RMB1,151,066,046	RMB1,151,066,046	100.00%	Investment holding
Anhui Baihui Hospital Management Company Limited. 安徽佰惠醫院管理有限責任公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 6 September 2019	RMB300,000,000	RMB235,500,000	100.00%	Hospital management and consulting service
Bayway Rehabilitation Health Management Company Limited. 佰惠康復健康管理有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 4 September 2020	RMB300,000,000	RMB100,000.000	100.00%	Hospital management and consulting service
Beijing Baize Medical Management Co., Ltd. 北京佰澤醫療管理有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 19 May 2020	RMB10,000,000	–	100.00%	Hospital management and consulting service
Bayway Early Screening Health Technology (Beijing) Company Limited. 佰惠早篩健康技術(北京) 有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 27 July 2018	RMB300,000,000	RMB300,000,000	100.00%	Hospital management and consulting service
Shanxi Bayway Hospital Management Partnership (Limited Partnership) 山西佰惠醫院管理合夥企業(有限合夥) *(Notes (i), (iii) and (vii))*	The PRC, 16 November 2018	RMB100,000,000	RMB30,000,000	99.00%	Hospital management and consulting service
Henan Baihui Medical Investment Management Co., Ltd. 河南佰惠醫療投資管理有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 23 December 2021	RMB100,000,000	RMB100,000,000	85.00%	Hospital management and consulting service
Tianjin Bayway Hospital Management Partnership (Limited Partnership) ("Tianjin Bayway Management") 天津佰惠醫院管理合夥企業(有限合夥) *(Notes (i), (iii) and (vii))*	The PRC, 27 August 2018	RMB94,000,000	RMB79,000,000	100.00%	Hospital management and consulting service
Tianjin Baihui Medical Management Co., Ltd. ("Tianjin Baihui Medical Management") 天津佰惠醫療管理有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 13 September 2018	RMB20,000,000	RMB20,000,000	70.00%	Hospital management and consulting service
Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership) 天津醫眾君安醫院管理合夥企業(有限合夥) *(Notes (i), (iii), and (vii))*	The PRC, 30 July 2019	RMB37,066,000	RMB30,332,000	58.00%	Hospital management and consulting service
Taiyuan Peace Hospital Management Company Limited. 太原市和平醫院管理有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 1 November 2018	RMB100,000,000	RMB44,250,000	59.40%	Hospital management and consulting service
Zhengzhou Baikang Hospital Management Company Limited. 鄭州佰康醫院管理有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 19 January 2022	RMB60,000,000	RMB60,000,000	85.00%	Hospital management and consulting service
Anhui Shoukang Medical Investment Company Limited. ("Anhui Shoukang Investment") 安徽首康醫療投資有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 19 December 2014	RMB104,109,000	RMB104,109,000	69.92%	Hospital management and Investment service
Hefei Bayway Changrong Hospital Co., Ltd. ("Hefei Bayway Changrong Hospital") 合肥佰惠長榮醫院有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 13 November 2020	RMB30,000,000	RMB30,000,000	67.00%	General healthcare services

Company name	Place and date of establishment and operation	Registered capital	Paid-up capital	Effective interest	Principal activities
Tianjin Nankai Jixing Hospital Company Limited. ("Tianjin Nankai Jixing Hospital") 天津南開濟興醫院有限責任公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 23 November 2015	RMB6,000,000	RMB6,000,000	70.00%	General healthcare services
Tianjin Shishi Hospital Company Limited. 天津石氏醫院有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 4 March 2020	RMB50,000,000	RMB50,000,000	56.00%	General healthcare services
Beijing Medical Creation United Technology Development Company Limited. ("Beijing Medical Creation") 北京醫創聯合科技發展有限公司 *(Notes (i), (ii), (v), (vi) and (vii))*	The PRC, 26 December 2016	RMB72,000,000	RMB22,000,000	100.00%	Scientific research center
Western Beijing Cancer Hospital Company Limited. ("Western Beijing Cancer Hospital") 北京京西腫瘤醫院有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 17 October 2011	RMB50,000,000	RMB50,000,000	65.80%	General healthcare services
Taiyuan Peace Hospital Company Limited. ("Taiyuan Peace Hospital") 太原和平醫院有限公司 *(Notes (i), (ii), (v), (vi) and (vii))*	The PRC, 11 May 2021	RMB5,000,000	RMB5,000,000	59.40%	General healthcare services
Wuzhi Jimin Hospital Company Limited. ("Wuzhi Jimin Hospital") 武陟濟民醫院有限責任公司 *(Notes (i), (ii), (v), (vi) and (vii))*	The PRC, 13 April 2017	RMB40,000,000	RMB40,000,000	68.00%	General healthcare services
Henan Huibai Medical Equipment Co., Ltd. 河南惠佰醫療設備有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 13 July 2022	RMB5,000,000	RMB5,000,000	68.00%	Supply of medical equipment and consumables
Henan Tengfang Medical Equipment Co., Ltd. 河南騰方醫療設備有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 21 September 2022	RMB3,000,000	–	68.00%	Supply of medical equipment and consumables
Huangshan Bokang Pharmacy Co., Ltd. ("Huangshan Bokang") 黃山博康大藥房有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 17 November 2014	RMB600,000	RMB600,000	69.92%	Supply of pharmaceuticals, medical equipment and consumables
Anhui Ruizhong Medical Technology Company Limited. ("Anhui Ruizhong") 安徽省瑞眾醫療科技有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 31 December 2020	RMB10,000,000	RMB2,500,000	69.92%	Supply of medical equipment and consumables
Huangshan Bohong Pharmaceutical Sales Company Limited. ("Huangshan Bohong") 黃山博宏醫藥銷售有限公司 *(Notes (i), (ii), (iv), (v) and (vi))*	The PRC, 24 May 2018	RMB3,500,000	RMB3,500,000	69.92%	Supply of pharmaceuticals, medical equipment and consumables
Anhui Weizhong Medical Equipment Sales Co., Ltd. 安徽省衛眾醫療器械銷售有限責任公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 6 June 2022	RMB5,000,000	–	69.92%	Supply of medical equipment and consumables
Beiyi Baihui Medical Management (Shanghai) Co., Ltd. ("Beiyi Baihui Medical (Shanghai)") 北醫佰惠醫療管理(上海)有限公司 *(Notes (i), (ii), (v), (vi) and (vii))*	The PRC, 29 July 2021	RMB94,497,341	RMB78,104,613	100.00%	Investment holding
Beijing Huishi Medical Equipment Sales Co., Ltd. 北京惠世醫療器械銷售有限公司 *(Notes (i), (ii), (vi) and (vii))*	The PRC, 11 September 2023	RMB1,000,000	–	100.00%	Supply of medical equipment and consumables

Notes:

(i) The official name of these entities is in Chinese. The English translation is included for identification only.

(ii) These entities were registered as limited liability companies under the laws and regulations in the PRC.

(iii) These entities were registered as limited partnership companies under the laws and regulations in the PRC.

(iv) These entities prepared the financial statements for the year ended 31 December 2021 in accordance with the PRC GAAP. The financial statements were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)).

(v) These entities prepared the financial statements for the year ended 31 December 2022 in accordance with the PRC GAAP. The financial statements were audited by Beijing Dongshen Certified Public Accountants LLP (北京東審會計師事務所(特殊普通合夥)).

(vi) These entities prepared the financial statements for the year ended 31 December 2023 in accordance with the PRC GAAP. The financial statements were audited by Beijing Dongshen Certified Public Accountants LLP (北京東審會計師事務所(特殊普通合夥)).

(vii) No audited financial statements were prepared for these entities during the Track Record Period except for the audited financial statements mentioned in Notes (iv), (v) and (vi).

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). Further details of the material accounting policies adopted by the Group are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any new and revised or amended standards that are not yet effective for the accounting period beginning on 1 January 2023. The new and revised or amended accounting standards issued but not yet effective for the accounting period beginning on 1 January 2023 are set out in Note 32. The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the [**REDACTED**] of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern, notwithstanding that the Group recorded net current liabilities as at 31 December 2022 and 2023. The directors of the Company have reviewed the Group's working capital forecast for the 12 months after 31 December 2023, and are of the opinion that the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements taking into account forecasted cash inflow from operations and unutilised banking facilities at 31 December 2023.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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 unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") at the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(m) and (n) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(h)(ii)).

On disposal of a cash generating unit, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 2(s)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

–	Leasehold improvement	Shorter of the lease term and 20 years
–	Buildings	8 – 50 years
–	Medical equipment	5 – 10 years
–	Motor vehicles	5 – 10 years
–	Office and other equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(h)(ii). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Software	5 to 10 years
–	Management contracts	40 years
–	Medical licenses	20 years
–	GSP Certificate	5 years
–	Cooperation relationship	6 years

Both the period and method of amortisation are reviewed annually.

Software

Costs incurred to acquire and bring the computer software into use are capitalised. Costs associated with maintaining computer software are recognised as expense as incurred.

Management contracts

Management contracts are the contractual rights to provide management services to hospitals. These contractual rights acquired in a business combination are recognised at fair value at the acquisition date. The management determine the useful life of management contracts based on the service periods agreed in the contractual agreements.

Medical licenses

Medical licenses acquired in a business combination are recognised at fair value at the acquisition date. In considering the estimated useful lives, renewal periods are considered only if there is evidence to support renewal by the Group without significant cost. The management estimated useful life of the medical licenses based on industry practice and regulatory landscapes.

The Good Supply Practices for Pharmaceutical Products Certificate ("GSP Certificate")

GSP certificate acquired in a business combination are recognised at fair value at the acquisition date. The management estimated useful life of the GSP certificate based on industry practice and regulatory landscapes.

Cooperation relationship

Cooperation relationship acquired in a business combination are recognised at fair value at the acquisition date. The estimated useful life of the cooperation relationship is based on an analysis of the relationships with the business partner.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease 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 recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated 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 hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes 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, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 2(h)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to 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 change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the 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.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for trade and other receivables.

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.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held). The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(q)(iv) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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 or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; 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 (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable 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.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

A right to recover returned goods is recognised for the right to recover products from customers sold with a right of return.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

(k) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(q)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(j)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(s)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 2(s)).

(o) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share granted to employees is recognised as an employee cost with a corresponding increase in other reserve within equity. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the shares, the total estimated fair value of the shares is spread over the vesting period, taking into account the probability that the shares will vest.

On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of shares that vest (with a corresponding adjustment to the other reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the company's shares.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

– the same taxable entity; or

– different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. The Group recognises revenue when it transfers control of the goods or services to a customer.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(i) Inpatient services and outpatient services

For inpatient service, the customers normally receive inpatient treatment which contains various treatment components that are all highly relevant and regarded as one performance obligation. Relevant revenue of inpatient treatment is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of the goods or services transferred by the Group to the customer.

For outpatient services, revenue from the provision of outpatient services is recognised at a point in time when the services are provided. Revenue is recognised when the customer obtains the control of the completed services and the Group has satisfied its performance obligations with present right to payment and the collection of the consideration is probable.

(ii) Hospital management service

The Group provides the management related services to private not-for-profit hospitals over the service period. The hospital receives and consumes the benefits provided by the Group's performance as the Group performs. The Group uses a time-based measure of progress. Revenue from provision of managed hospital management services is recognised over the period in which the services are rendered. For revenue from hospital management services, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the managed hospital's revenue.

(iii) Supply of pharmaceuticals, medical equipment and consumables

Revenue from supplying of pharmaceutical, medical equipment and consumables is recognised when control of the inventory has been transferred, i.e when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using 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.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(r) Translation of foreign currencies

The Company has its functional currency in USD. As the Group's operations are conducted by the subsidiaries of the Group in Chinese Mainland in RMB, the Historical Financial Information is presented in RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Impairment of non-current assets

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(h)(ii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be fully recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in hospital business, hospital management services, supply of pharmaceuticals, medical equipment and consumables and other business.

Disaggregation of revenue

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Over time:			
– Inpatient services	177,027	379,389	515,940
– Hospital management services	26,281	37,315	41,121
	203,308	416,704	557,061
At point in time:			
– Outpatient services	119,743	216,542	289,881
– Supply of pharmaceuticals, medical equipment and consumables	118,213	146,730	215,158
– Other business	20,322	22,676	10,073
	258,278	385,948	515,112
Revenue from contracts with customers	461,586	802,652	1,072,173

All of the revenue of the Group is generated from contracts with customers within the scope of IFRS 15.

The Group has applied the practical expedient in paragraph 121(a) 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

The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

The Group generated all revenue in the PRC and its non-current assets are substantially located in the PRC, and accordingly, no analysis of geographic information is presented.

(c) Information about major customers

During the Track Record Period, there is one single customer, Huangshan Shoukang Hospital with whom transactions has exceeded 10% of the Group's revenue in the respective reporting periods. Details of the transactions are disclosed in Note 30(c). Other than this customer, none of the Group's customers contributed 10% or more of the Group's revenue during the Track Record Period.

5 OTHER NET INCOME

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	283	2,273	4,029
Interest income	5,899	1,317	1,191
Gains/(loss) on disposal of property, plant and equipment and intangible assets	334	(44)	(179)
Write-off of payables	1,831	–	–
Others	(510)	1,479	140
	7,837	5,025	5,181

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance cost

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing borrowings	15,906	15,270	18,407
Interest on lease liabilities	5,042	8,347	8,249
Others	110	820	386
	21,058	24,437	27,042

(b) Staff cost

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	127,316	222,457	274,989
Contributions to defined contribution retirement plan *(Note)*	8,444	17,836	24,368
Equity-settled share-based payment expenses	–	178	–
	135,760	240,471	299,357

Note: The employees of the subsidiaries of the Group established in the Chinese mainland participate in defined contribution retirement benefit plans managed by the local government authorities, whereby these subsidiaries are required to contribute funds which are calculated based on certain percentages of the average employee salary as agreed by the local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions. Contributions to the plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contributions

(c) Other items

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amortisation cost of intangible assets *(Note 13)*	7,801	9,266	10,276
Depreciation charge			
– owned property, plant and equipment *(Note 11)*	24,198	41,857	50,876
– right-of-use assets *(Note 12)*	18,333	23,421	25,119
[**REDACTED**]	–	–	14,791
Auditors' remuneration	500	620	202
Cost of inventories *(Note 15(a))*	275,494	458,562	575,128

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – the PRC Enterprise Income Tax			
Provision for the year *(Note 25(a))*	9,760	16,984	18,993
Deferred tax			
Origination and reversal of temporary differences *(Note 25(b))*	(2,640)	(3,993)	803
	7,120	12,991	19,796

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Note	Year ended 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Loss before taxation		(54,835)	(62,524)	(4,610)
Notional tax on loss before taxation, calculated at the rates applicable in the jurisdictions concerned	*(i), (ii) (iii)*	(13,709)	(15,631)	(1,153)
Tax effect of non-deductible expenses		397	304	241
Effect of PRC tax concessions	*(iv)*	(518)	(377)	(21)
Tax effect of unused tax losses and other temporary differences not recognised		20,950	28,695	22,550
Tax effect of utilisation of previously unrecognised tax losses		–	–	(1,821)
Actual tax expense		7,120	12,991	19,796

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The subsidiaries of the Group established in the Chinese mainland are subject to PRC Enterprise Income Tax rate of 25% during the Track Record Period.

(iii) The provision for Hong Kong Profits Tax is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.50% for any assessable profits in excess of HK$2 million. The Group's subsidiary in Hong Kong did not have any assessable profits during the Track Record Period.

(iv) Certain subsidiaries of the Group have been approved as Small Low-profit Enterprise ("SLE"). The entitled subsidiaries are subject to a preferential income tax rate from 5% to 20% during the Track Record Period.

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors during the Track Record Period are as follows:

	Year ended 31 December 2021				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhao Yongkai	–	576	404	55	1,035
Xu Xu	–	616	180	55	851
Chen Haoyang	–	240	74	–	314
Lu Jizhong	–	–	–	–	–
Feng Yu	–	123	31	–	154
	–	1,555	689	110	2,354

	Year ended 31 December 2022				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhao Yongkai	–	920	595	60	1,575
Xu Xu	–	710	249	60	1,019
Chen Haoyang	–	630	304	–	934
Lu Jizhong	–	559	443	61	1,063
Feng Yu	–	400	118	–	518
	–	3,219	1,709	181	5,109

	Year ended 31 December 2023				
	Directors' fees	**Salaries, allowances and benefits in kind**	**Discretionary bonuses**	**Retirement scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Zhao Yongkai	–	928	560	65	1,553
Xu Xu	–	807	480	65	1,352
Chen Haoyang	–	720	480	–	1,200
Lu Jizhong	–	645	379	65	1,089
Feng Yu	–	480	320	–	800
	–	3,580	2,219	195	5,994

Xu Xu and Zhao Yongkai were appointed as executive directors of the Company in December 2021. Chen Haoyang, Lu Jizhong and Feng Yu were appointed as executive directors of the Company in July 2023. The directors' emoluments represented the amounts paid or payable for their services rendered to the Group during the Track Record Period, including those for services rendered by them as key management personnel prior to their appointments as directors of the Company.

Chan Hok Leung, Liu Shuang and Guo Wei were appointed as independent non-executive directors of the Company on [●].

During the Track Record Period, no director 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 HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, two, three and four are directors of the Company for each of the years ended 31 December 2021, 2022 and 2023, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	1,540	1,218	568
Discretionary bonuses	391	720	320
Retirement scheme contributions	140	115	65
	2,071	2,053	953

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:

Number of individuals

	Year ended 31 December		
	2021	**2022**	**2023**
HKD			
0 – 1,000,000	3	–	–
1,000,001 – 1,500,000	–	2	1
	3	2	1

10 LOSS PER SHARE

No loss per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the result of the Group for the Track Record Periods as disclosed in Note 1 to the Historical Financial Information.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvement	Buildings	Medical equipment	Motor vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2021	167,954	–	86,999	2,650	18,883	1,200	277,686
Additions	2,761	–	5,119	–	2,365	14,568	24,813
Acquisition of subsidiaries *(Note 27(a))*	–	–	2,133	–	–	–	2,133
Transfer in/(out)	3,307	–	–	–	–	(3,307)	–
Disposals	–	–	(73)	(43)	(333)	–	(449)
At 31 December 2021 and 1 January 2022	174,022	–	94,178	2,607	20,915	12,461	304,183
Additions	4,300	–	35,952	9	2,842	16,402	59,505
Acquisition of subsidiaries *(Notes 27(b), (c) and (d))*	18,971	79,374	33,698	486	3,170	1,400	137,099
Transfer in/(out)	24,261	–	1,980	–	529	(26,770)	–
Disposals	–	–	(3,700)	–	(364)	–	(4,064)
At 31 December 2022 and 1 January 2023	221,554	79,374	162,108	3,102	27,092	3,493	496,723
Additions	4,097	–	22,888	2,033	3,797	8,668	41,483
Transfer in/(out)	3,669	–	–	–	161	(3,830)	–
Disposals	–	–	(251)	–	(150)	–	(401)
At 31 December 2023	229,320	79,374	184,745	5,135	30,900	8,331	537,805
Accumulated depreciation:							
At 1 January 2021	(32,530)	–	(14,944)	(917)	(7,890)	–	(56,281)
Charge for the year	(10,214)	–	(11,021)	(360)	(2,603)	–	(24,198)
Written back on disposals	–	–	69	31	309	–	409
At 31 December 2021 and 1 January 2022	(42,744)	–	(25,896)	(1,246)	(10,184)	–	(80,070)
Charge for the year	(12,346)	(4,271)	(21,255)	(459)	(3,526)	–	(41,857)
Written back on disposals	–	–	3,342	–	354	–	3,696
At 31 December 2022 and 1 January 2023	(55,090)	(4,271)	(43,809)	(1,705)	(13,356)	–	(118,231)
Charge for the year	(15,636)	(5,693)	(24,558)	(1,004)	(3,985)	–	(50,876)
Written back on disposals	–	–	89	–	97	–	186
At 31 December 2023	(70,726)	(9,964)	(68,278)	(2,709)	(17,244)	–	(168,921)
Net book value:							
At 31 December 2023	158,594	69,410	116,467	2,426	13,656	8,331	368,884
At 31 December 2022	166,464	75,103	118,299	1,397	13,736	3,493	378,492
At 31 December 2021	131,278	–	68,282	1,361	10,731	12,461	224,113

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Property leased	Land use right	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2021	107,868	–	107,868
Additions	113,935	–	113,935
Lease matured	(7,273)	–	(7,273)
Lease modification	6,619	–	6,619
At 31 December 2021 and 1 January 2022	221,149	–	221,149
Additions	1,221	–	1,221
Acquisition of subsidiaries *(Notes 27(b) and (c))*	7,333	28,569	35,902
Lease modification *(Note)*	17,328	–	17,328
At 31 December 2022 and 1 January 2023	247,031	28,569	275,600
Additions	15,405	–	15,405
Lease matured	(1,416)	–	(1,416)
At 31 December 2023	261,020	28,569	289,589
Accumulated depreciation:			
At 1 January 2021	(20,349)	–	(20,349)
Charge for the year	(18,333)	–	(18,333)
Lease matured	7,273	–	7,273
At 31 December 2021 and 1 January 2022	(31,409)	–	(31,409)
Charge for the year	(22,933)	(488)	(23,421)
At 31 December 2022 and 1 January 2023	(54,342)	(488)	(54,830)
Charge for the year	(24,467)	(652)	(25,119)
Lease matured	1,416	–	1,416
At 31 December 2023	(77,393)	(1,140)	(78,533)
Net book value:			
At 31 December 2023	183,627	27,429	211,056
At 31 December 2022	192,689	28,081	220,770
At 31 December 2021	189,740	–	189,740

Note: The Group entered into a new agreement with the lessor to extend the contractual lease term.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Note	Year ended 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets		18,333	23,421	25,119
Interest on lease liabilities	*6(a)*	5,042	8,347	8,249
Expense relating to short-term leases		356	540	3,118
COVID-19-related rent concessions received		(2,563)	(2,741)	–

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 18(d) and Note 23 respectively.

The Group has adopted the Amendment to IFRS 16, *Leases, COVID-19-related rent concessions*, and applies the practical expedient to all eligible rent concessions received by the Group.

The Group leases hospital buildings and office under leases expiring in no more than twenty years. None of the leases includes variable lease payments.

13 INTANGIBLE ASSETS

	Software	Management contracts	Medical licenses	GSP certificate	Cooperation relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2021	5,621	190,400	34,100	2,700	–	232,821
Addition	4,915	–	–	–	–	4,915
Acquisition of subsidiaries *(Note 27(a))*	–	–	8,100	–	–	8,100
Disposal	(1,490)	–	–	–	–	(1,490)
At 31 December 2021 and 1 January 2022	9,046	190,400	42,200	2,700	–	244,346
Addition	6,913	–	–	–	–	6,913
Acquisition of subsidiaries *(Notes 27(b), (c) and (d))*	270	–	19,000	–	1,989	21,259
At 31 December 2022 and 1 January 2023	16,229	190,400	61,200	2,700	1,989	272,518
Addition	6,249	–	–	–	–	6,249
At 31 December 2023	22,478	190,400	61,200	2,700	1,989	278,767
Accumulated amortisation and impairment:						
At 1 January 2021	(494)	(3,173)	(4,168)	(360)	–	(8,195)
Amortisation	(761)	(4,761)	(1,739)	(540)	–	(7,801)
Written back on disposal	186	–	–	–	–	186
At 31 December 2021 and 1 January 2022	(1,069)	(7,934)	(5,907)	(900)	–	(15,810)
Amortisation	(1,143)	(4,760)	(2,823)	(540)	–	(9,266)

	Software	Management contracts	Medical licenses	GSP certificate	Cooperation relationship	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 and 1 January 2023	(2,212)	(12,694)	(8,730)	(1,440)	–	(25,076)
Amortisation	(1,584)	(4,760)	(3,060)	(540)	(332)	(10,276)
At 31 December 2023	(3,796)	(17,454)	(11,790)	(1,980)	(332)	(35,352)
Net book value:						
At 31 December 2023	18,682	172,946	49,410	720	1,657	243,415
At 31 December 2022	14,017	177,706	52,470	1,260	1,989	247,442
At 31 December 2021	7,977	182,466	36,293	1,800	–	228,536

The amortisation charge is included in "cost of sales", "selling expenses" and "general and administrative expenses" according to the function of amortisation charge.

14 GOODWILL

	RMB'000
Cost:	
At 1 January 2021	468,537
Acquisition of subsidiaries *(Note 27(a))*	62,925
At 31 December 2021 and 1 January 2022	531,462
Acquisition of subsidiaries *(Notes 27(c) and (d))*	135,578
At 31 December 2022, 1 January 2023 and 31 December 2023	667,040
Accumulated impairment losses:	
At 1 January 2021, 31 December 2021, 2022 and 2023	23,991
Carrying amount:	
At 31 December 2023	643,049
At 31 December 2022	643,049
At 31 December 2021	507,471

Goodwill is allocated to the Group's cash-generating units identified according to operation and operating segment as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Western Beijing Cancer Hospital	323,465	323,465	323,465
Tianjin Nankai Jixing Hospital	22,741	22,741	22,741
Anhui Shoukang Investment	98,340	98,340	98,340
Hefei Bayway Changrong Hospital	62,925	62,925	62,925
Wuzhi Jimin Hospital	–	110,143	110,143
Beijing Medical Creation	–	25,435	25,435
	507,471	643,049	643,049

The recoverable amounts of the cash-generating units were determined based on the higher of fair value less costs of disposal and value in use calculations of the underlying assets with reference to valuation reports issued by an independent valuer. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual sales growth rates, which are based on the Group's historical experience with these operations and adjusted for other factors that are specific to each cash-generating unit. Cash flows beyond the five-year period are extrapolated using an estimated growth rate. The discount rates used are pre-taxed and reflect specific risks relating to the respective cash generating units.

The key assumptions used in the value-in-use calculations for the above cash-generating units are as follows:

	As at 31 December		
	2021	2022	2023
Western Beijing Cancer Hospital			
Annual sales growth rate beyond five-year period	2.50%	2.50%	2.50%
Discount rate	18.09%	17.75%	17.86%
Tianjin Nankai Jixing Hospital			
Annual sales growth rate beyond five-year period	2.50%	2.50%	2.50%
Discount rate	20.09%	20.22%	20.03%
Anhui Shoukang Investment			
Annual sales growth rate beyond five-year period	2.50%	2.50%	2.50%
Discount rate	19.21%	19.33%	19.25%
Hefei Bayway Changrong Hospital			
Annual sales growth rate beyond five-year period	*	2.50%	2.50%
Discount rate	*	18.67%	18.46%
Wuzhi Jimin Hospital			
Annual sales growth rate beyond five-year period	N/A	2.50%	2.50%
Discount rate	N/A	19.07%	18.94%
Beijing Medical Creation			
Annual sales growth rate beyond five-year period	N/A	2.50%	2.50%
Discount rate	N/A	19.49%	19.87%

* Management determined the recoverable amount of the CGU by assessing the fair value less cost of disposal of the underlying assets, which is higher than the value-in-use of Hefei Bayway Changrong Hospital as at 31 December 2021. The fair value measurement falls into level 3 of the fair value hierarchy. Market approach is used to determine Hefei Bayway Changrong Hospital CGUs' fair value less costs of disposal. Key unobservable inputs and the respective breakeven point are as follows:

	31 December 2021	
	Key unobservable inputs used	Breakeven point
Enterprise value/sales multiple (times)	3.19	2.94
Discount for lack of marketability ("DLOM")	20.00%	44%

The headroom calculated by deducting the recoverable amount from the carrying amount of each of cash-generating units is as follows:

	31 December 2021	31 December 2022	31 December 2023
	RMB'000	*RMB'000*	*RMB'000*
Western Beijing Cancer Hospital	20,801	12,153	51,570
Tianjin Nankai Jixing Hospital	10,839	18,857	28,004
Anhui Shoukang Investment	117,029	183,112	174,703
Hefei Bayway Changrong Hospital	11,167	19,662	37,421
Wuzhi Jimin Hospital	N/A	10,452	19,298
Beijing Medical Creation	N/A	1,154	6,466

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate and pre-tax discount rate that would, in isolation, have removed the headroom respectively as at 31 December 2021, 2022 and 2023:

	31 December 2021	31 December 2022	31 December 2023
Western Beijing Cancer Hospital			
Decrease in annual growth rate	0.59%	0.32%	1.92%
Increase in pre-tax discount rate	0.50%	0.26%	1.34%
Tianjin Nankai Jixing Hospital			
Decrease in annual growth rate	4.41%	7.32%	10.54%
Increase in pre-tax discount rate	3.92%	7.19%	10.91%
Anhui Shoukang Investment			
Decrease in annual growth rate	8.72%	12.49%	11.86%
Increase in pre-tax discount rate	6.53%	11.25%	12.51%
Hefei Bayway Changrong Hospital			
Decrease in annual growth rate	N/A	2.18%	4.16%
Increase in pre-tax discount rate	N/A	1.41%	2.86%
Wuzhi Jimin Hospital			
Decrease in annual growth rate	N/A	0.79%	1.25%
Increase in pre-tax discount rate	N/A	4.07%	1.05%
Beijing Medical Creation			
Decrease in annual growth rate	N/A	1.10%	5.64%
Increase in pre-tax discount rate	N/A	0.42%	2.89%

As a result of the impairment tests, the Company is of the view that there was no impairment of goodwill as at 31 December 2021, 2022 and 2023.

15 INVENTORIES

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	20,557	34,745	39,242
Medical consumables	11,765	17,071	15,263
Medical equipment	1,563	2,741	3,218
Spare parts	672	1,341	1,936
	34,557	55,898	59,659

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	275,494	458,562	575,128

16 TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Related parties	26,627	39,072	44,209
– Third parties	63,629	113,249	129,951
Less: loss allowance	(1,284)	(3,347)	(3,621)
	88,972	148,974	170,539
Bills receivables	18,753	49,938	25,800
	107,725	198,912	196,339

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	73,539	126,326	151,885
3 to 6 months	12,246	7,297	10,274
6 to 9 months	2,370	4,406	943
9 to 12 months	662	10,945	4,032
Over 1 year	155	–	3,405
	88,972	148,974	170,539

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 29(a).

17 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for inventories and services	4,129	12,158	12,473
Prepayment for cost incurred in connection with the proposed issuance of the Company's shares *(i)*	–	635	2,457
Receivables from related parties *(ii)*	184,105	180,624	185,422
Advance to third parties	5,500	–	–
Deposits	6,248	5,115	4,339
Amounts due from staffs in relation to share-based payments	26,564	5,370	4,070
Amounts due from non-controlling shareholders of subsidiary	–	7,191	–
Others	4,480	2,135	5,811
	231,026	213,228	214,572

(i) Prepayment for [**REDACTED**] will be deducted from equity upon the [**REDACTED**] of the Company's shares on the Stock Exchange.

(ii) Receivables from related parties represent the unsecured, interest-free loans due from hospitals managed by the Group, which expected to be settled within 1 year.

The Company

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Receivables from subsidiary *(i)*	–	8,356	16,898
Others	43	–	–
	43	8,356	16,898

(i) Receivables from subsidiary represent the unsecured, interest-free loans due from subsidiary with no fixed term of repayment.

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	788	997	1,277
Cash at bank	185,774	144,765	261,335
Less: restricted deposits	20,514	20,574	20,621
Cash and cash equivalents	166,048	125,188	241,991

(b) Reconciliation of loss before taxation to cash generated from operations:

		Year ended 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Loss before taxation		(54,835)	(62,524)	(4,610)
Adjustments for:				
Depreciation and amortisation	*6(c)*	50,332	74,544	86,271
Finance costs	*6(a)*	21,058	24,437	27,042
Net (gain)/loss on disposal of property, plant and equipment	*5*	(334)	44	179
COVID-19-related rent concessions from a lessor		(2,563)	(2,741)	–
Impairment loss on trade and bills receivables		461	2,063	274
Share-based payment transactions		–	178	–
Changes in working capital:				
– inventories		(13,190)	(7,341)	(3,761)
– trade and bills receivables		(29,387)	(33,083)	(26,271)
– prepayments and other receivables		(5,330)	(4,962)	4,012
– trade and bills payables		70,824	46,342	67,140
– other payables		(30,930)	17,089	5,896
– contract liabilities		8,858	69,328	(7,797)
Cash generated from operations		14,964	123,374	148,375

(c) Reconciliation of liabilities arising from financing activities

The tables below detail 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 statement as cash flows from financing activities.

	Interest-bearing borrowings	**Lease liabilities**	**Advances from related parties**	**Payable for acquisition of non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 20)*	*(Note 20)*	
At 1 January 2021	238,597	92,615	42,474	–	373,686
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	70,603	–	–	–	70,603
Repayment of interest-bearing borrowings	(136,590)	–	–	–	(136,590)
Interest expense paid	(15,906)	–	–	–	(15,906)
Repayment to related parties	–	–	(15,540)	–	(15,540)
Payment for acquisition of non-controlling interests	–	–	–	(27,031)	(27,031)
Capital element of lease rentals paid	–	(37,779)	–	–	(37,779)
Interest element of lease rentals paid	–	(5,042)	–	–	(5,042)
Total changes from financing cash flows	(81,893)	(42,821)	(15,540)	(27,031)	(167,285)
Other changes:					
COVID-19-related rent concessions received *(Note 12)*	–	(2,563)	–	–	(2,563)
Increase in lease liabilities from entering into new leases during the period	–	113,913	–	–	113,913
Lease modification	–	4,291	–	–	4,291
Acquisition of subsidiaries *(Note 27(a))*	–	5,798	–	–	5,798
Acquisition of non-controlling interests	–	–	–	41,500	41,500
Interest expenses *(Note 6(a))*	15,906	5,042	–	–	20,948
Total other changes	15,906	126,481	–	41,500	183,887
At 31 December 2021	172,610	176,275	26,934	14,469	390,288

	Interest-bearing borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 23)*	Advances from related parties *RMB'000* *(Note 20)*	Payable for acquisition of non-controlling interests *RMB'000* *(Note 20)*	Total *RMB'000*
At 1 January 2022	172,610	176,275	26,934	14,469	390,288
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	184,901	–	–	–	184,901
Repayment of interest-bearing borrowings	(81,136)	–	–	–	(81,136)
Interest expense paid	(15,270)	–	–	–	(15,270)
Advances from related parties	–	–	6,628	–	6,628
Repayment to related parties	–	–	(70,554)	–	(70,554)
Payment for acquisition of non-controlling interests	–	–	–	(20,874)	(20,874)
Capital element of lease rentals paid	–	(10,516)	–	–	(10,516)
Interest element of lease rentals paid	–	(8,347)	–	–	(8,347)
Total changes from financing cash flows	88,495	(18,863)	(63,926)	(20,874)	(15,168)
Other changes:					
COVID-19-related rent concessions received *(Note 12)*	–	(2,741)	–	–	(2,741)
Increase in lease liabilities from entering into new leases during the period	–	1,221	–	–	1,221
Lease modification	–	16,996	–	–	16,996
Acquisition of subsidiaries	–	–	85,000	–	85,000
Acquisition of non-controlling interests	–	–	–	8,022	8,022
Interest expenses *(Note 6(a))*	15,270	8,347	–	–	23,617
Total other changes	15,270	23,823	85,000	8,022	132,115
At 31 December 2022 and 1 January 2023	276,375	181,235	48,008	1,617	507,235
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	243,587	–	–	–	243,587
Repayment of interest-bearing borrowings	(220,197)	–	–	–	(220,197)
Interest expense paid	(18,407)	–	–	–	(18,407)
Repayment to related parties	–	–	(46,510)	–	(46,510)
Payment for acquisition of non-controlling interests	–	–	–	(1,011)	(1,011)
Capital element of lease rentals paid	–	(17,729)	–	–	(17,729)
Interest element of lease rentals paid	–	(8,249)	–	–	(8,249)

	Interest-bearing borrowings *RMB'000* *(Note 22)*	Lease liabilities *RMB'000* *(Note 23)*	Advances from related parties *RMB'000* *(Note 20)*	Payable for acquisition of non-controlling interests *RMB'000* *(Note 20)*	Total *RMB'000*
Total changes from financing cash flows	4,983	(25,978)	(46,510)	(1,011)	(68,516)
Other changes:					
Interest-bearing borrowings arising from supplier finance arrangements	80,161	–	–	–	80,161
Increase in lease liabilities from entering into new leases during the period	–	15,405	–	–	15,405
Discounted bill receivables matured	(28,570)	–	–	–	(28,570)
Interest expenses *(Note 6(a))*	18,407	8,249	–	–	26,656
Total other changes	69,998	23,654	–	–	93,652
At 31 December 2023	351,356	178,911	1,498	606	532,371

(d) Total cash outflow for leases

Amounts included in the cash flow statements for leases represented lease rentals paid and comprise the following:

	Year ended 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Within operating cash flows	356	540	3,118
Within financing cash flows	42,821	18,863	25,978
	43,177	19,403	29,096

19 TRADE AND BILLS PAYABLES

	As at 31 December 2021 *RMB'000*	2022 *RMB'000*	2023 *RMB'000*
Trade payables	140,803	251,415	249,473
Bills payables	13,296	12,831	1,752
	154,099	264,246	251,225

All trade and bills payables are expected to be settled within one year or are repayable on demand.

As of the end of each reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	99,311	134,335	158,132
3 to 6 months	26,389	81,217	58,430
6 to 12 months	11,217	32,227	17,164
Over 1 year	3,886	3,636	15,747
	140,803	251,415	249,473

20 OTHER PAYABLES

The Group

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare payables	22,095	41,963	54,235
Other taxes payable	3,373	13,994	13,193
Advances from related parties *(i)*	26,934	48,008	1,498
Payable for acquisition of non-controlling interests	14,469	1,617	606
Payables for purchase of property, plant and equipment	8,249	13,635	11,007
Others	19,657	35,487	32,987
	94,777	154,704	113,526

(i) Advances from related parties are unsecured, interest-free and have no fixed term of payment.

All other payables and accrued expenses are expected to be settled within one year or are repayable on demand.

The Company

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Advances from subsidiaries	–	1,831	15,999

Advances from subsidiaries are unsecured, interest-free and have no fixed term of payment.

21 CONTRACT LIABILITIES

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Supply of pharmaceuticals, medical equipment and consumables	8,570	79,901	71,854
Providing services	710	3,477	3,727
	9,280	83,378	75,581

Contract liabilities primarily relate to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of goods and services. The contract liability balance as at 1 January 2021, 2022 and 2023 has been substantially recognised as revenue during the respective year.

22 INTEREST-BEARING BORROWINGS

(a) The Group's interest-bearing borrowings comprise:

		As at 31 December		
	Note	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Bank borrowings				
Guaranteed by subsidiaries of the Group		20,495	69,110	262,835
Secured by assets of a related party	*i*	–	3,850	–
Guaranteed by third party guarantee companies		9,857	15,000	10,000
Guaranteed by the Group and secured by the trade receivables		–	9,990	9,990
Secured by restricted deposits and secured by the equity of a subsidiary		90,000	75,000	50,000
Unsecured and unguaranteed		3,000	31,569	1,000
		123,352	204,519	333,825
Other borrowings from third parties				
Secured by property, plant and equipment	*ii*	6,120	11,515	2,006
Unsecured and unguaranteed		–	131	–
		6,120	11,646	2,006
Other borrowings from related parties				
Secured by property, plant and equipment	*ii*	43,138	60,210	15,525
Total		172,610	276,375	351,356

Notes:

(i) This bank borrowing was secured by the property of a subsidiary's vice president.

(ii) These borrowings were secured by property, plant and equipment with an aggregated carrying value of RMB66,724,070, RMB107,829,766, RMB82,150,879 as at 31 December 2021, 2022 and 2023, respectively. The terms of these borrowings are three years and interest-bearing at 7%-10% per annum.

(b) The Group's interest-bearing borrowings are repayable as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year or on demand	61,395	202,010	257,314
1 to 2 years	55,739	53,324	21,042
2 to 5 years	55,476	21,041	73,000
	111,215	74,365	94,042
	172,610	276,375	351,356

23 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities as at the end of each reporting period:

	As at 31 December					
	2021		**2022**		**2023**	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	27,064	29,108	21,368	28,246	21,997	30,593
1 to 2 years	17,677	20,145	14,725	20,347	20,947	27,656
2 to 5 years	47,342	60,417	46,216	66,289	57,942	74,977
Over 5 years	84,192	115,059	98,926	125,460	78,025	98,089
	149,211	195,621	159,867	212,096	156,914	200,722
	176,275	224,729	181,235	240,342	178,911	231,315
Less: total future interest expenses		(48,454)		(59,107)		(52,404)
Present value of lease liabilities		176,275		181,235		178,911

24 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Western Beijing Cancer Hospital

In July 2019, Western Beijing Cancer Hospital, a subsidiary of the Group, adopted a share scheme for its employees for the purpose of attracting and retaining the best available personnel, and to provide incentive to employees. Pursuant to the shares scheme, Western Beijing Cancer Hospital are authorised, at its discretion, to invite senior management talents and high-level technicians of Western Beijing Cancer Hospital to subscribe for Western Beijing Cancer Hospital's shares up to 5 million shares. The grantees can only exercise the right at the date of grant and the granted shares vest immediately.

The number of instruments granted is as follows:

	Number of shares	Aggregated exercise price *RMB'000*
Shares granted to employees:		
– 2 September 2019	345,000	2,967
– 5 February 2021	655,000	5,633
– 29 April 2022	810,000	6,968
Total shares granted	1,810,000	15,568

The fair value of the right to subscribe for Western Beijing Cancer Hospital's shares is calculated as the difference between the exercise price and the fair value of Western Beijing Cancer Hospital's shares. As the exercise price is not lower than the fair value of Western Beijing Cancer Hospital's shares, the fair value of the right is considered as nil.

(b) Anhui Shoukang Investment

On 11 November 2021, Anhui Shoukang Investment, a subsidiary of the Group, adopted a share scheme for its employees for the purpose of attracting and retaining the best available personnel, and to provide additional incentive to employees. Pursuant to the shares scheme Anhui Shoukang Investment are authorised, at its discretion, to invite senior management talents and high-level technicians of Huangshan Shoukang Hospital to subscribe for Anhui Shoukang Investment's shares up to 8.32 million shares. The grantees can only exercise the right at the date of grant and the granted shares vest immediately.

The number of instruments granted is as follows:

	Number of shares	Aggregation exercise price *RMB'000*
Shares granted to employees:		
– 19 December 2021	5,875,659	26,558
– 4 October 2022	316,363	1,430
Total shares granted	6,192,022	27,988

The fair value of the right to subscribe for Anhui Shoukang Investment's shares is calculated as the difference between the exercise price and the fair value of Anhui Shoukang Investment's shares. As the exercise price is not lower than the fair value of Anhui Shoukang Investment's shares, the fair value of the right is considered as nil.

(c) Tianjin Baihui Medical Management

On 25 September 2022, Tianjin Baihui Medical Management, a subsidiary of the Group, adopted a share scheme for its employees for the purpose of attracting and retaining the best available personnel, and to provide additional incentive to employees. Tianjin Baihui Medical Management is authorised, at its discretion, to invite senior management talents and high-level technicians of Tianjin Baihui Medical Management to subscribe for an aggregate of 6,000,000 shares, representing 30% of the enlarged capital of Tianjin Baihui Medical Management. The grantees can only exercise the right at the date of grant and the granted shares vest immediately.

The number of instruments granted is as follows:

	Number of instruments	**Aggregated exercise price**
		RMB'000
Shares granted to employees in 2022:	6,000,000	6,000

The fair value of the right to subscribe for Tianjin Baihui Medical Management's shares is estimated to be RMB0.03 per share, which is calculated as the difference between the exercise price and the fair value of Tianjin Baihui Medical Management's shares.

25 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	7,540	8,751	16,756
Provision for the year	9,760	16,984	18,993
Income tax paid	(8,549)	(8,979)	(20,004)
At the end of the year	8,751	16,756	15,745

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Accelerated tax allowance for depreciation expenses	**Fair value adjustments on intangible assets and related amortisation**	**Lease liabilities**	**Right-of-use assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:					
At 1 January 2021	(184)	(43,529)	23,154	(21,880)	(42,439)
Effect of business combinations	–	(2,025)	–	–	(2,025)
Charged/(credited) to profit or loss	50	1,471	19,466	(18,347)	2,640
At 31 December 2021 and 1 January 2022	(134)	(44,083)	42,620	(40,227)	(41,824)
Effect of business combinations	–	(5,248)	–	–	(5,248)
Charged/(credited) to profit or loss	50	1,742	2,241	(40)	3,993

	Accelerated tax allowance for depreciation expenses	Fair value adjustments on intangible assets and related amortisation	Lease liabilities	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2022 and 1 January 2023	(84)	(47,589)	44,861	(40,267)	(43,079)
Charged/(credited) to profit or loss	(3,688)	1,887	(133)	1,131	(803)
At 31 December 2023	(3,772)	(45,702)	44,728	(39,136)	(43,882)

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	2,639	4,688	5,662
Deferred tax liabilities	(44,463)	(47,767)	(49,544)
	(41,824)	(43,079)	(43,882)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB219,758,000, RMB281,782,000 and RMB358,268,000 at 31 December 2021, 2022 and 2023 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of each of the reporting period will expire in the following years:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
2022	38,190	–	–
2023	4,785	4,785	–
2024	49,429	49,429	49,429
2025	63,752	63,752	63,752
2026	63,602	63,533	63,533
2027	–	100,283	92,474
2028	–	–	89,080
	219,758	281,782	358,268

26 CAPITAL, RESERVES 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 during the Track Record Period is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital *RMB'000*	**Share premium** *RMB'000*	**Exchange reserve** *RMB'000*	**Accumulated losses** *RMB'000*	**Total** *RMB'000*
Balance at 9 December 2021 (date of incorporation)	–	–	–	–	–
Change in equity for 2021:					
Issuance of shares	43	–	–	–	43
Balance at 31 December 2021 and 1 January 2022	43	–	–	–	43
Changes in equity for 2022:					
Loss for the year	–	–	–	(358)	(358)
Other comprehensive income	–	–	41	–	41
Total comprehensive income	–	–	41	(358)	(317)
Issuance of shares	*	6,668	–	–	6,668
Balance at 31 December 2022 and 1 January 2023	43	6,668	41	(358)	6,394
Changes in equity for year ended 2023:					
Loss for the year	–	–	–	(15,357)	(15,357)
Other comprehensive income	–	–	(1,417)	–	(1,417)
Total comprehensive income	–	–	(1,417)	(15,357)	(16,774)
Issuance of shares	35	128,507	–	–	128,542
Balance at 31 December 2023	78	135,175	(1,376)	(15,715)	118,162

* The balance represents an amount less than RMB500.

(b) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 9 December 2021, with an authorised share capital of US$50,000, divided into 5,000,000,000 shares with par value of US$0.00001 each.

Issued share capital

	As at 31 December					
	2021		2022		2023	
	No. of shares	*RMB'000*	*No. of shares*	*RMB'000*	*No. of shares*	*RMB'000*
At 1 January	–	–	677,717,786	43	682,266,228	43
Issuance of shares	677,717,786	43	4,548,442	*	503,094,795	35
31 December	677,717,786	43	682,266,228	43	1,185,361,023	78

* The balance represents an amount of less than RMB500.

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid-up shares of the Company.

(ii) Capital reserve

In July 2021, Beiyi Baihui Medical (Shanghai) entered into a share purchase agreement with then equity holders to acquire 100% equity interest in Bayzed Medical Investment ("the acquisition"). Capital reserve represented the paid-in capital and capital reserve of Bayzed Medical Investment before the acquisition, Beiyi Baihui Medical (Shanghai) after the acquisition but before the completion of Reorganisation, and the consideration paid for the Reorganisation.

Before the Company was incorporated, Bayzed Medical entered Investment into an onshore shareholders agreement with certain investors, pursuant to which, the investors agreed to invest RMB389,488,000 and RMB25,000,000 to acquire 19.42% and 2.02% of the then equity of Bayzed Medical Investment in 2021 and 2022, respectively The amounts were reflected as capital contributions to subsidiaries in the statement of changes in equity.

As part of the Reorganisation, the Company, through its wholly-owned subsidiary Bayway Medical Group Limited ("Bayway Medical"), acquired the 60.13% and 39.87% equity interests in Beiyi Baihui Medical (Shanghai) from Beiyi Baihui Medical (Shanghai)'s then equity holder at a total consideration of RMB6,824,000 in 2022 and RMB4,276,000 in 2023, respectively. The consideration paid was reflected as a deemed distribution in the statement of changes in equity. Immediately following the acquisition, Beiyi Baihui Medical (Shanghai) became an indirectly wholly-owned subsidiary of the Company.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China. The reserve is dealt with in accordance with the accounting policies as set out in Note 2(r).

(iv) Other reserve

The balance of other reserve at the end of each reporting period represents the differences between consideration paid/received and non-controlling interests acquired/disposed; and accumulated fair value of equity-settled share-based payment in accordance with accounting policy in Note 2(o)(ii).

(d) Dividend

No dividends were paid by the companies comprising the Group during the Track Record Period. The Company did not declare and pay any dividends since its incorporation.

(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.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 BUSINESS COMBINATIONS AND ACQUISITION OF SUBSIDIARIES

(a) Hefei Bayway Changrong Hospital

In November 2020, Hefei Bayway Changrong Hospital, a for-profit hospital, was incorporated by the Group. Hefei Bayway Changrong Hospital was 67% owned by the Group and 33% owned by Ye Guobing since incorporation. In November 2020, Hefei Bayway Changrong Hospital entered into a purchase agreement with Ye Guobing, the sole shareholder of Hefei City Changrong Hospital Limited ("Changrong Limited") and Hefei Changrong Hospital, to acquire certain long-term assets of Changrong Limited for a cash consideration of RMB113,271,000 ("Changrong assets acquisition"), and to acquire the business and net assets of Hefei Changrong Hospital for a cash consideration of RMB1 ("Changrong business acquisition").

Changrong assets acquisition was completed on 30 November 2020. Changrong business acquisition was completed on 1 December 2021, and after completion of the Changrong business acquisition, the financial results of Hefei Changrong Hospital was consolidated into the financial statements of the Group.

The fair value of the identifiable assets and liabilities of the Hefei Changrong Hospital as at the date of Changrong business acquisition is set out as follows:

	RMB'000
Property, plant and equipment	2,133
Intangible assets	8,100
– Medical licenses	8,100
Inventories	1,439
Trade and bills receivables	8,996
Prepayments and other receivables	130
Cash and cash equivalents	1,121
Lease liabilities	(5,798)
Trade and bills payables	(19,759)
Other payables	(57,151)
Contract liabilities	(111)
Deferred tax liabilities	(2,025)
Net identifiable liabilities acquired	(62,925)
Add: Goodwill arising from acquisition *(Note 14)*	62,925
Total consideration	*

* The balance represents an amount less than RMB500.

The goodwill is attributable mainly to the skills and technical talent of Hefei Bayway Changrong Hospital's work force and the synergies expected to be achieved from integrating the company into the Group's existing full-cycle oncology healthcare services. None of the goodwill recognised is expected to be deductible for tax purposes.

Analysis of the cash flows in respect of the acquisition during the year ended 31 December 2021 is as follows:

	RMB'000
Cash consideration paid by the Group	*
Less: cash and cash equivalents acquired	1,121
Net cash inflow in respect of the acquisition	(1,121)

Since the acquisition, Changrong business contributed revenue of RMB6,385,000 and loss of RMB2,452,000 to the Group's results for the year ended 31 December 2021.

If the acquisition had occurred on 1 January 2021, consolidated revenue and loss for the year ended 31 December 2021 would have been RMB503,570,000 and RMB101,239,000, respectively.

The trade receivables comprise gross contractual amounts due of RMB8,996,000 at the date of acquisition.

(b) Taiyuan Peace Hospital

Taiyuan Peace Hospital entered into a purchase agreement with the sole shareholder of Taiyuan City Peace Hospital, to acquire the business and the net assets of Taiyuan Peace Hospital for a cash consideration of RMB12,720,000.

The acquisition was completed on 1 January 2022, and after the acquisition, the financial results of the business was consolidated into the financial statements of the Group.

The fair value of the identifiable assets and liabilities of the Taiyuan City Peace Hospital as at the date of acquisition is set out as follows:

	RMB'000
Property, plant and equipment	38,050
Right-of-use assets	7,333
Intangible assets	95
Inventories	1,006
Trade and bills receivables	23,243
Prepayments and other receivables	4,077
Cash and cash equivalents	2,305
Trade and bills payables	(19,664)
Other payables	(42,449)
Contract liabilities	(1,276)
Net identifiable assets acquired	12,720
Total consideration	12,720

Since the acquisition, the business contributed revenue of RMB93,737,000 and profit of RMB2,305,000 to the Group's results for the year ended 31 December 2022.

Analysis of the cash flows in respect of the acquisition during the year ended 31 December 2022 is as follows:

	RMB'000
Cash consideration paid by the Group	12,720
Less: cash and cash equivalents acquired	2,305
Net cash outflow in respect of the acquisition	10,415

The trade receivables comprise gross contractual amounts due of RMB23,243,000 at the date of acquisition.

(c) Wuzhi Jimin Hospital

In March 2022, the Group entered into an equity transfer agreement to acquire 80% equity interests in Wuzhi Jimin Hospital for a cash consideration of RMB151,000,000.

The acquisition was completed on 1 April, 2022, and after the acquisition, Wuzhi Jimin Hospital became a subsidiary of the Group and the financial results were consolidated into the financial statements of the Group.

The fair value of the identifiable assets and liabilities of the Wuzhi Jimin Hospital as at the date of acquisition is set out as follows:

	RMB'000
Property, plant and equipment	93,702
Right-of-use assets	28,569
Intangible assets	
– Medical licenses	19,000
– Software	175
Inventories	12,994
Trade and bills receivables	36,924
Prepayments and other receivables	651
Cash at bank and on hand	11,097
Trade and bills payables	(43,887)
Other payables	(99,909)
Contract liabilities	(3,494)
Deferred tax liabilities	(4,751)
Net identifiable assets acquired	51,071
Less: Non-controlling interests	10,214
Add: Goodwill arising from acquisition *(Note 14)*	110,143
Total consideration	151,000

The goodwill is attributable mainly to the skills and technical talent of Wuzhi Jimin Hospital's work force and the synergies expected to be achieved from integrating the company into the Group's existing full-cycle oncology healthcare services. None of the goodwill recognised is expected to be deductible for tax purposes.

Analysis of the cash flows in respect of the acquisition during the year ended 31 December 2022 is as follows:

	RMB'000
Cash consideration paid by the Group	151,000
Less: cash and cash equivalents acquired	11,097
Net cash outflow in respect of the acquisition	139,903

Since the acquisition, the subsidiary contributed revenue of RMB144,496,000 and profit of RMB1,109,000 to the Group's results for the year ended 31 December 2022.

If the acquisition had occurred on 1 January 2022, consolidated revenue and loss for the year ended 31 December 2022 would have been RMB855,155,000 and RMB75,771,000 respectively.

The trade receivables comprise gross contractual amounts due of RMB36,924,000 at the date of acquisition.

(d) Beijing Medical Creation

In 2022, the Group entered into an equity transfer agreement to acquire 100% equity interest of Beijing Medical Creation for a cash consideration of RMB24,921,000.

The acquisition was completed on 31 December, 2022, and after the acquisition, Beijing Medical Creation became a subsidiary of the Group and the financial results were consolidated into the financial statements of the Group.

The fair value of the identifiable assets and liabilities of the Beijing Medical Creation as at the date of acquisition is set out as follows:

	RMB'000
Property, plant and equipment	5,347
Intangible assets	1,989
Prepayments and other receivables	526
Cash and cash equivalents	962
Trade and bills payables	(254)
Other payables	(8,587)
Deferred tax liabilities	(497)
Net identifiable liabilities	(514)
Add: Goodwill arising from acquisition *(Note 14)*	25,435
Total consideration	24,921

The goodwill is attributable mainly to the skills and technical talent of Beijing Medical Creation's work force and the synergies expected to be achieved from integrating the company into the Group's existing full-cycle oncology healthcare services. None of the goodwill recognised is expected to be deductible for tax purposes.

Since the acquisition, the subsidiary has not contributed any revenue or profit to the Group's results for the year ended 31 December 2022.

Analysis of the cash flows in respect of the acquisition is as follows:

	RMB'000
Cash consideration paid by the Group in 2021	24,921
Less: cash and cash equivalents acquired	962
Net cash outflow in respect of the acquisition	23,959

If the acquisition had occurred on 1 January 2022, consolidated revenue and loss for the year ended 31 December 2022 would have been RMB884,716,000 and RMB80,090,000, respectively.

(e) Acquisition-related cost

The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statement of profit or loss and other comprehensive income as incurred.

(f) Fair value measurement

The valuation technique used for measuring the fair value of intangible assets acquired is multi-period excess earning method ("MEEM"), which is based on expected future economic earnings attributable to the intangible assets.

28 ACQUISITIONS OF NON-CONTROLLING INTERESTS

(a) In January 2021, the Group acquired additional 4% non-controlling interests of Anhui Shoukang Investment at the consideration of RMB18,800,000. As a result of the acquisition, the Group's shareholding in Anhui Shoukang Investment increased from 70.85% to 74.85%.

The decrease in equity attributable to equity shareholders of the Company is calculated as follows:

	RMB'000
Carrying amount of NCI acquired	13,684
Cash consideration paid in 2021	12,031
Cash consideration paid in 2022	6,769
A decrease in equity attributable to equity shareholders of the Company	(5,116)

In February 2021, the Group acquired additional 30% non-controlling interests of Tianjin Nankai Jixing Hospital at the consideration of RMB18,000,000. As a result of the acquisition, the Group's shareholding in Tianjin Nankai Jixing Hospital increased from 70% to 100%.

The decrease in equity attributable to equity shareholders of the Company is calculated as follows:

	RMB'000
Carrying amount of NCI acquired	12,126
Cash consideration paid in 2021	15,000
Cash consideration paid in 2022	3,000
A decrease in equity attributable to equity shareholders of the Company	(5,874)

In December 2021, the Group acquired additional 1% non-controlling interests of Anhui Shoukang Investment at the consideration of RMB4,700,000. As a result of the acquisition, the Group's shareholding in Anhui Shoukang Investment increased from 74.85% to 75.85%.

The decrease in equity attributable to equity shareholders of the Company is calculated as follows:

	RMB'000
Carrying amount of NCI acquired	3,661
Cash consideration paid in 2022	4,700
A decrease in equity attributable to equity shareholders of the Company	(1,039)

(b) In April 2022, the Group acquired additional 30% non-controlling interests of Tianjin Baihui Medical Management at a consideration of RMB6,000,000 and certain in equity interests of a subsidiary with fair value of RMB1,800,000. As a result of the acquisition, the Group's shareholding in Tianjin Baihui Medical Management increased from 70% to 100%.

The decrease in equity attributable to equity shareholders of the Company is calculated as follows:

	RMB'000
Carrying amount of NCI acquired	3,380
Cash consideration paid	6,000
Fair value of equity interests of a subsidiary transferred	1,800
A decrease in equity attributable to equity shareholders of the Company	(4,420)

In December 2022, the Group acquired additional 10.64% non-controlling interests of Tianjin Bayway Management at the consideration of RMB2,022,000. As a result of the acquisition, the Group's shareholding in Tianjin Bayway Management increased from 89.36% to 100%.

The decrease in equity attributable to equity shareholders of the Company is calculated as follows:

	RMB'000
Carrying amount of NCI acquired	(78)
Cash consideration paid in 2022	405
Cash consideration paid in 2023	1,011
Consideration payable	606
A decrease in equity attributable to equity shareholders of the Company	(2,100)

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and interest rate arises in the normal course of the Group's business. The Group is not exposed to significant currency risk.

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 receivables and prepayments, deposits and other receivables. The Group's exposure to credit risk arising from cash at bank is limited because the counterparties are banks with good credit standing, for which the Group considers having low credit risk. Except for the financial guarantee given by the Group as set out in note 30(d), the Group does not provide any other guarantees which would expose the Group to credit risk.

Trade receivables

The Group's trade receivables due from third parties are mainly arose from providing hospital service to patients and supplying pharmaceuticals, medical equipment and consumables, without any single customer contributing material revenue.

For the receivables from hospital service, the Group has concentrated debtor's portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organisations may take one to three months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with the policies of the respective organisations, and 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 minimise the credit risk. The carrying amount of such receivables is RMB44,967,000, RMB89,839,000 and RMB115,235,000 as at 31 December 2021, 2022 and 2023 respectively.

For the receivables from supplying pharmaceuticals, medical equipment and consumables, the Group has granted credit terms of one to three months and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

The Group has performed an impairment analysis at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on aging of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experienced 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 tables provides information about the Group's exposure to credit risk and ECLs for trade receivables from supplying pharmaceuticals, medial equipment and consumables:

	As at 31 December 2021		
	Gross carrying amount	**Expected loss rate**	**Loss allowance**
	RMB'000	*%*	*RMB'000*
Current (not past due)	15,607	1.35%	(211)
0 – 3 months past due	1,520	10.46%	(159)
4 – 6 months past due	542	39.48%	(214)
7 – 9 months past due	694	57.78%	(401)
10 – 12 months past due	12	100.00%	(12)
More than 1 year past due	287	100.00%	(287)
	18,662		(1,284)

	As at 31 December 2022		
	Gross carrying amount	**Expected loss rate**	**Loss allowance**
	RMB'000	*%*	*RMB'000*
Current (not past due)	18,129	0.60%	(109)
0 – 3 months past due	1,961	9.38%	(184)
4 – 6 months past due	512	48.24%	(247)
7 – 9 months past due	148	99.32%	(147)
10 – 12 months past due	875	100.00%	(875)
More than 1 year past due	1,785	100.00%	(1,785)
	23,410		(3,347)

	As at 31 December 2023		
	Gross carrying amount	Expected loss rate	Loss allowance
	RMB'000	*%*	*RMB'000*
Current (not past due)	10,440	3.19%	(333)
0 – 3 months past due	957	24.03%	(230)
4 – 6 months past due	248	59.27%	(147)
7 – 9 months past due	1,123	85.75%	(963)
10 – 12 months past due	73	100.00%	(73)
More than 1 year past due	1,875	100.00%	(1,875)
	14,716		(3,621)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the 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 account in respect of trade receivables from supplying pharmaceuticals, medical equipment and consumables and providing hospital service during the Track Record Period are as follows:

	As at 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	823	1,284	3,347
Impairment losses recognised during the year	461	2,063	274
Balance at 31 December	1,284	3,347	3,621

Other receivables and due from related parties

In respect of trade receivables due from related parties, other receivables on behalf of deposits and prepayments, the Group has assessed that the expected credit loss for these receivables is immaterial under 12-month expected losses method.

(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 table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date on which the Group can be required to pay:

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	67,387	58,839	58,246	–	184,472	172,610
Lease liabilities	29,108	20,145	60,417	115,059	224,729	176,275
Trade and bills payables	154,099	–	–	–	154,099	154,099
Other payables	94,777	–	–	–	94,777	94,777
	345,371	78,984	118,663	115,059	658,077	597,761

	As at 31 December 2022					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	213,783	56,327	22,242	–	292,352	276,375
Lease liabilities	28,246	20,347	66,289	125,460	240,342	181,235
Trade and bills payables	264,246	–	–	–	264,246	264,246
Other payables	154,704	–	–	–	154,704	154,704
	660,979	76,674	88,531	125,460	951,644	876,560

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	262,373	22,102	76,312	–	360,787	351,356
Lease liabilities	30,593	27,656	74,977	98,089	231,315	178,911
Trade and bills payables	251,225	–	–	–	251,225	251,225
Other payables	113,526	–	–	–	113,526	113,526
	657,717	49,758	151,289	98,089	956,853	895,018

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of each reporting period:

	As at 31 December					
	2021		**2022**		**2023**	
	Effective interest rate		**Effective interest rate**		**Effective interest rate**	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Fixed rate borrowings:						
– Interest-bearing borrowings	3.80% – 7.90%	62,610	3.21% – 10.00%	161,425	0.00% – 10.00%	272,642
– Lease liabilities	4.65% – 4.85%	176,275	4.65% – 4.85%	181,235	4.65% – 4.85%	178,911
		238,885		342,660		451,553
Variable rate instruments:						
– Interest-bearing borrowings	3.85% – 7.36%	110,000	3.80% – 7.01%	114,950	3.80% – 7.01%	78,714
Total		348,885		457,610		530,267

(ii) Sensitivity analysis

At 31 December 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 loss after tax and accumulated loss by approximately RMB1,074,989, RMB1,092,000 and RMB748,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax and accumulated loss that would arise assuming that the change in interest rates had occurred at the end of each 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 each 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 each of the reporting period, the impact on the Group's loss after tax (and retained profits) and other components of consolidated equity is estimated as an annualised 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 Periods.

(d) Fair value measurement

Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at the end of each reporting period.

30 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December 2021, 2022 and 2023:

Name of related parties	**Relationship with the Group**
Zhengqi Holdings Co., Ltd.	The entity has significant influence over the Group
Huangshan Shoukang Hospital	Entity managed by the Group
Hefei Changrong Hospital	Entity managed by the Group
Taiyuan Wanbailin District Peace Community Health Service Center	Entity managed by the Group
Taiyuan City Peace Hospital	Entity managed by the Group
Chang Xiaosong	Non-controlling shareholder and key management personnel of a subsidiary
Shi Yu	Non-controlling shareholder and key management personnel of a subsidiary
Beijing Bayway Investment Fund Management Co., Ltd.	Entity controlled by ultimate controlling shareholder
Suzhou Beiyi Baihui Investment Partnership (Limited Partnership)	Entity controlled by ultimate controlling shareholder

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	2,969	5,747	7,562
Post-employment benefits	164	234	315
	3,133	5,981	7,877

Total remuneration is included in "staff cost" (see Note 6(b)).

(c) Significant related party transactions

The principal transactions which were carried out in the ordinary course of business are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods to related parties			
– Huangshan Shoukang Hospital	42,547	67,218	137,519
– Taiyuan Wanbailin District Peace Community Health Service Center	–	379	–
Provision of service to related parties			
– Huangshan Shoukang Hospital	26,290	36,106	39,513
– Taiyuan Wanbailin District Peace Community Health Service Center	–	1,209	1,643
– Hefei Changrong Hospital	15,487	–	–

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Provision of interest-free advances to related parties			
– Huangshan Shoukang Hospital	75,490	31,737	6,147
– Taiyuan City Peace Hospital	3,922	–	–
– Taiyuan Wanbailin District Peace Community Health Service Center	–	–	51
– Shi Yu	19	–	–
– Zhengqi Holdings Co., Ltd.	600	2,600	–
Repayment received from related parties		–	
– Taiyuan City Peace Hospital	(3,858)	–	–
– Shi Yu	–	(1,050)	–
– Zhengqi Holdings Co., Ltd.	–	–	(1,400)
Provision of interest-free advances by related parties			
– Taiyuan Wanbailin District Heping Community Health Service Centre	–	6,628	–
Repayment of advances due to related parties		–	
– Taiyuan Wanbailin District Peace Community Health Service Center	–	–	(5,130)
– Beijing Bayway Investment Fund Management Co. Ltd.	–	(14)	–
– Chang Xiaosong	–	(55,000)	(30,000)
– Suzhou Beiyi Baihui Investment Partnership (Limited Partnership)	(15,540)	(15,540)	(11,380)
Proceeds of loans from related party			
– Zhengqi Holdings Co., Ltd.	30,000	47,000	–
Repayment of loans to related party			
– Zhengqi Holdings Co., Ltd.	(17,118)	(29,928)	(48,143)
Interest expenses			
– Zhengqi Holdings Co., Ltd.	4,826	5,080	3,458

(d) Balances with related parties

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade related:			
Trade receivables			
– Huangshan Shoukang Hospital	26,627	37,911	42,571
– Taiyuan Wanbailin District Peace Community Health Service Center	–	1,161	1,638
Contract liabilities			
– Huangshan Shoukang Hospital	9,090	79,858	69,338
Non-trade related:			
Amount due from related parties			
Other receivables:			
– Huangshan Shoukang Hospital	145,687	177,424	183,571
– Taiyuan City Peace Hospital	36,768	–	–
– Taiyuan Wanbailin District Peace Community Health Service Center	–	–	51
– Shi Yu	1,050	–	–
– Zhengqi Holdings Co., Ltd.	600	3,200	1,800

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Amount due to related parties			
Other payables:			
– Taiyuan Wanbailin District Peace Community Health Service Center	–	6,628	1,498
– Beijing Bayway Investment Fund Management Co., Ltd.	14	–	–
– Chang Xiaosong	–	30,000	–
– Suzhou Beiyi Baihui Investment Partnership (Limited Partnership)	26,920	11,380	–
Interest-bearing borrowings:			
– Zhengqi Holdings Co., Ltd.	43,138	60,210	15,525
Guarantees provided			
- Huangshan Shoukang Hospital *(i)*	46,593	118,370	132,180

(i) The Group has issued guarantees to certain banks in respect of the credit facilities of RMB75,000,000, RMB254,000,000 and RMB234,000,000 granted to Huangshan Shoukang Hospital as at 31 December 2021, 2022 and 2023, respectively.

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 12 December 2023, the directors consider the immediate parent company of the Group to be Bayway Fund L.P. The ultimate controlling shareholder of the Group is considered to be Xu Xu.

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDING 31 DECEMBER 2023

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the year ending 31 December 2023 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)	1 January 2024
Lack of Exchangeability (Amendments to IAS 21)	1 January 2025
Presentation and Disclosure in the Financial Statements (IFRS 18)	1 January 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Optional

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 consolidated financial statements.

33 SUBSEQUENT EVENTS

No significant subsequent events have occurred subsequent to 31 December 2023.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2023.

The following information does not form part of the Accountants' Report received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, as set out 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 unaudited [**REDACTED**] statement of adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of the Group attributable to the equity shareholders of the Company as at 31 December 2023 as if the [**REDACTED**] had taken place on 31 December 2023.

The unaudited [**REDACTED**] statement of adjusted 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 financial position of the Group had the [**REDACTED**] been completed as at 31 December 2023 or at any future date.

	Consolidated net tangible assets attributable to equity shareholders of the Company as at 31 December 2023[1]	Estimated [REDACTED] from the [REDACTED][2]	Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company	Unaudited [REDACTED] adjusted net tangible assets attributable to equity shareholders of the Company per Share[3][5]	
	RMB'000	*RMB'000*	*RMB'000*	*RMB[3]*	*HKD[4]*
Based on an [**REDACTED**] of [**REDACTED**] per Share	281,688	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of [**REDACTED**] per Share	281,688	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets attributable to equity shareholders of the Company as of 31 December 2023 is arrived at after (i) deducting goodwill of RMB643,049,000 and intangible assets of RMB243,415,000; and (ii) adjusting the share of intangible assets attributable to non-controlling interests of RMB84,028,000 from the consolidated total equity attributable to the equity shareholders of the Company of RMB1,084,124,000 as of 31 December 2023, which is extracted from the Accountants' Report set out in Appendix I to the Document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on the indicative [**REDACTED**] of [**REDACTED**] per Share (being the lower end of the [**REDACTED**] range) and [**REDACTED**] per Share (being the higher end of the [**REDACTED**] range), and [**REDACTED**] shares expected to be issued under the [**REDACTED**], after deduction of the [**REDACTED**] fees and other related [**REDACTED**] paid or payable by the Group (excluding the [**REDACTED**] that have been charged to profit or loss during the Track Record Period) and does not take into account any shares which may be issued upon the exercise of the [**REDACTED**] or any options to be granted under the Pre-[**REDACTED**] Share Option Scheme. The estimated [**REDACTED**] of the [**REDACTED**] have been converted to Renminbi at the PBOC rate of [**REDACTED**] to [**REDACTED**] prevailing on 21 April 2024. No representation is made that Hong Kong dollars amount have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate.

(3) The unaudited [**REDACTED**] adjusted net tangible assets attributable to equity shareholders of the Company per Share is arrived at after adjustments as described in the preceding paragraphs and on the basis that [**REDACTED**] shares were in issue assuming the completion of the [**REDACTED**] on 31 December 2023, and does not take into account any shares which may be issued upon the exercise of the [**REDACTED**] or any options to be granted under the Pre-[**REDACTED**] Share Option Scheme.

(4) The unaudited [**REDACTED**] adjusted net tangible assets attributable to equity shareholders of the Company per Share amounts in RMB is converted to Hong Kong dollar at the PBOC rate of [**REDACTED**] to [**REDACTED**] prevailing on 21 April 2024. No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rate.

(5) No adjustment has been made to the unaudited [**REDACTED**] adjusted net tangible assets attributable to equity shareholders of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2023.

[REDACTED]

[REDACTED]

[**REDACTED**]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in "Appendix V — Documents Delivered to the [**REDACTED**] of Companies in Hong Kong and Available on Display".

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be 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 office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an [**REDACTED**] 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 [**REDACTED**] or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the [**REDACTED**] or [**REDACTED**] of the [**REDACTED**];

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension 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 any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, 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 or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of 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 Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

(i) the Director gives notice in writing to the Company that he resigns the office of Director;

(ii) the Director is absent (for the avoidance of doubt, 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 Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;

(iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;

(iv) the Director is found to be or becomes of unsound mind; or

(v) the Director is removed from office by notice in writing served upon such Director 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 then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 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 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 only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

(a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and

(d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint 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.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

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 shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

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, 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 could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 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 meeting so convened shall be held no later than the day which falls 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 Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not 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.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be 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.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which 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. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

(a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and

(b) 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, together holding not less than 95% in par value of the shares giving that right.

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 Directors, in their 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, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is 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 Directors 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 or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors 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; and 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 transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think 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 any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the 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. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be 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, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with 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 it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

(a) if the assets available for distribution amongst the members of the Company shall be 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 of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;

(b) if the assets available for distribution amongst the members of the Company shall be 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 amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three-month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The [**REDACTED**] of any such sale shall belong to the Company and upon receipt by the Company of such [**REDACTED**] it shall become indebted to the former member for an amount equal to such [**REDACTED**].

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 December 2021 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The 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 shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

(a) is or is likely to become unable to pay its debts; and

(b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among others, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

 (i) on or in respect of the shares, debentures or other obligations of the Company; or

 (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in "Appendix V — Documents Delivered to the Registrar of Companies in Hong Kong and Available on Display". Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

Incorporation of Our Company

We were incorporated in the Cayman Islands on December 9, 2021 under the Companies Act as an exempted company with limited liability. Accordingly, our corporate structure and Articles of Association are subject to the applicable laws of Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Associations are set out in Appendix III to this document.

Our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. We were registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on November 2, 2023. Ms. Chan Sze Ting (陳詩婷) has been appointed as our authorized representative for the acceptance of service of process and notices in Hong Kong.

Changes in the Share Capital of Our Company

On December 9, 2021, our Company was incorporated with an authorized share capital of US$50,000 divided into 5,000,000,000 Shares of a par value of US$0.00001 each.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

(a) On December 9, 2021:

  (i) one Share was allotted and issued at par to an initial subscriber, an Independent Third Party;

  (ii) the said one Share was transferred by the initial subscriber to Bayway Fund L.P. at a nominal consideration of US$0.00001; and

  (iii) 677,717,785 Shares were allotted and issued at par to Bayway Fund L.P..

(b) On September 14, 2022, our Company further allotted and issued 4,548,442 Shares to Bayway Fund L.P..

(c) On August 8, 2023, our Company allotted and issued a total of 429,567,106 new Shares to the relevant Pre-[**REDACTED**] Investors (or their designated affiliated entities), at par, so as to mirror the then equity interests held by such Pre-[**REDACTED**] Investors in Beiyi Baihui Medical (Shanghai).

  As a share swap arrangement, on July 24, 2023, Fairy Tale agreed to transfer the entire issued share capital of Unicorn Dash to our Company, at the consideration of 16,666,667 new Shares to be allotted and issued by our Company to Fairy Tale.

(d) On November 2, 2023, our Company allotted and issued a total of 56,861,022 new Shares to SCYC Holdings Limited, Shanghai Douhou Enterprise Management Partnership (Limited Partnership)* (上海鐸厚企業管理合夥企業(有限合夥)) and Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)), all being our Pre-[**REDACTED**] Investors.

For details of changes in the share capital of our Company, see "History, Reorganization and Corporate Structure."

Immediately following completion of the [**REDACTED**] (without taking into account any Share which may be issued upon any exercise of the [**REDACTED**] or the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme, our issued share capital will be US$[**REDACTED**] divided into [**REDACTED**] Shares, all fully paid or credited as fully paid.

Save for the aforesaid and as mentioned in the "History, Reorganization and Corporate Structure" of this document, there has been no alteration in the share capital of our Company since its incorporation.

Changes in the Share Capital of Our Subsidiary

The list of our major subsidiaries is set out under the financial statements in the Accountant's Report as included in Appendix I to this document. The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this document:

Bayzed Medical Investment

On March 12, 2024, Bayzed Medical Investment increased its registered capital from approximately RMB1,151,066,045.8 to approximately RMB1,234,216,045.8. The increase of approximately RMB83,150,000 was contributed by Beiyi Baihui Medical (Shanghai).

Western Beijing Cancer Hospital Company

There has been no relevant change in share capital.

Wuzhi Jimin Hospital Company

There has been no relevant change in share capital.

Taiyuan Peace Hospital Company

There has been no relevant change in share capital.

Tianjin Nankai Jixing Hospital Company

On February 2, 2021, Tianjin Sanling Particle Hospital Management Partnership (General Partnership)* (天津三靈粒子醫院管理合夥企業(普通合夥)) transferred its 10% equity interests in Tianjin Nankai Jixing Hospital to Jixingtang (Tianjin) Technology Development Partnership (Limited Partnership)* (濟興堂(天津)科技發展合夥企業(有限合夥)) for RMB1.

On February 4, 2021, Jixingtang (Tianjin) Technology Development Partnership (Limited Partnership)* (濟興堂(天津)科技發展合夥企業(有限合夥)) transferred its 30% equity interests in Tianjin Nankai Jixing Hospital to Tianjin Baihui Medical Management, for RMB20,000,000.

Huangshan Bohong

On March 24, 2021, Mr. Li Yanze (李炎澤), Mr. Li Xinquan (李鑫泉) and Mr. Shao Fengxuanto (邵鳳軒), who are all Independent Third Party, transferred approximately 57.14%, 40.72% and 2.14% of their equity interests in Huangshan Bohong, respectively, to Anhui Shoukang Investment for RMB5,200,000.

Anhui Shoukang Investment

On February 8, 2021, Mr. Jin Yonggui (金永貴), who was an Independent Third Party at the relevant time, transferred his 4.0% equity interests in Anhui Shoukang Investment to Anhui Baihui Hospital Management for RMB18,800,000.

On May 31, 2022, each of Anhui Baihui Hospital Management and Mr. Xu Jianping (徐建平) entered into several equity interest transfer agreements with each of Huangshan Bojing Hospital Management Partnership (Limited Partnership)* (黃山博精醫院管理合夥企業(有限合夥)), Huangshan Boxin Hospital Management Partnership (Limited Partnership)* (黃山博新醫院管理合夥企業(有限合夥)), Huangshan Boxiu Hospital Management Partnership (Limited Partnership)* (黃山博修醫院管理合夥企業(有限合夥)), Huangshan Boxue Hospital Management Partnership (Limited Partnership)* (黃山博學醫院管理合夥企業(有限合夥)), Huangshan Bozheng Hospital Management Partnership (Limited Partnership)* (黃山博正醫院管理合夥企業(有限合夥)) (collectively, the "**Purchaser**"), pursuant to which each of Anhui Baihui Hospital Management and Mr. Xu Jianping agreed to sell and the Purchasers agreed to acquire an aggregate of 7.0% equity interests in Anhui Shoukang Investment held by Anhui Baihui Hospital Management at a cash consideration of approximately RMB32.9 million and an aggregate of 1.0% equity interests in Anhui Shoukang Investment held by Mr. Xu Jianping at a cash consideration of approximately RMB4.7 million, respectively.

Anhui Ruizhong

There has been no relevant change in share capital.

Tianjin Shishi Hospital Company

On May 12, 2022, Tianjin Nankai Jixing Hospital Company transferred the entire equity interests in Tianjin Shishi Hospital Company held by it to Tianjin Baihui Medical Management (our then wholly-owned subsidiary) at a consideration with reference to the registered capital of Tianjin Shishi Hospital Company.

On May 16, 2022, Tianjin Baihui Medical Management transferred its 20% equity interests in Tianjin Shishi Hospital to Mr. Shi Xuemin (石學敏) for RMB1.

Hefei Bayway Changrong Hospital Company

There has been no relevant change in share capital.

For details of changes in the share capital of our principal operating subsidiaries, see "History, Reorganization and Corporate Structure" of this document.

Anhui Baihui Hospital Management

There has been no relevant change in share capital.

Bayway Rehabilitation and Health Management Company Limited (佰惠康復健康管理有限公司)*

There has been no relevant change in share capital.

Beijing Baize Medical Management Co., Ltd. (北京佰澤醫療管理有限公司)*

There has been no relevant change in share capital.

Bayway Early Screening

There has been no relevant change in share capital.

Shanxi Bayway Hospital Management Partnership (Limited Partnership) (山西佰惠醫院管理合夥企業(有限合夥))*

There has been no relevant change in share capital.

Henan Baihui Medical Investment Management Co., Ltd. (河南佰惠醫療投資管理有限公司) ("Henan Baihui Medical Management")*

On May 12, 2022, Bayzed Medical Investment transferred 5% of its equity interests in Henan Baihui Medical Management to Qi Shaohao, an Independent Third Party for RMB10,000,000.

On September 19, 2022, Henan Baihui Medical Management decreased its registered capital from RMB200,000,000 to RMB100,000,000.

On November 18, 2022, Bayzed Medical Investment transferred 5% of its equity interests in Henan Baihui Medical Management to Qi Shaohao (齊劭豪), an Independent Third Party for RMB5,000,000.

Tianjin Bayway Hospital Management Partnership (Limited Partnership)* (天津佰惠醫院管理合夥企業(有限合夥)) ("Tianjin Bayway Management")

On December 29, 2022, Tianjin Sanling Particle Hospital Management Partnership (General Partnership)* (天津三靈粒子醫院管理合夥企業(普通合夥)) transferred approximately 10.64% of its equity interests in Tianjin Bayway Management to Beijing Baize Medical Management Co., Ltd.* (北京佰澤醫療管理有限公司) for RMB10,000,000.

Tianjin Baihui Medical Management

On April 14, 2022, Mr. Shi Yu (石宇), an Independent Third Party, transferred 30% of his equity interests in Tianjin Baihui Medical Management to Bayzed Medical Investment for RMB6,000,000.

On November 24, 2022, Bayzed Medical Investment transferred 30% of its equity interests in Tianjin Baihui Medical Management to Tianjin Ruxing Tianxia Hospital Management Partnership (Limited Partnership)* (天津儒行天下醫院管理合夥企業(有限合夥)) for RMB6,000,000.

Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership)* (天津醫眾君安醫院管理合夥企業(有限合夥))

On July 4, 2022, Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership) increased its registered capital from RMB30,100,000 to RMB37,066,000.

Taiyuan Peace Hospital Management Company Limited* (太原市和平醫院管理有限公司)

There has been no relevant change in share capital.

Zhengzhou Baikang Hospital Management Company Limited* (鄭州佰康醫院管理有限公司) ("Zhengzhou Baikang")

There has been no relevant change in share capital.

Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司) ("Beijing Medical Creation")

On January 1, 2023, Beijing Baihui Investment Management Co., Ltd.* (北京佰惠投資管理有限公司, formely known as Beijing Kaiyuan Investment Management Company Limited* (北京開沅投資管理有限公司)) and Suzhou Luhesheng Investment Partnership (Limited Partnership)* (蘇州律和升投資合夥企業(有限合夥)), transferred approximately 69.44% and 30.56% of their equity interests in Beijing Medical Creation, respectively, to Beijing Baize Medical Management Co., Ltd.* (北京佰澤醫療管理有限公司) for the total amount of approximately RMB24.9 million.

Henan Huibai Medical Equipment Co., Ltd.* (河南惠佰醫療設備有限公司) ("Henan Huibai")

On May 5, 2023, Chang Lan (常嵐), a then Independent Third Party, transferred her 20% equity interests in Henan Huibai to Zhengzhou Luhe Medical Technology Co., Ltd.* (鄭州陸合醫療科技股份有限公司), an Independent Third Party for RMB1,000,000.

Henan Tengfang Medical Equipment Co., Ltd* (河南騰方醫療設備有限公司) ("Henan Tengfang")

On April 27, 2023, Chang Lan (常嵐), a then Independent Third Party, transferred her 20% equity interests in Henan Tengfang to Zhengzhou Luhe Medical Technology Co., Ltd.* (鄭州陸合醫療科技股份有限公司), an Independent Third Party for RMB600,000.

Huangshan Bokang Pharmacy Co., Ltd.* (黃山博康大藥房有限公司)

There has been no relevant change in share capital.

Anhui Weizhong Medical Equipment Sales Co., Ltd.* (安徽省衛眾醫療器械銷售有限責任公司)

There has been no relevant change in share capital.

Beiyi Baihui Medical Management (Shanghai) Co., Ltd.* (北醫佰惠醫療管理(上海)有限公司) ("Beiyi Baihui Medical (Shanghai)")

On December 22, 2021, Beiyi Baihui Medical (Shanghai) increased its registered capital from approximately RMB11,118,333 to RMB11,347,341. The increase of approximately RMB229,007.60 was contributed by Venus Tale.

On February 8, 2022, Suzhou Beiyi Baihui transferred approximately 60.13% of its equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group for RMB6,822,662.

On December 20, 2022, Chengdu Luxinjingrong Phase II Venture Capital Center (L.P.)* (成都魯信菁蓉貳期創業投資中心(有限合夥)), Anhui Beiyi Huitong, Anhui Beiyi Huifang, Shandong Province Luxin New and Old Kinetic Energy Conversion Venture Capital Fund of Funds Partnership (Limited Partnership)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)), Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司), Anhui Beiyi Huijin, Shenzhen Zexin Management Center Partnership (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥), Shanghai Xukun Management, Wuxi Jintou Luxin Venture Capital Partnership (L.P.)* (無錫金投魯信創業投資合夥企業(有限合夥)), Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥)), Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)), Shenzhen Qianhai Yuanming Medical Industry Investment Fund (L.P.)* (深圳前海元明醫療產業投資基金(有限合夥)) and Zhengqi (Beijing) Asset Management

Co., Ltd.* (正奇(北京)資產管理有限公司) transferred approximately 1.76%, 0.57%, 1.19%, 1.76%, 0.64%, 2.92%, 2.70%, 8.45%, 1.76%, 1.29%, 1.92%, 3.27%, and 9.61% of their equity interests in Beiyi Baihui Medical (Shanghai), respectively, to Bayway Medical Group for RMB200,000, RMB65,000, RMB134,545, RMB200,000, RMB72,727, RMB330,909, RMB306,666, RMB959,156, RMB200,000, RMB146,667, RMB218,182, RMB370,909 and RMB1,090,909, respectively.

On December 26, 2023, Beiyi Baihui Medical (Shanghai) increased its registered capital from approximately RMB11,347,341 to RMB94,497,341. The increase of approximately RMB1,678,137 was contributed by Venus Tale and RMB81,471,863 was contributed by Bayway Medical Group.

Purple Sapphire

There has been no relevant change in share capital.

Unicorn Dash

On August 8, 2023, as a share swap arrangement, Fairy Tale agreed to transfer the entire issued share capital of Unicorn Dash to our Company, at the consideration of 16,666,667 new Shares to be issued by our Company to Fairy Tale.

Bayway Medical Group

There has been no relevant change in share capital.

Venus Tale

There has been no relevant change in share capital.

Beijing Huishi Medical Equipment Sales Co., Ltd.* (北京惠世醫療器械銷售有限公司)

There has been no relevant change in share capital.

Resolutions of the Shareholders of the Company Passed on [●]

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on [●], it was resolved, among others:

(i) the current memorandum and articles of association of the Company be and were amended and restated by the deletion in their entirety and in substitution in their place of the Memorandum and Articles of Association with effect upon [**REDACTED**];

(ii) conditional on (a) the [**REDACTED**] Committee granting the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document and such [**REDACTED**] and permission not subsequently having been revoked prior to the commencement of [**REDACTED**] in the [**REDACTED**] on the Stock Exchange; (b) the [**REDACTED**] having been determinated; and (c) the obligations of [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**]; and (d) the [**REDACTED**] having been duly executed by [**REDACTED**] and the Company:

– the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorized to effect the same, and to allot and issue the [**REDACTED**] pursuant to the [**REDACTED**] and the [**REDACTED**], and the Directors were authorized to determine the [**REDACTED**] for, and to allot and issue the [**REDACTED**];

– the grant of the [**REDACTED**] by our Company to the [**REDACTED**] to allot and issue up to [**REDACTED**] of the [**REDACTED**] initially available under the [**REDACTED**] to cover, among others, the [**REDACTED**] in the [**REDACTED**] was approved; and

– the [**REDACTED**] was approved, and our Directors were authorized to implement such [**REDACTED**].

(iii) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares, and to make or grant [**REDACTED**], agreements, or options which might require such Shares 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 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion 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 or upon the exercise of the [**REDACTED**]. This general mandate to issue Shares will remain in effect until:

– the conclusion of the next annual general meeting of our Company;

– the expiration of the period within which the next annual general meeting of our Company is required to be held under the applicable laws or the Articles of Association; or

– it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest;

(iv) a general unconditional mandate (the "[**REDACTED**]") was granted to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the [**REDACTED**] (excluding Shares which may be allotted and issued upon the exercise of the [**REDACTED**] or the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme).

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 [**REDACTED**] and the Stock Exchange for this purpose) and made in accordance with all applicable laws and regulations and the requirements of the Listing Rules. This general mandate to [**REDACTED**] Shares will remain in effect until:

– the conclusion of the next annual general meeting of our Company;

– the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

– it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever is the earliest; and

• the general unconditional mandate as mentioned in paragraph (iii) above would be 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 (iv) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the [**REDACTED**], excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the [**REDACTED**] or the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme).

Reorganization

Our Group underwent the Reorganization in preparation for the [**REDACTED**]. See "History, Reorganization and Corporate Structure – Corporate Reorganization" in this document for further information relating to the Reorganization.

Restrictions on Repurchase

This section sets out information required by the Stock Exchange to be included in this document concerning the repurchase by us of our own Shares.

Provisions of the Listing Rules

The Listing Rules permit companies with a primary [**REDACTED**] on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

Shareholders' approval

All proposed repurchase of Shares (which must be fully paid up in the case of shares) by a company with a primary [**REDACTED**] on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles, the laws of the Cayman Islands. A [**REDACTED**] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the [**REDACTED**] rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any repurchases by our Company may be made out of profits or out of the [**REDACTED**] of a new issue of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles and subject to the Companies Act. Any premium payable on the repurchase over the par value of the shares to be repurchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles and subject to the Companies Act.

Reasons for repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us 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 us and our Shareholders.

Funding of repurchases

In repurchasing securities, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Companies Act or other applicable laws of Cayman Islands and the Listing Rules. On the basis of our current financial condition as disclosed in this document and taking into account our current working capital position, our Directors consider that, if the [**REDACTED**] were to be exercised in full, it might have a material adverse effect on our working capital and/or our gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the [**REDACTED**] to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

General

Exercise in full of the [**REDACTED**], on the basis of [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] (without taking into account of the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme), could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by us during the period prior to:

- the conclusion of our next annual general meeting;
- the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles of Association to be held; or
- the date on which the [**REDACTED**] is varied or revoked by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries. Our Directors have undertaken with the Stock Exchange that, so far as the same may be applicable, they will exercise the [**REDACTED**] in accordance with the Listing Rules, the Articles of Association, the Companies Act or any other applicable laws of Cayman Islands.

If, as a result of a repurchase of our Shares pursuant to the [**REDACTED**], a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory [**REDACTED**] 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 [**REDACTED**].

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the [**REDACTED**] is exercised.

FURTHER INFORMATION ABOUT THE BUSINESS OF THE COMPANY

Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

(i) the equity interest transfer agreement dated December 13, 2022 entered into among Chengdu Luxinjingrong Phase II Venture Capital Center (L.P.)* (成都魯信菁蓉貳期創業投資中心(有限合夥)), Anhui Beiyi Huitong, Anhui Beiyi Huifang, Shandong Luxin New and Old Kinetic Energy Conversion Venture Capital Fund Partnership (L.P.)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)), Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司), Anhui Beiyi Huijin, Shenzhen Zexin Management Center Partnership (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥), Shanghai Xukun Management, Wuxi Jintou Luxin Venture Capital Partnership (L.P.)* (無錫金投魯信創業投資合夥企業(有限合夥)), Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥)), Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)), Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)), Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司) and Bayway Medical Group, pursuant to which Chengdu Luxinjingrong Phase II Venture Capital Center (L.P.)* (成都魯信菁蓉貳期創業投資中心(有限合夥)) agreed to transfer 1.7625% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Anhui Beiyi Huitong agreed to transfer 0.5728% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Anhui Beiyi Huifang agreed to transfer 1.1857% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Shandong Luxin New and Old Kinetic Energy Conversion Venture Capital Fund Partnership (L.P.)* (山東省魯信新舊動能轉換創投母基金合夥企業(有限合夥)) agreed to transfer 1.7625% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Maisheng Medical Equipment Company Limited* (邁勝醫療設備有限公司) agreed to transfer 0.6409% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Anhui Beiyi Huijin agreed to transfer 2.9162% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Shenzhen Zexin Management Center Partnership (Limited Partnership)* (深圳市澤信管理中心合夥企業(有限合夥) agreed to transfer 2.7025% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Shanghai Xukun Management agreed to transfer 8.4527% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Wuxi Jintou Luxin Venture Capital Partnership (L.P.)* (無錫金投魯信創業投資合夥企業(有限合夥)) agreed to transfer 1.7625% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Shanghai Zhenmao Information Technology Center (Limited Partnership)* (上海箴茂信息科技中心(有限合夥)) agreed to transfer 1.2925% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Ningbo Changshang Kunzhong Investment Partnership (Limited Partnership)* (寧波長商昆仲投資合夥企業(有限合夥)) agreed to transfer 1.9228% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, Qianhai Yuanming Medical Industry Investment Fund (Limited Partnership)* (深圳前海元明醫療產業投資基金(有限合夥)) agreed to transfer 3.2687% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group, and Zhengqi (Beijing) Asset Management Company Limited* (正奇(北京)資產管理有限公司) agreed to transfer 9.6138% equity interests in Beiyi Baihui Medical (Shanghai) to Bayway Medical Group;

(ii) the capital increase and share subscription agreement dated December 2021 entered into between Bayzed Medical Investment and Beiyi Baihui Medical (Shanghai) pursuant to which Beiyi Baihui Medical (Shanghai) agreed to invest in Bayzed Medical in the amount of RMB167.75 million with subscription for the increased registered capital of Bayzed Medical in the amount of RMB113.26 million and the remaining in the amount of RMB54.49 million accounted into the capital reserve;

(iii) the capital increase and share subscription agreement dated February 2022 entered into between Bayzed Medical and Beiyi Baihui Medical (Shanghai) pursuant to which Beiyi Baihui Medical (Shanghai) agreed to invest in Bayzed Medical in the amount of RMB25 million with subscription for the increased registered capital of Bayzed Medical in the amount of RMB16.88 million and the remaining in the amount of RMB8.12 million accounted into the capital reserve;

(iv) the equity interest transfer agreements dated May 31, 2022 entered into among Anhui Baihui Hospital Management Co., Ltd.* ("**Anhui Baihui Hospital Management**") (安徽佰惠醫院管理有限責任公司) and Mr. Xu Jianping (徐建平) with each of Huangshan Bojing Hospital Management Partnership (Limited Partnership)* ("**Huangshan Bojing**") (黃山博精醫院管理合夥企業(有限合夥)), Huangshan Boxin Hospital Management Partnership (Limited Partnership)* ("**Huangshan Boxin**") (黃山博新醫院管理合夥企業(有限合夥)), Huangshan Boxiu Hospital Management Partnership (Limited Partnership)* ("**Huangshan Boxiu**") (黃山博修醫院管理合夥企業(有限合夥)), Huangshan Boxue Hospital Management Partnership (Limited Partnership)* ("**Huangshan Boxue**") (黃山博學醫院管理合夥

企業(有限合夥)), Huangshan Bozheng Hospital Management Partnership (Limited Partnership)* ("**Huangshan Bozheng**") (黃山博正醫院管理合夥企業(有限合夥), pursuant to which each of Anhui Baihui Hospital Management agreed to transfer 1.4% equity interests in Anhui Shoukang Investment to Huangshan Bojing, Huangshan Boxin, Huangshan Boxue, Huangshan Bozheng and Huangshan Boxiu respectively, and Mr. Xu Jianping agreed to transfer 0.2% equity interests in Anhui Shoukang Investment to Huangshan Bojing, Huangshan Boxin, Huangshan Boxue, Huangshan Bozheng and Huangshan Boxiu respectively;

(v) the equity interest transfer agreement dated March 21, 2022 entered into between Bayzed Medical and Qi Shaohao (齊劭豪), pursuant to which Bayzed Medical agreed to transfer 5% equity interests in Henan Baihui Medical Investment Management Company Limited* (河南佰惠醫療投資管理有限公司) ("**Henan Baihui Medical Management**") to Qi Shaohao;

(vi) the equity interest transfer agreement dated March 23, 2022 entered into between Bayzed Medical and Qi Shaohao (齊劭豪), pursuant to which Bayzed Medical agreed to transfer 5% equity interests in Henan Baihui to Qi Shaohao;

(vii) the equity interest transfer agreement dated March 2, 2022 entered into among Chang Lan (常嵐), Henan Baihui Medical Management, Zhengzhou Baikang Hospital Management Company Limited* (鄭州佰康醫院管理有限公司) ("**Zhengzhou Baikang**"), Wuzhi Jimin Hospital Company, and Chang Xiaosong (常小松) pursuant to which Chang Lan agreed to transfer 100% equity interests in Zhengzhou Baikang to Henan Baihui Medical Management;

(viii) the equity interest transfer agreement dated February 21, 2022 entered into between Chang Xiaosong (常小松) and Zhengzhou Baikang pursuant to which Chang Xiaosong agreed to transfer 80% equity interests in Wuzhi Jimin Hospital Company to Zhengzhou Baikang;

(ix) the equity interest transfer agreements dated January 1, 2023 entered into between Beijing Baize Medical Management Co., Ltd.* (北京佰澤醫療管理有限公司) ("**Beijing Baize**") and Beijing Baihui Investment Management Co., Ltd.* (北京佰惠投資管理有限公司, formerly known as Beijing Kaiyuan Investment Management Company Limited* (北京開沅投資管理有限公司)) and Suzhou Luhesheng Investment Partnership (Limited Partnership)* (蘇州律和升投資合夥企業(有限合夥)) ("**Suzhou Luhesheng**") respectively, pursuant to which Beijing Baihui Investment Management Co., Ltd. and Suzhou Luhesheng agreed to transfer approximately 69.44% and 30.56% of their equity interests of Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司) ("**Beijing Medical Creation**") to Beijing Baize;

(x) the equity interest transfer agreement dated April 14, 2022 entered into between Shi Yu (石宇) and Bayzed Medical, pursuant to which Shi Yu agreed to transfer 30% equity interests in Tianjin Baihui Medical Management to Bayzed Medical;

(xi) the equity interest transfer agreement dated November 24, 2022 entered into between Tianjin Ruxing Tianxia Hospital Management Partnership (Limited Partnership)* (天津儒行天下醫院管理合夥企業(有限合夥)) ("**Tianjin Ruxing**") and Bayzed Medical, pursuant to which Bayzed Medical agreed to transfer 30% equity interests in Tianjin Baihui Medical Management to Tianjin Ruxing;

(xii) the equity interest transfer agreement dated May 5, 2022 entered into between Tianjin Nankai Jixing Hospital Company and Tianjin Baihui Medical Management, pursuant to which Tianjin Nankai Jixing Hospital Company agreed to transfer 100% equity interests in Tianjin Shishi Hospital Company to Tianjin Baihui Medical Management;

(xiii) the equity interest transfer agreement dated May 16, 2022 entered into between Tianjin Baihui Medical Management and Shi Xuemin (石學敏), pursuant to which Tianjin Baihui Medical Management agreed to transfer 20% equity interests in Tianjin Shishi Hospital Company to Shi Xuemin;

(xiv) the equity interest transfer agreement dated April 27, 2023 entered into between Chang Lan and Zhengzhou Luhe Medical Technology Company* (鄭州陸合醫療科技有限公司) ("**Zhengzhou Luhe**"), pursuant to which Chang Lan agreed to transfer 20% equity interests in Henan Tengfang Medical Equipment Co., Ltd.* (河南騰方醫療設備有限公司) to Zhengzhou Luhe;

(xv) the equity interest transfer agreement dated May 5, 2023 entered into between Chang Lan and Zhengzhou Luhe, pursuant to which Chang Lan agreed to transfer 20% equity interests in Henan Huibai Medical Equipment Co., Ltd.* (河南惠佰醫療設備有限公司) to Zhengzhou Luhe;

(xvi) the share subscription agreement dated August 7, 2023 entered into between the Company and Shanghai Duohou Enterprise Management Partnership (Limited Partnership)* (上海鐸厚企業管理合夥企業(有限合夥)) ("**Shanghai Duohou**"), pursuant to which the Company agreed to issue and Shanghai Duohou agreed to subscribe for 30,762,910 shares of the Company;

(xvii) the share subscription agreement dated August 7, 2023 entered into between the Company and Shanghai Xinlun Enterprise Management Partnership (Limited Partnership)* (上海信倫企業管理合夥企業(有限合夥)) ("**Shanghai Xinlun**"), pursuant to which the Company agreed to issue and Shanghai Xinlun agreed to subscribe for 6,771,000 shares of the Company;

(xviii) the share subscription agreement dated April 4, 2023 entered into between the Company and SCYC Holdings Limited, pursuant to which the Company agreed to issue and SCYC Holdings Limited agreed to subscribe for 7,316,648 shares of the Company;

(xix) the share subscription agreement dated August 7, 2023 entered into between the Company and SCYC Holdings Limited, pursuant to which the Company agreed to issue and SCYC Holdings Limited agreed to subscribe for 12,010,464 shares of the Company;

(xx) the Concert Party Agreements;

(xxi) the Deed of Non-competition; and

(xxii) the [**REDACTED**].

Our Material Intellectual Property Rights

Trademarks

As of the Latest Practicable Date, our material registered trademarks were as follows:

No.	Trademark	Place of registration	Name of registered proprietor	Registration number	Class	Expiry date
1.	北医佰顺	The PRC	Bayzed Medical Investment	29492040	44	January 13, 2029
2.	北医佰顺	The PRC	Bayzed Medical Investment	29501858	36	January 13, 2029
3.	北医佰顺	The PRC	Bayzed Medical Investment	29495997	37	January 13, 2029
4.	北医佰顺	The PRC	Bayzed Medical Investment	29497553	35	January 13, 2029
5.	北医佰顺	The PRC	Bayzed Medical Investment	29505806	10	January 13, 2029
6.	北医佰顺	The PRC	Bayzed Medical Investment	29507651	5	January 13, 2029
7.	西肿	The PRC	Western Beijing Cancer Hospital Company	32611062	11	April 15, 2029
8.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32609924	37	April 15, 2029
9.	西肿	The PRC	Western Beijing Cancer Hospital Company	32609900	41	April 15, 2029

No.	Trademark	Place of registration	Name of registered proprietor	Registration number	Class	Expiry date
10.	西肿	The PRC	Western Beijing Cancer Hospital Company	32609287	44	April 15, 2029
11.	西肿	The PRC	Western Beijing Cancer Hospital Company	32609261	5	April 15, 2029
12.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32605734	41	August 22, 2029
13.	西肿	The PRC	Western Beijing Cancer Hospital Company	32605686	10	April 22, 2029
14.	西肿	The PRC	Western Beijing Cancer Hospital Company	32603849	16	April 15, 2029
15.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32599529	40	April 15, 2029
16.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32599524	42	April 15, 2029
17.	西肿	The PRC	Western Beijing Cancer Hospital Company	32598371	42	April 15, 2029
18.	西肿	The PRC	Western Beijing Cancer Hospital Company	32598369	40	April 15, 2029
19.	西肿	The PRC	Western Beijing Cancer Hospital Company	32598368	37	April 15, 2029
20.	西肿	The PRC	Western Beijing Cancer Hospital Company	32598358	9	April 15, 2029
21.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32597116	38	April 22, 2029
22.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32597108	11	June 22, 2029

No.	Trademark	Place of registration	Name of registered proprietor	Registration number	Class	Expiry date
23.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32597105	9	August 8, 2029
24.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32595923	16	June 8, 2029
25.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32595920	35	April 15, 2029
26.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32595916	44	April 15, 2029
27.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32595906	30	June 8, 2029
28.	西肿	The PRC	Western Beijing Cancer Hospital Company	32594496	38	April 15, 2029
29.	西肿	The PRC	Western Beijing Cancer Hospital Company	32594010	45	April 15, 2029
30.	西肿	The PRC	Western Beijing Cancer Hospital Company	32594001	35	April 15, 2029
31.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32592631	5	July 22, 2029
32.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32592241	45	April 15, 2029
33.	西肿	The PRC	Western Beijing Cancer Hospital Company	32589486	30	April 15, 2029
34.	XI ZHONG	The PRC	Western Beijing Cancer Hospital Company	32588336	10	April 22, 2029
35.	BAYWAY ECS	The PRC	Bayway Early Screening	58701997	44	February 22, 2032
36.	学敏石氏	The PRC	Tianjin Shishi Management	40558033	44	April 6, 2030

No.	Trademark	Place of registration	Name of registered proprietor	Registration number	Class	Expiry date
37.	敏学石氏	The PRC	Tianjin Shishi Management	40555229	44	April 6, 2030
38.	佰泽石氏	The PRC	Tianjin Shishi Management	40553582	44	April 6, 2030

Domain names

As of the Latest Practicable Date, we have registered the following domain names which are material in relation to our Group's business:

No.	Domain name	Registrant	Approval date
1.	bayzedhealthcare.com	Bayzed Medical Investment	August 9, 2020
2.	bayzedhealthcare.cn	Bayzed Medical Investment	November 9, 2023
3.	tyhpyy.com	Taiyuan Peace Hospital Company	May 16, 2022
4.	wbcancer.com.cn	Western Beijing Cancer Hospital Company	January 14, 2021
5.	wbcancer.com	Western Beijing Cancer Hospital Company	January 14, 2021
6.	wbcancer.cn	Western Beijing Cancer Hospital Company	January 14, 2021
7.	hzcancer.cn	Western Beijing Cancer Hospital Company	January 14, 2021
8.	hzcancer.com	Western Beijing Cancer Hospital Company	January 14, 2021
9.	bhecs.com	Bayway Early Screening	March 14, 2021
10.	bwcryy.com	Hefei Bayway Changrong Hospital Company	April 1, 2022
11.	sptcm.com.cn	Tianjin Shishi Management	July 9, 2021
12.	sphospital.com.cn	Tianjin Shishi Hospital Company	January 13, 2023
13.	tjjxhospital.com	Tianjin Nankai Jixing Hospital (Hongqi Road)	September 17, 2019
14.	wzjmyy.com	Wuzhi Jimin Hospital	July 31, 2023

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which are material in relation to our Group's business:

No.	Copyright	Registered owner	Registration number	Place of registration	Date of the application development completion	Date of the first publication
1.	Medical big data analysis algorithm system of Beijing Medical Creation United Technology Development Company Limited* (醫創聯合醫療大數據分析算法系統)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2019SR0252692	The PRC	October 22, 2018	October 22, 2018
2.	AI medical assistant system of Beijing Medical Creation United Technology Development Company Limited* (醫創聯合AI人工智能醫療助手系統)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2019SR0252684	The PRC	June 19, 2018	June 19, 2018

No.	Copyright	Registered owner	Registration number	Place of registration	Date of the application development completion	Date of the first publication
3.	Intelligent health medical remote diagnosis system of Beijing Medical Creation United Technology Development Company Limited* (醫創聯合智能健康醫療遠程診斷系統)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2019SR0252383	The PRC	December 27, 2018	December 27, 2018
4.	Integrated management system for site use* (場地使用綜合管理系統)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2021SR0424101	The PRC	November 12, 2020	Not yet published

No.	Copyright	Registered owner	Registration number	Place of registration	Date of the application development completion	Date of the first publication
5.	Online management system for conference services* (會議服務線上管理系統)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2021SR0424127	The PRC	August 12, 2020	Not yet published
6.	Intelligent display platform for exhibition services* (展覽服務智能展示平台)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2021SR0424126	The PRC	September 16, 2020	Not yet published

No.	Copyright	Registered owner	Registration number	Place of registration	Date of the application development completion	Date of the first publication
7.	Quality project consultation service platform* (優質項目諮詢服務平台)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2021SR0424128	The PRC	July 10, 2020	Not yet published
8.	Technical service report data processing system* (技術服務報告數據處理系統)	Beijing Medical Creation United Technology Development Company Limited* (北京醫創聯合科技發展有限公司), which was formerly known as Beijing Kundi Technical Service Company Limited* (北京昆地技術服務有限公司) and Beijing Kundi Medical Technology Service Company Limited* (北京昆地醫療技術服務有限公司)	2021SR0424111	The PRC	October 21, 2020	Not yet published
9.	Early cancer adjuvant screening system V1.0* (早期癌症輔助篩查系統V1.0)	Bayway Early Screening; Beijing Cancer Hospital* (北京腫瘤醫院), which is also known as Peking University Cancer Hospital* (北京大學腫瘤醫院)	2022SR1046856	The PRC	December 30, 2021	December 30, 2021

FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Disclosure of Interests

Interests and short positions of our Directors and chief executive officer in the Shares, underlying Shares and debentures of our Company and our associated corporation

The following table sets out the interests and short positions of our Directors and chief executive officer immediately following the completion of the [**REDACTED**] (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**] or the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of [**REDACTED**] Issuers contained in the Listing Rules, once our Shares are [**REDACTED**]:

(i) Interests in our Company

Name of Director/ chief executive officer	Capacity/nature of interest	Number of Shares interested (L)(1)	Percentage of Shareholding(2)
Zhao Yongkai (趙永凱)	Beneficial interest	[20,852,721](3)	[**REDACTED**]
Xu Xu (徐旭)	Beneficial interest	[20,852,721](4)	[**REDACTED**]
	Interest in controlled corporation	[831,227,272](5)	[**REDACTED**]
Chen Haoyang (陳昊陽)	Beneficial interest	[12,266,304](6)	[**REDACTED**]
Lu Jizhong (盧繼忠)	Beneficial interest	[3,189,239](7)	[**REDACTED**]
Feng Yu (馮宇)	Beneficial interest	[981,304](8)	[**REDACTED**]

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The table above is calculated on the basis that a total of [**REDACTED**] Shares will be in issue immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] and the outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme are not exercised).

(3) As of the Latest Practicable Date, Mr. Zhao Yongkai is going to be granted options under the Pre-[**REDACTED**] Share Option Scheme which entitle him to [**REDACTED**] for [20,852,721] Shares.

(4) As of the Latest Practicable Date, Ms. Xu is going to be granted options under the Pre-[**REDACTED**] Share Option Scheme which entitle her to [**REDACTED**] for [20,852,721] Shares.

(5) See "Substantial Shareholders" in this document for details.

(6) As of the Latest Practicable Date, Dr. Chen Haoyang is going to be granted options under the Pre-[**REDACTED**] Share Option Scheme which entitle him to [**REDACTED**] for [12,266,304] Shares.

(7) As of the Latest Practicable Date, Mr. Lu Jizhong is going to be granted options under the Pre-[**REDACTED**] Share Option Scheme which entitle him to [**REDACTED**] for [3,189,239] Shares.

(8) As of the Latest Practicable Date, Mr. Feng Yu is going to be granted options under the Pre-[**REDACTED**] Share Option Scheme which entitle him to [**REDACTED**] for [981,304] Shares.

(ii) Interest in the shares of associated corporations

Name of Director/ chief executive officer	Capacity/nature of interest	Associated corporations	Amount of Registered Capital (approximately RMB)	Percentage of Shareholding
Ms. Xu (徐旭)	Beneficial interest	Tianjin Yizhong Junan Hospital Management Partnership (Limited Partnership)* (天津醫眾君安醫院管理合夥企業(有限合夥)	5,392,000	[**REDACTED**]

Interests and Short Positions Disclosable Under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [**REDACTED**], have or be deemed or taken to have beneficial interests or short positions in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group, see "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, 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 outstanding options to be granted under the Pre-[**REDACTED**] Share Option Scheme, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

Particulars of Directors' Service Contracts and Letters of Appointment

Each of Mr. Zhao Yongkai (趙永凱), Ms. Xu, Dr. Chen Haoyang (陳昊陽), Mr. Lu Jizhong (盧繼忠) and Mr. Feng Yu (馮宇), being our executive Directors, has entered into a service contract with our Company, under which they agreed to act as executive Directors for an initial term of three years commencing from the [**REDACTED**]. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Chan Hok Leung (陳學良), Ms. Liu Shuang (劉爽) and Dr. Guo Wei (郭衛), being our independent non-executive Directors [has entered] into a letter of appointment with our Company, under which they agreed to act as independent non-executive Director for an initial term of [three] years with effect from the [**REDACTED**]. The letters of appointment may be renewed in accordance with our Articles of Association and applicable laws, rules and regulations.

Emoluments of Directors

The aggregate amounts of emoluments (including Directors' fees, salaries, allowances and benefits in kind, discretionary bonuses and retirement scheme contributions) of our Directors for the years ended December 31, 2021, 2022 and 2023 were RMB2.35 million, RMB5.11 million and RMB6.00 million, respectively.

It is estimated that emoluments and benefits in kind equivalent to approximately RMB4.13 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2023 under arrangements in force at the date of this document.

The aggregate amount of emoluments of our five highest paid individuals (including both employees and Directors) for the years ended December 31, 2021, 2022 and 2023 were RMB3.96 million, RMB5.58 million and RMB6.15 million, respectively.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for each of the years ended December 31, 2021, 2022 and 2023 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Notes 8 and 9 of the Accountant's Report set out in Appendix I to this Document. For the details of the share options that we are going to grant to our Directors and senior management team, please see "Appendix IV — Statutory and General Information — Share Option Scheme — Pre-[**REDACTED**] Share Option Scheme" in this document.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for each of the years ended December 31, 2021, 2022 and 2023. Except as disclosed in the "Financial Information", "Appendix I — Accountant's Report" and "Appendix IV — Statutory and General Information", no other payments have been paid, or are payable, by our Company or our subsidiary to our Directors or the five highest paid individuals during the Track Record Period.

Disclaimers

Save as disclosed in this document:

- none of the Directors nor any of the persons whose names are listed in the "Other Information – Qualifications of experts" in this appendix has any direct or indirect interest 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;

- none of the Directors nor any of the persons whose names are listed in the paragraph "Other Information – Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;

- none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

- none of the Directors or their close associates (as defined in the Listing Rules) or existing Shareholders of our Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of our Company; and

- none of the Directors or their close associates (as defined in the Listing Rules) or our existing Shareholders of our Company (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Company.

SHARE OPTION SCHEME

Pre-[REDACTED] Share Option Scheme

The following is a summary of the principal terms of the Pre-[**REDACTED**] Share Option Scheme approved and adopted by our Shareholder on August 8, 2023 and its implementation is conditional on the [**REDACTED**]. The Pre-[**REDACTED**] Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options by our Company to [**REDACTED**] for new Shares.

(a) Purpose

The purpose of the Pre-[**REDACTED**] Share Option Scheme is to aid the Company and its subsidiaries in recruiting and retaining key employees, management officers, supervisors, directors or consultants of outstanding ability and to motivate such employees, management officers, supervisors, directors, or consultants to exert their best efforts on behalf of the Company and its subsidiaries by providing incentives through the granting of awards. The Pre-[**REDACTED**] Share Option Scheme provides for the grant of options to purchase Shares. The Company expects that through providing such key employees, management officers, supervisors, directors or consultants additional welfare to share the proprietary interest in the Company's success, the Company will benefit.

(b) Number of Shares

Under the Pre-[**REDACTED**] Share Option Scheme, the Company may grant share options representing an underlying amount of up to 98,130,435 ordinary shares in the share capital of the Company having a par value of [**REDACTED**] each to the participants which will vest in accordance with the terms and conditions of the Pre-[**REDACTED**] Share Option Scheme.

(c) Participants

The participants of the Pre-[**REDACTED**] Share Option Scheme are an employee, management officer, supervisor, director or consultant of the Company or its holding company or any of its subsidiaries who is selected by the administrator, being the Board or any of the committees appointed by the Board to administer the Pre-[**REDACTED**] Share Option Scheme (the "**Administrator**") at its sole discretion to participate in the Pre-[**REDACTED**] Share Option Scheme (the "**Participants**").

(d) Administration

The Pre-[**REDACTED**] Share Option Scheme shall be administered by the Administrator. Subject to any specific designation in the Pre-[**REDACTED**] Share Option Scheme, the Administrator has the exclusive power, authority and sole discretion to:

(a) designate Participants to receive share option to be granted pursuant to the Pre-[**REDACTED**] Share Option Scheme ("**Award(s)**");

(b) determine the type or numbers of Awards to be granted to each Participant;

(c) determine the terms and conditions of any Award granted pursuant to the Pre-[**REDACTED**] Share Option Scheme, including, but not limited to, the exercise price, any restrictions or limitations on the Award, any vesting period, conditions for forfeiture or restrictions on the exercisability of an Award, and accelerations or waivers thereof, based in each case on such considerations as the Administrator in its sole discretion determines;

(d) correct any defect or reconcile any inconsistency in the Pre-[**REDACTED**] Share Option Scheme in the manner and to the extent the Administrator deems necessary or desirable;

(e) interpret the terms of, and any matter arising pursuant to, the Pre-[**REDACTED**] Share Option Scheme or any share option agreement, and

(f) make all other decisions and determinations that may be required pursuant to the Pre-[**REDACTED**] Share Option Scheme or as the Administrator deems necessary or desirable to administer the Pre-[**REDACTED**] Share Option Scheme.

(e) Implementation

Adjustments upon certain events

In the event of any distribution, share split, combination or exchange of Shares, arrangement or consolidation, reorganization of the Company, including the Company becoming a subsidiary in a transaction not involving a change in control, spin-off, recapitalization or other distribution of the Company's assets to its shareholders (other than normal cash dividends), or any other change affecting the Shares or the share price of a Share, the Administrator shall make such proportionate and equitable adjustments, if any, to reflect such change with respect to (a) the maximum number of Shares for which options may be granted during a calendar year to any Participant, (b) the terms and conditions of any issued and outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (c) the grant or exercise price per share for any issued and outstanding Awards under the Pre-[**REDACTED**] Share Scheme. Subject to any applicable laws, the form and manner of any such adjustments shall be determined by the Administrator in its sole discretion.

Amendments or Termination

The amendments and the termination of the Pre-[**REDACTED**] Share Option Scheme should be approved by the Board and the Shareholders, and comply with the Articles of the Company.

(f) Grant of Options

On the condition that no Award shall be granted on or after the [**REDACTED**], the Administrator may, from time to time, select a Participant to whom an Award shall be granted and shall determine the nature and amount of each Award, which shall not be inconsistent with the requirements of the Pre-[**REDACTED**] Share Option Scheme.

Each Award shall be evidenced by a Share Option Agreement. The Share Option Agreements shall include such additional provisions as may be specified by the Administrator.

(g) Vesting of Options

The options granted under the Pre-[**REDACTED**] Share Option Scheme may be vested in tranches as per the agreed proportions upon satisfaction of the vesting conditions. Details of the vesting period and vesting arrangements are as follows:

Vesting period	**Vesting date**	**Vesting proportion**
First vesting period	Vesting Commencement Date[1]	30% of the total number of options granted
Second vesting period	Achievement of the [**REDACTED**]	70% of the total number of options granted

Note:

(1) Vesting Commencement Date refers to the date contemplated in the Share Option Agreement.

(h) Exercise of Options

Except as otherwise provided in the Pre-[**REDACTED**] Share Option Scheme or in the Share Option Agreements, an option may be exercised for all, or from time to time any part, of the Shares for which it is then exercisable.

The exercise date of an option shall be the later of the date on which the Company receives and accepts a notice of exercise in substantially the form set forth in the Share Option Agreements and, if applicable, the date payment is received by the Company. Such notice shall be signed by the Participant or other person then entitled to exercise the option or part of the option; and

The exercise price for an option shall be paid to the Company in full at the time of exercise in cash or its equivalent (e.g., by cheque). The exercise price of the Pre-[**REDACTED**] Share Option Scheme is RMB0.97 per Share.

(i) Outstanding Grants

As of the Latest Practicable Date, the Company is going to grant options to [**REDACTED**] for an aggregate of [95,186,522] Shares to a total of [35] eligible participants at nil consideration under the Pre-[**REDACTED**] Share Option Scheme. As of the Latest Practicable Date, none of the options were exercised and all of the options were outstanding. The Company will not grant further options under the Pre-[**REDACTED**] Share Option Scheme after the [**REDACTED**].

Assuming the [**REDACTED**] share options to be granted under the Pre-[**REDACTED**] Share Option Scheme are fully exercised, the shareholding of the Shareholders immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) would be diluted by approximately [**REDACTED**] as calculated based on [**REDACTED**] Shares of the Company then in issue. The effects of such exercise were excluded from the calculation of diluted loss per Share as the effects would have been anti-dilutive.

(j) Details of Options Granted

All of the options will be granted to the Company's employees. Details of the options to be granted under the Pre-[**REDACTED**] Share Option Scheme to our Directors, Supervisors, senior management team or other connected person of the Company as of the Latest Practicable Date are set out below:

				Approximate percentage of the shareholding immediately following completion of the [REDACTED]		
Name of grantee	**Position held in the Group**	**Address**	**Number of Shares underlying the options to be granted**	**Assuming the [REDACTED] is not exercised**	**Assuming the [REDACTED] is exercised in full**	**Notes**
Zhao Yongkai (趙永凱)	Executive Director and chairman of our Board	No. 50-6, No. 366 Baige Road, Machikou Town, Changping District, Beijing	[20,852,721]	[REDACTED]	[REDACTED]	*Note 1*

Name of grantee	Position held in the Group	Address	Number of Shares underlying the options to be granted	Approximate percentage of the shareholding immediately following completion of the [REDACTED] — Assuming the [REDACTED] is not exercised	Approximate percentage of the shareholding immediately following completion of the [REDACTED] — Assuming the [REDACTED] is exercised in full	Notes
Xu Xu (徐旭)	Executive Director and senior vice president of our Company	No. 202, Unit 3, Building No. 12 Yilin Jiayuan, Chaoyang District, Beijing	[20,852,721]	[REDACTED]	[REDACTED]	*Note 1*
Chen Haoyang (陳昊陽)	Executive Director and president of our Company	No. 402, Unit 1, Building No. 21, No. 100 West Fourth Ring Middle Road, Fengtai District, Beijing	[12,266,304]	[REDACTED]	[REDACTED]	*Note 1*
Lu Jizhong (盧繼忠)	Executive Director and vice president of our Company	Room 401, No. 5, Lane 88 Fenxi Road, Jing'an District, Shanghai	[3,189,239]	[REDACTED]	[REDACTED]	*Note 1*
Feng Yu (馮宇)	Executive Director, vice president and chief medical officer of our Company	No. 501, Unit 1, Building No. 28, No. 100 West Fourth Ring Middle Road, Fengtai District, Beijing PRC	[981,304]	[REDACTED]	[REDACTED]	*Note 1*
Yao Le (姚樂)	Vice president and chief financial officer of our Company	No. 1707, Gate 2, Building No. 38, Yuquan Xili 2nd Area, Shijingshan District, Beijing	[2,453,261]	[REDACTED]	[REDACTED]	*Note 1*
Jiang Zheng (姜錚)	Assistant president of Our Company	Room 402, Gate 4, Building No. 1, No. 8 East Street, Fengtai District, Beijing	[490,652]	[REDACTED]	[REDACTED]	*Note 1*

Name of grantee	Position held in the Group	Address	Number of Shares underlying the options to be granted	Approximate percentage of the shareholding immediately following completion of the [REDACTED]		Notes
				Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full	
Fan Kunkun (范坤坤)	Joint Company Secretary	No. 763, Zuo Village, Heguo Town, Nanhe District, Xingtai, Hebei Province	[490,652]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Qiu Zejun (邱澤珺)	Chief supervisor of Beiyi Baihui Medical (Shanghai) and Bayzed Medical Investment	Room 301, No. 16, Lane 300, Jinxiu Road, Pudong New District, Shanghai	[17,172,826]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Shao Tingting (邵婷婷)	Supervisor of Beiyi Baihui Medical (Shanghai) and Bayzed Medical Investment	No. 100 Guilin Road, Xuhui District, Shanghai	[735,978]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Total				**[REDACTED]**	**[REDACTED]**	

Note 1: As of the Latest Practicable Date, such share options are going to be granted with an exercise price of RMB0.97 per share.

For details of their roles and responsibilities in the Company, please see section headed "Directors, Supervisors and Senior Management" in this Document.

The table below sets out the details of the 25 grantees who are going to be granted [15,700,864] options or more under the Pre-[**REDACTED**] Share Option Scheme as of the Latest Practicable Date in accordance with the Share Option Agreements:

				Approximate percentage of the shareholding immediately following completion of the [REDACTED]		
Name of grantee	**Position held in the Group**	**Address**	**Number of Shares underlying the options to be granted**	**Assuming the [REDACTED] is not exercised**	**Assuming the [REDACTED] is exercised in full**	**Notes**
Wang Yanjie (王彥傑)	General manager of Anhui Shoukang Investment	703, Building No. 8, Phase 5 of The Fifth Garden, No. 9 Yayuan Road, Longgang District, Shenzhen, Guangdong Province	[1,226,630]	[**REDACTED**]	[**REDACTED**]	*Note 1*
Du Hongwei (杜宏偉)	General manager of Wuzhi Jimin Hospital Company	No. 2 Chaoyangmen North Alley, Dongcheng District, Beijing	[735,978]	[**REDACTED**]	[**REDACTED**]	*Note 1*
Gao Yan (高焱)	President (院長) of Tianjin Nankai Jixing Hospital Company and Tianjin Shishi Hospital Company	No. 106, Building No. 28, No. 393 Nanmenwai Street, Heping District, Tianjin	[735,978]	[**REDACTED**]	[**REDACTED**]	*Note 1*
Song Yujian (宋玉劍)	Executive president (執行院長) of Taiyuan Peace Hospital Company	No. 21 Yuhe Street, Wanbailin District, Taiyuan, Shanxi Province	[735,978]	[**REDACTED**]	[**REDACTED**]	*Note 1*
Wang Ying (王盈)	Chief financial officer of Western Beijing Cancer Hospital Company	Fu No. 10, Building No. 23, Courtyard 2, University Middle Road, Erqi District, Zhengzhou	[1,226,630]	[**REDACTED**]	[**REDACTED**]	*Note 1*

Name of grantee	Position held in the Group	Address	Number of Shares underlying the options to be granted	Approximate percentage of the shareholding immediately following completion of the [REDACTED]: Assuming the [REDACTED] is not exercised	Approximate percentage of the shareholding immediately following completion of the [REDACTED]: Assuming the [REDACTED] is exercised in full	Notes
Li Yanping (李豔平)	Chief financial officer of Taiyuan Peace Hospital Company	No. 31, Building No. 8, Courtyard 31, Yuhe Street, Wanbailin District, Taiyuan, Shanxi Province	[613,315]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Sun Jing (孫靜)	Chief financial officer of Tianjin Shishi Hospital Company	No. 16, Building No. 9, Wensha Chengbao, Courtyard 168, Guoji Road, Jinshui District, Zhengzhou	[613,315]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Luo Congcong (雒聰聰)	Chief financial officer of Anhui Shoukang Investment	No. 6 Chaoyang Road, Zhangqiao Village, Sanyang Town, Wuzhi County, Henan Province	[613,315]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Zhang Yongen (張永恩)	Chief financial officer of Hefei Bayway Changrong Hospital Company	No. 501, Unit 5, Building No. 1, Courtyard 11, Hengshan Road, Zhaoling District, Luohe, Henan Province	[613,315]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Wang Hongtao (王洪濤)	Chief financial officer of Tianjin Nankai Jixing Hospital Company	No. 1 Hezuo Road, Erqi District, Zhengzhou	[613,315]	**[REDACTED]**	**[REDACTED]**	*Note 1*

Name of grantee	Position held in the Group	Address	Number of Shares underlying the options to be granted	Approximate percentage of the shareholding immediately following completion of the [REDACTED]: Assuming the [REDACTED] is not exercised	Approximate percentage of the shareholding immediately following completion of the [REDACTED]: Assuming the [REDACTED] is exercised in full	Notes
Zhang Benjun (張本俊)	Chief financial officer of Wuzhi Jimin Hospital Company	R2A-3F, High-tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province	[613,315]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Liu Ning (劉寧)	Vice president (副院長) of Wuzhi Jimin Hospital Company	No. 1702, Gate 1, Building No. 15, Hechangyuan, Shangde Road, Xianshuigu Town, Jinnan District, Tianjin	[735,978]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Gao Yu (高瑜)	Director of the Dean's Office of Western Beijing Cancer Hospital Company	102, 1/F, Unit 1, Building No. 15, East Courtyard, No. 61 Fuxing Road, Haidian District, Beijing	[735,978]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Yang Yuan (楊苑)	Department general manager of Western Beijing Cancer Hospital Company	Room 301, Building No. 111, Xubi 2nd Village, Meilie District, Sanming, Fujian Province	[735,978]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Zhu Yalan (朱雅蘭)	Department general manager of Bayzed Medical Investment	No. 1305, Building No. 1, Courtyard 2, Tuofangying South Road, Chaoyang District, Beijing	[735,978]	**[REDACTED]**	**[REDACTED]**	*Note 1*
Li Sen (李森)	Department general manager of Bayzed Medical Investment	No. 102, Gate 5, Building No. 18, South Lane, Shiliuyuan, Fengtai District, Beijing	[735,978]	**[REDACTED]**	**[REDACTED]**	*Note 1*

Name of grantee	Position held in the Group	Address	Number of Shares underlying the options to be granted	Approximate percentage of the shareholding immediately following completion of the [REDACTED]: Assuming the [REDACTED] is not exercised	Approximate percentage of the shareholding immediately following completion of the [REDACTED]: Assuming the [REDACTED] is exercised in full	Notes
Li Yangjie (李揚婕)	Department deputy general manager of Western Beijing Cancer Hospital Company	Unit 101, Unit 2, Building No. 5, Ruyuanju Nanli, Haidian District, Beijing	[735,978]	[REDACTED]	[REDACTED]	*Note 1*
Xu Jian (許劍)	Department deputy general manager of Bayzed Medical Investment	Group 15, Zhongxing Committee, Dongning Sub-district, Panshi, Jilin Province	[490,652]	[REDACTED]	[REDACTED]	*Note 1*
Hu Wenxiang (胡雯祥)	Department deputy general manager of Bayzed Medical Investment	No. 905, Building No. 17, Zonglvyuan, Linxiaocheng, Jingu Road, Shuanggang Town, Jinnan District, Tianjin	[490,652]	[REDACTED]	[REDACTED]	*Note 1*
Han Xue (韓雪)	Department director of Bayzed Medical Investment	Business School (No. 12), University of International Business and Economics, No. 10 Huixin East Street, Chaoyang District, Beijing	[735,978]	[REDACTED]	[REDACTED]	*Note 1*
Gao Jian (高建)	Department director of Bayzed Medical Investment	6-2, Fu No. 2, No. 1, Xingyao Village, Jiangbei District, Chongqing	[245,326]	[REDACTED]	[REDACTED]	*Note 1*
Hu Yi (扈易)	Department director of Bayzed Medical Investment	No. 101, Building No. 53, Courtyard 2, Xi'erqi West Road, Haidian District, Beijing	[245,326]	[REDACTED]	[REDACTED]	*Note 1*

				Approximate percentage of the shareholding immediately following completion of the [REDACTED]		
Name of grantee	Position held in the Group	Address	Number of Shares underlying the options to be granted	Assuming the [REDACTED] is not exercised	Assuming the [REDACTED] is exercised in full	Notes
Ye Yuying (葉雨英)	Department director of Bayzed Medical Investment	No. 17, Unit 4, 6/F, Building No. 16, No. 44 Taiping Road, Haidian District, Beijing	[245,326]	[REDACTED]	[REDACTED]	*Note 1*
Guo Jing (郭靜)	Department director of Bayzed Medical Investment	No. 2023 Qixinzhuang Town Street, Sanhe, Hebei Province	[245,326]	[REDACTED]	[REDACTED]	*Note 1*
Song Nan (宋楠)	Department director of Bayzed Medical Investment	No. 204, Unit 1, Building No. 6, Lanting Yaju, No. 716 yidun Street, Linyi County, Shanxi Province	[245,326]	[REDACTED]	[REDACTED]	*Note 1*
Total				**[REDACTED]**	**[REDACTED]**	

Note 1: As of the Latest Practicable Date, such share options are going to be granted with an exercise price of RMB0.97 per share.

OTHER INFORMATION

Estate Duty, Tax and Other Indemnity

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

Litigation

Except as disclosed in this document, as of the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our Group's results of operations or financial condition, taken as a whole.

Preliminary Expenses

As of the Latest Practicable Date, our Company has not incurred any material preliminary expenses.

Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the [**REDACTED**] and the related transactions described in this document.

Sole Sponsor

The Sole Sponsor has made an application on our behalf to the [**REDACTED**] Committee of the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the [**REDACTED**] in issue, the [**REDACTED**] to be issued as mentioned in this document.

The Sole Sponsor satisfies the independence criteria applicable to [**REDACTED**] set out in Rule 3A.07 of the Listing Rules. The [**REDACTED**] fees payable to the Sole Sponsor by our Company are US$700,000.

Compliance Advisor

Our Company has appointed Caitong International Capital Co., Limited as the compliance advisor upon [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules.

Agency Fees or [REDACTED] Received

Except as disclosed in "[**REDACTED**] – [**REDACTED**] and [**REDACTED**]" in this document, no [**REDACTED**], discounts, [**REDACTED**] or other special terms have been granted in connection with the issue or sale of any [**REDACTED**] of any member of our Group within the two years immediately preceding the date of this [**REDACTED**].

Taxation of Holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the value of the Shares being sold or transferred. Profits from [**REDACTED**] in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in Cayman Islands on transfers of Shares except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands and our Company does not hold any interest in land in Cayman Islands.

Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of [**REDACTED**] for, purchasing, holding or disposing of or [**REDACTED**] in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the [**REDACTED**] will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their [**REDACTED**] for, purchase, holding or disposal of or [**REDACTED**] in the Shares or exercise of any rights attaching to them.

Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
CMB International Capital Limited	Licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Public Interest Entity Auditor registered in accordance with Accounting and Financial Reporting Council Ordinance (Cap. 588)
Maples and Calder (Hong Kong) LLP	Cayman Islands Legal Advisor
Commerce and Finance Law Offices	Legal Advisor to our Company as to the PRC law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

None of the experts named in paragraph above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to [**REDACTED**] for, or to nominate persons to [**REDACTED**] for, securities in any member of our Group.

Consents of Experts

Each of the experts named in paragraph above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance on the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

Miscellaneous

Save as otherwise disclosed in this document:

- within the two years immediately preceding the date of this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

- within the two years immediately preceding the date of this document, there are no commissions for [**REDACTED**] or agreeing to [**REDACTED**], or procuring or agreeing to procure [**REDACTED**], for any shares in or debentures of our Company;

- within the two years immediately preceding the date of this document, there are no [**REDACTED**], discounts, [**REDACTED**] 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 "Other information – Qualification of Experts" in this appendix received any such payment or benefit;

- there are no founder, management or deferred shares in our Company or any member of our Group;

- 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;

- none of the Directors or the experts named in "Other information – Qualification of Experts" in this appendix 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;

- there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

- there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

- there are no outstanding convertible debt securities or debentures of our Company or any member of our Group;

- none of the equity and debt securities of our Company is [**REDACTED**] or dealt in on any stock exchange (other than the Stock Exchange) nor is any [**REDACTED**] or permission to deal being or proposed to be sought;

- no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option;

- 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

- 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.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about the Business of the Company – Summary of Material Contracts"; and

(b) the written consents referred to in "Appendix IV — Statutory and General Information — Other information – Consents of Experts".

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at [**REDACTED**] and our website at **www.bayzedhealthcare.com** during a period of 14 days from the date of this document:

(a) the Memorandum of Association and Articles of Association;

(b) the Accountants' Report from KPMG, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the three years ended December 31, 2023;

(d) the report from KPMG relating to the unaudited [**REDACTED**] financial information, the text of which is set out in Appendix II to this document;

(e) the material contracts referred to in "Appendix IV — Statutory and General Information — Further Information about the Business of the Company – Summary of Material Contracts";

(f) the written consents referred to in "Appendix IV — Statutory and General Information — Other information – Consents of Experts";

(g) the service contracts and letters of appointment of our Directors referred to in "Appendix IV — Statutory and General Information — Further Information about Directors and Substantial Shareholders — Particulars of Directors' Service Contracts and Letters of Appointment";

(h) the legal opinion issued by Commerce and Finance Law Offices, our legal advisor as to the PRC law, in respect of our general matters and property interests of our Group;

(i) the Companies Act;

(j) the letter of advice from Maples and Calder (Hong Kong) LLP, our legal advisor as to Cayman Islands law, summarizing certain aspects of the company law of the Cayman Islands referred to in Appendix III to this document;

(k) the report issued by Frost & Sullivan, the summary of which is set forth in "Industry Overview"; and

(l) the terms of the Pre-[**REDACTED**] Share Option Scheme.