The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by China Insights Consultancy. We engaged China Insights Consultancy to prepare the CIC Report, an independent industry report, in connection with the [**REDACTED**]. *Information and statistics from official government sources have not been independently verified by us, the Joint Sponsors,* [**REDACTED**]*, any of our or their respective directors, officers or representatives or any other person involved in the* [**REDACTED**] *and no representation is given as to their correctness or accuracy.*

CHINA HEALTHCARE AND ELDERCARE SERVICES INDUSTRY

Background of China's Healthcare and Eldercare Services Industry

Healthcare services refer to the provision of medical examinations, diagnoses, treatments, rehabilitation, preventive care, maternity services, and family planning by medical institutions. Eldercare services comprise support offered in home-based, community-based, and institution-based settings, including daily living assistance, rehabilitation nursing, health management, emotional support, emergency rescue, and palliative care, aimed at meeting the diverse needs of the elderly population.

China has a large and rapidly growing population of middle-aged and elderly people. According to official statistics from the National Bureau of Statistics of China ("NBSC"), the population aged 60 and above has been experiencing rapid growth. In 2019, this demographic group numbered 253.9 million, accounting for 18.1% of the total population in China. By 2025, the figure had risen to 323.4 million, representing 23.0% of the population. Looking ahead to 2030, projections indicate the elderly population will increase substantially to reach 385.1 million, making up 28.4% of China's total population. This represents a dramatic demographic shift, with the proportion of elderly population growing rapidly over this period, underscoring China's accelerating aging trend.

At the same time, the number of elderly people with disabilities is increasing as the population ages. In 2019, China had around 42.4 million elderly people with disabilities. By 2025, this figure had grown to around 47.5 million. Projections indicate that this figure will increase to 56.4 million by 2030, generating significant demand for healthcare, rehabilitation and eldercare services.

Additionally, chronic diseases, including cardiovascular and cerebrovascular diseases, cancer, diabetes, dyslipidemia, and chronic respiratory diseases, are increasingly prevalent among younger populations due to lifestyle changes, environmental factors, and rising stress levels. These conditions, characterized by insidious onset, prolonged duration, and complex causes, require extended medical care and support. With China's population aged 40 and above reaching 763.9 million in 2024, the market potential for chronic disease management and integrated healthcare services is substantial.

Overview of China's Healthcare Services Industry

China's healthcare expenditure has grown substantially, from approximately RMB6.6 trillion in 2019 to RMB10.7 trillion in 2024, and is projected to reach RMB15.9 trillion by 2030, reflecting the expanding demand for healthcare services. China's healthcare services are primarily delivered through licensed medical institutions providing comprehensive clinical treatment, disease prevention, public health management, medical research, and professional education, which can be broadly grouped into hospitals and other non-hospital medical institutions.

Hospitals. Hospitals dominate China's healthcare services industry, including general hospitals, TCM hospitals, specialty hospitals, and nursing centers. They are categorized into: (1) tertiary hospitals serving as regional/national centers with advanced capabilities and research functions; and (2) non-tertiary hospitals focused on community-based essential care and prevention. This forms the framework of China's graded diagnosis and treatment system ("GDTS").

Non-hospital Medical Institutions. These include: (1) primary healthcare providers such as community health centers and village clinics; (2) specialized public health agencies including centers for disease control and prevention and maternal/child health centers; and (3) rehabilitation centers and research institutes offering specialized support.

China has a large number of non-tertiary medical institutions, which are predominantly small-scale and geographically dispersed. By 2024, China's healthcare sector comprised nearly 4,000 tertiary hospitals, accounting for only 10.1% of all hospitals, alongside over one million primary healthcare institutions. However, the non-tertiary medical institutions in China often suffer from uneven distribution of medical resources and inconsistencies in service standards. The ongoing reforms as to the GDTS and public insurance payment models are placing an increasingly important focus on these non-tertiary providers, driving sector consolidation and service improvements. Many are evolving from traditional disease-centered models to integrated healthcare and eldercare systems, combining clinical treatment with long-term rehabilitation, chronic disease management and elderly care services to address growing demands for continuous, diversified care.

Additionally, China's healthcare institutions can be grouped by function into hospitals, primary-level healthcare institutions, specialized public health institutions, and other healthcare institutions. Hospitals include general hospitals, TCM hospitals, integrative TCM and Western medicine hospitals, ethnic minority hospitals, specialized hospitals, and nursing homes. Primary-level healthcare institutions comprise community health service centers and stations, urban and township health centers, village clinics, outpatient departments, and clinics. Specialized public health institutions include Chinese Center for Disease Control and Prevention, specialized disease control and treatment institutions, maternal and child health institutions, health education institutions, emergency medical centers, blood collection and supply institutions, and health supervision institutions. Other healthcare institutions include sanatoriums, clinical laboratory centers, medical research and in-service education institutions, medical examination centers, talent exchange centers, and statistical information centers.

Listed below are some other main types of medical institution in China.

Hospital classification system. China uses a three-tier hospital grading system with sub-levels A, B, and C (nine levels in total), plus a "Class III Special" tier. Class I hospitals have fewer than 100 beds and provide grassroots prevention, medical care, rehabilitation, and public health services. Class II hospitals have 100 to 500 beds, offer comprehensive services to multiple communities, and undertake some teaching and research. Class III hospitals have more than 500 beds, deliver high-level specialized care, and undertake advanced teaching and research.

Ownership classification. By ownership, public hospitals are government or collectively owned, publicly funded, and central to essential services, disease control, emergency response, and medical education and research. Private hospitals are non-state owned, including joint ventures and foreign-invested facilities, and complement the public sector with diversified, market-driven services.

Public and private hospitals are complementary rather than purely competitive. In 2024, China's tertiary hospitals had a 89.6% bed occupancy rate; public hospitals overall were at 84.8%, versus 64.3% for private hospitals, signaling near-saturation of public resources. In developed regions such as Beijing, utilization rates remained at relatively high levels, underscoring scarce high-quality resources and strong demand. In this context, private hospitals supplement and share the burden by serving patients who cannot access tertiary care in time, easing pressure on public hospitals. Policy since 2009 positions private hospitals as supplements for rather than substitutes to public healthcare system, especially in rehabilitation and hospice care where public provision is limited. As disposable incomes rise, the market is stratifying, with more diverse service demands across income groups. Private hospitals typically offer broader networks, shorter waits, more flexible physician choice, and wider coverage (specialized, elective, and alternative services). High-income patients increasingly choose private hospitals for superior environments, personalized care, shorter appointments, higher service quality, and stronger privacy. This stratification both relieves pressure on public hospitals and better matches medical choices to patients' economic capacities.

Profit orientation classification. By profit orientation, non-profit hospitals focus on public service, reinvest surplus into operations and development, and often receive fiscal and tax support, while for-profit hospitals are investor-owned, seek returns, and typically diversify offerings and innovate under market competition and regulatory oversight.

Overview of China's Eldercare Services Industry

China's eldercare sector has experienced remarkable growth, with home-based and community-based care models becoming increasingly prominent. These models align with traditional family values while meeting most seniors' preference for aging in place. China has adopted the "9073" eldercare model, whereby 90% of elderly individuals receive home-based care through self-care or family assistance, 7% access community-based services supported by government welfare policies, and 3% utilize institutional care services. In 2021, the Ministry of Civil Affairs introduced eight national standards for elderly care services, specifying operational and service requirements across various aspects of eldercare institutions. From 2024 to 2025, in collaboration with multiple government agencies, the Ministry of Civil Affairs implemented a series of measures to stimulate demand for eldercare services and enhance seniors' quality of life. Additionally, in 2024, the State Council issued a policy directive outlining key objectives, including establishing a comprehensive eldercare service network, strengthening fiscal support mechanisms, and advancing eldercare finance and digitalization. The initiative targets the completion of a fully functional eldercare service network by 2029. These measures are expected to further propel the healthy development of China's eldercare services industry.

Challenges in China's Healthcare and Eldercare Services Industry

China's aging population has heightened the need for medical, nursing, and rehabilitation services in eldercare settings. However, there remains a significant disconnect between these healthcare services and elderly care services. The current healthcare system often subjects elderly patients to a fragmented cycle of moving between home, hospitals, and care facilities. Today's patient care pathways have grown increasingly complex, demanding solutions that transcend isolated touchpoints. To deliver truly patient-centered, high-quality care, a comprehensive, integrated value chain that consistently combines medical services, technological support, patient engagement initiatives, and social care networks is expected to be established.

Specifically, the disconnect between healthcare and eldercare services in China has created several critical industry pain points that need to be addressed:

Unmet Diverse and Continuous Health Needs of the Elderly. China's rapidly aging population has led to a surge in chronic diseases and comorbidities among older adults, creating an urgent need for continuous and integrated medical, rehabilitation, nursing, palliative care, and other extended services. However, the current system fails to deliver consistent, long-term support, leaving critical gaps in elderly care. Meanwhile, the social and family burdens of elderly care are substantial. According to China National Committee on Aging (CNCA), medical expenditure for those aged 60 and above is three to five times higher than for younger groups. Due to the disconnect between healthcare and elderly care systems, elderly patients often cycle between home, hospitals, and care facilities, resulting in redundant tests, unnecessary hospitalizations, and higher expenses.

Poor Infrastructure Allocation and Talent Shortages. While the inpatient bed utilization rates in China's primary healthcare institutions dropped from 60.3% in 2017 to 52.4% in 2023, tertiary hospitals remain overburdened due to bed shortages and long patient wait times. This imbalance highlights systemic inefficiencies in resource distribution. Simultaneously, critical gaps persist in specialized care infrastructure, particularly in rehabilitation and geriatric departments, along with a severe shortage of continuous care facilities. The uneven distribution of geriatrics and multi-disciplinary medical specialists and nursing staff further exacerbates pressure on healthcare institutions, leaving growing elderly care demands unmet.

Service Continuity Shortfalls Caused by Administrative Gaps. In China, medical services and elderly care fall under separate government bodies — the NHC and the Ministry of Civil Affairs — resulting in fragmented management and underdeveloped coordination mechanisms. This division creates barriers in licensing, staffing, and funding, hindering consistent integration of medical, rehabilitation, nursing, palliative care, and other extended services.

Lack of Standardization and Technological Empowerment. The lack of unified standards and persistent data silos between systems undermine care continuity, while the slow adoption of digital health technologies limits efficiency gains. Despite emerging pilots in AI and telemedicine, most regions still lack the infrastructure to deliver tech-enabled, standardized elderly care at scale. As aging intensifies, building standardized care systems and empowering services with technology will be key to future development.

CHINA'S INTEGRATED HEALTHCARE AND ELDERCARE SERVICES INDUSTRY

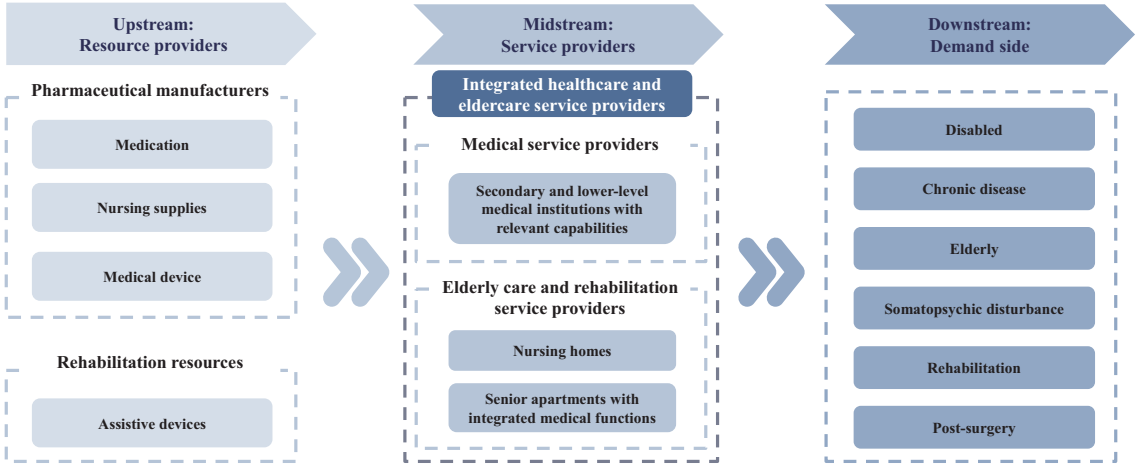
Overview of China's Integrated Healthcare and Eldercare Services Industry

The integrated healthcare and eldercare service model represents a comprehensive, community-based approach that combines medical diagnosis and treatment, rehabilitation therapy, nursing, and eldercare resources into a unified health management platform.

This model reduces unnecessary hospitalizations and optimizes infrastructure and personnel deployment, achieving economies of scale and lowering total system costs. Certain services are eligible for coverage under long-term care insurance, thus alleviating the financial burden on patients and their families. This model also improves health outcomes by providing comprehensive on-site services spanning diagnosis, post-operative recovery and chronic disease management. By addressing critical shortcomings in conventional eldercare systems, it minimizes unnecessary hospital transfers while establishing a convenient one-stop solution that improves both access to care and treatment continuity for elderly patients.

Industry Chain of Integrated Healthcare and Eldercare Services

The integrated healthcare and eldercare services industry operates through a multi-stakeholder ecosystem, connecting upstream resource providers, midstream service providers, and downstream end-users with diverse healthcare needs.



Source: NHC, NHSA, China Insights Consultancy

Midstream service providers forms the core of the integrated care landscape. Services are delivered through two main provider types: (1) medical service providers, primarily comprising Class II or lower-tier private medical institutions offering specialized services for middle-aged and elderly patients and common diseases through dedicated departments; and (2) elderly care and rehabilitation service providers, including nursing homes and senior apartments with integrated medical functions through in-house clinics or nursing stations. These two provider groups collectively shape China's integrated healthcare and eldercare ecosystem, meeting growing demands for continuous, coordinated services amid a rapidly aging population.

Particularly, medical service providers utilize clinical expertise from healthcare facilities to deliver comprehensive, end-to-end services spanning diagnosis and treatment, rehabilitation, long-term nursing, and palliative care. Through customized care pathways designed around patients' specific medical conditions and recovery goals, this model achieves precise service alignment. The inherent quality control systems and standardized protocols of medical institutions further ensure consistent care standards while reducing operational risks, thereby establishing a more secure and dependable institution-based care environment for elderly patients.

China's integrated healthcare and eldercare system operates under a multi-tiered financing structure. Basic medical insurance remains the cornerstone of funding, covering 84.8% of inpatient costs in 2024, while long-term care insurance reimburses 70-75% of eldercare expenses in 49 pilot cities. Total basic medical insurance fund expenditures grew from RMB819.1 billion in 2019 to RMB1,066.1 billion in 2024, and long-term care beneficiaries rose from 0.8 million to 1.5 million

over the same period. With insurance growth tapering, self-pay and commercial insurance will become critical for the diversification of revenue sources. Rising per capita disposable income and health spending capacity further underpin the shift toward out-of-pocket and commercial insurance-funded services.

Policies of China's Integrated Healthcare and Eldercare Services Industry

China's integrated healthcare and eldercare services industry has developed through four key policy phases, each addressing critical needs in the nation's aging population:

- ***Foundational Design (2013-2015).*** Spearheaded by the State Council, this phase established the strategic framework for integration of healthcare and eldercare through landmark policies such as the Opinions on Accelerating the Development of Elderly Care Services issued in 2013 and the National Healthcare Service System Plan (2015-2020), which emphasized cross-sector collaboration and resource allocation.
- ***Task Refinement (2015-2016).*** Jointly driven by the Ministry of Civil Affairs and the NHC, this stage focused on clarifying regulatory responsibilities, expanding pilot programs (e.g., long-term care insurance trials), and refining operational guidelines to deepen industry specialization.
- ***Implementation & Expansion (2017-2020).*** Led by the NHC, this phase prioritized detailed execution, including streamlined approvals for in-house clinics in elderly care institutions through the Basic Standards for Rehabilitation Medical Centers promulgated in 2017 and nationwide quality enhancement initiatives through the Notice on Service Quality Improvement promulgated in 2020, accelerating sector scalability.
- ***Optimization & Innovation (2020-Present).*** Since 2020, China has implemented three pivotal policies to enhance and standardize integrated healthcare and eldercare services. The State Council's Guidance on Further Promoting the Integration of Healthcare and Eldercare in July 2022 addressed critical gaps in policy support, service capacity, and talent cultivation. This was followed by the Guidelines for Home and Community-Based Integrated Healthcare and Eldercare Services in November 2023, which established nationwide standards for non-institutional care. Most recently, the NHC's Opinions on Promoting the High-quality Development of Integrated Healthcare and Eldercare Services in December 2024 expanded long-term care insurance coverage to qualified providers while reinforcing contract management, cost-review mechanisms, and regulatory oversight. Collectively, these reforms have streamlined administrative processes, encouraged public-private collaboration, stimulated regional innovation, and improved service standardization to better accommodate the varied needs of aging populations.

China's integrated healthcare and eldercare services industry is undergoing structural transformation driven by a series of favorable government policies and institutional reforms. While these reforms require service providers to enhance operational efficiency and grassroots service capacity, they also create sustained drivers for standardized, community-based integrated care models, such as ours.

At the healthcare system level, the implementation of DRG/DIP-based public medical insurance payment reforms has strengthened cost discipline and promoted efficiency-based reimbursement, encouraging the diversion of patients from high-cost acute hospitals to more appropriate settings for rehabilitation, chronic disease management and long-term care. This has led to more stable and predictable demand for community-based and non-acute medical services, directly supporting the utilization and scalable expansion of our integrated facilities.

In parallel, the GDTS reinforces community and primary healthcare institutions as the first point of contact and the platform for health management, rehabilitation, and elderly care. With two-way mechanisms linking primary institutions and higher-tier hospitals, this framework increases patient inflow, follow-up and rehabilitation demand across our network, and improves our coordination with acute hospitals.

At the macro policy level, recent national policies further reinforce long-term structural support for integrated healthcare and eldercare services. The *Resolution of the Third Plenary Session of the 20th Central Committee of the CPC* (July 2024) emphasizes comprehensive reform and modernization of public services, providing an overarching institutional framework for deeper integration of healthcare and eldercare systems. The *2025 Central Economic Work Conference* explicitly identifies the development of the "silver economy (銀髮經濟)" as a national priority. This policy focus underscores the strategic importance of expanding eldercare service capacity and improving service quality, thereby strengthening long-term demand fundamentals for integrated

healthcare and eldercare providers. Further, the *2025 Government Work Report* explicitly calls for improving elderly care service mechanisms and expanding home- and community-based eldercare. This reflects continued government commitment to community-centered and integrated service delivery models, and provides policy clarity and stability for operators with established community-based networks including us.

Overall, these government policies and reforms do not merely provide a favorable regulatory backdrop, but directly and tangibly drive our business by increasing demand certainty, reinforcing the shift toward standardized and community-based care delivery, and improving the operating and reimbursement environment. Together, they enhance the scalability, sustainability, and long-term growth prospects of our integrated healthcare and eldercare business model.

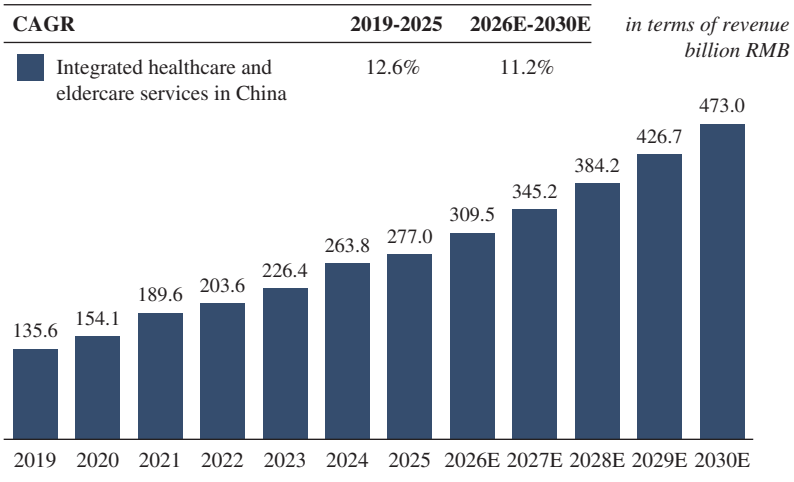
Additionally, in recent years, a number of regulatory developments have been implemented or further strengthened, which may have implications for our pricing mechanisms, reimbursement levels, procurement practices, operational efficiency and expansion plans. See "Business — Recent Regulatory Changes."

Market Size of Integrated Healthcare and Eldercare Services in China

Integrated healthcare and eldercare institutions are characterized by their ability to provide both medical treatment and eldercare services within a single organization. This model minimizes the need for patients and their families to travel between separate facilities, supports continuity of care, and contributes to improved bed utilization and overall operational efficiency. Compared with single-function providers, integrated institutions are generally equipped with multi-disciplinary teams, including physicians, nurses and rehabilitation professionals, enabling them to address daily caregiving needs while also offering chronic disease management, rehabilitation and palliative care. In addition, this model is consistent with national policies that encourage the integration of healthcare and eldercare services, thereby affording policy support and positioning such institutions for long-term development. Currently, many elderly individuals seek institutional care out of necessity and have strong expectations for more professional caregiving and medical services. This further highlights the necessity and timeliness of the integrated model.

Market projections indicate strong growth potential for integrated healthcare and eldercare services in China. The sector has demonstrated consistent expansion, growing from RMB135.6 billion in 2019 to RMB277.0 billion in 2025, achieving a CAGR of 12.6% during this six-year period. Looking ahead, the market is expected to maintain its upward trajectory, reaching an estimated RMB473.0 billion by 2030. This represents a projected CAGR of 11.2% from 2026 to 2030, underscoring the sector's favorable development prospects.

Market size of integrated medical and elderly care services in China, 2019-2030E



Source: NBSC, NHC, expert interviews, CIC

NORTH CHINA'S INTEGRATED HEALTHCARE AND ELDERCARE SERVICES INDUSTRY

Market Size of Integrated Healthcare and Eldercare Services in North China

North China holds strategic importance in China's overall integrated healthcare and eldercare sector, encompassing key economic and political hubs. The region's approximately 170 million residents, including dense elderly populations in major urban centers such as Beijing and Tianjin, generate substantial demand for integrated care services. This demographic concentration positions North China as a critical market, accounting for a significant share of the nation's overall healthcare and eldercare needs.

The integrated healthcare and eldercare services industry in North China has demonstrated steady growth, expanding from RMB13.6 billion in 2019 to RMB28.9 billion in 2025, representing a CAGR of 13.4%, and is expected to grow at a CAGR of 10.6% from RMB32.1 billion in 2026, with the market being expected to reach RMB48.1 billion by 2030. In 2025, integrated healthcare and eldercare services accounted for over 2% of North China's overall healthcare and eldercare services market.

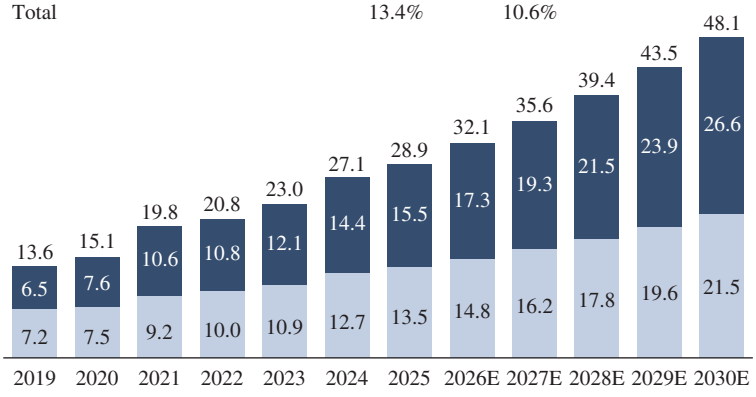
In 2019, the integrated healthcare and eldercare services industry in North China accounted for approximately 10.0% of the overall China's integrated healthcare and eldercare services industry. This share remained broadly stable at 10.5% in 2025 and is projected to stabilize by 2030, reflecting steady regional growth driven by demographic demand and supportive policies.

The following chart presents a detailed breakdown of North China's integrated healthcare and eldercare services industry by patient nature.

Market size of integrated healthcare and eldercare services in north China, 2019-2030E

CAGR	2019-2025	2026E-2030E
Outpatient	15.7%	11.3%
In-patient	11.1%	9.9%
Total	13.4%	10.6%

In terms of revenue billion RMB



Source: NBSC, NHC, expert interviews, CIC

Note: "In-patient" refers to bed-based revenues from integrated healthcare and eldercare service providers, rather than conventional hospital inpatients.

Competitive Landscape

The North China's integrated healthcare and eldercare services industry remains highly fragmented and competitive, characterized by numerous small to medium-sized service providers alongside emerging regional leaders, creating significant consolidation opportunities for certain service providers seeking to capture market share in this rapidly growing sector. Specifically, by the end of 2025, there were over 5,000 integrated healthcare and eldercare service providers across the region. The following table shows the ranking of integrated healthcare and eldercare service providers in North China in terms of in-network revenue in 2025.

Ranking	Company	Scope of Business	In-network revenue in millions	Market share	# of institutions in North China	Avg. growth rate 2022-2025	% of middle-aged and elderly patients
1	Company A	A Beijing-based institution specializing in the investment, development, and operation of non-profit hospitals, it partners with leading tertiary centres to build a network, leveraging integrated medical alliances and digital platforms to enhance patient access and clinical collaboration.	~804.0	2.8%	4	10-20%	25-30%
2	**Our Group**	**–**	**~620.0**	**2.1%**	**8**	**20%+**	**40%+**
3	Company B	A China-founded private healthcare group established by overseas-trained clinicians, it focuses on high-precision neurosurgery, oncology interventions, and comprehensive general medicine, operating nine major hospitals in Tier-1 cities and continually expanding through strategic mergers and greenfield projects.	~611.0	2.1%	3	10-20%	20-25%
4	Company C	A HK-listed, Beijing-headquartered oncology service provider offering end-to-end tumour care – from early prevention and screening to diagnosis, multimodal treatment, and post -treatment rehabilitation – through its portfolio of specialized cancer hospitals and partnerships with academic research teams.	~476.0	1.6%	3	10-20%	10-15%
5	Company D	A Beijing-based international medical group, it delivers U.S.-standard personalized healthcare across full-service hospitals and more than 20 clinics in major Chinese metropolises, staffed by Western-trained physicians and supported by advanced digital health collaborations.	~473.0	1.6%	2	5-10%	0-10%
CR5			**~2984.0**	**10.2%**			
Total			**28,947.7**	**100%**			

* In-network revenue presented is calculated by aggregating the revenue generated from providing integrated healthcare and eldercare services by all medical institutions within the network of underlying service providers, including institutions owned, managed and invested in by such service providers.

Source: Expert interviews, CIC

Entry Barriers

Resource Barriers. At the resource level, incumbent enterprises have developed deeply entrenched networks with medical institutions, insurance systems, and community resources that cannot be easily replicated. Established players possess critical institution practicing licenses, medical insurance designated medical institution status, and partnerships with tertiary hospitals for collaboration within China's healthcare system. In addition, their strategic positioning in high-density urban areas creates additional location and first-mover advantages that transcend mere capital investment.

Brand Barriers. Early entrants have established strong brand recognition and patient trust in medical, rehabilitation, nursing, palliative care, and other extended services through long-term service delivery. Middle-aged and elderly patients show a clear preference for stable, reliable institutions with longer operating histories. Physicians engaged in multi-site practices also tend to collaborate with integrated care providers that possess strong brand credibility and established reputation. New competitors must overcome both market education challenges and the need for differentiated positioning strategies.

Operational Barriers. Physician teams are central to clinical quality, treatment consistency, and institutional credibility. Patients and their families demonstrate strong preference for institutions with seasoned medical teams and established treatment protocols. However, the industry faces talent shortages, particularly for professionals skilled in medical treatment, rehabilitation nursing, elderly care and business management. New entrants face challenges in building experienced physician teams capable of managing complex, multi-morbidity cases that are common among elderly patients. Incumbents also benefit from refined operational systems, including standardized procedures, risk management frameworks and optimized cost structures developed through years of practice.

Investment Barriers. The initial investments of the integrated healthcare and eldercare services industry include substantial upfront capital investments in facility construction, equipment procurement, and staff training. New entrants must carefully consider that the investment payback period remains challenging. Established players maintain sophisticated evaluation processes for new projects and demonstrate superior operational integration across medical, rehabilitation nursing, palliative care, and other extended services. Their adaptive capabilities allow swift responses to evolving market demands.

Industry Chain Barriers. Integrated healthcare and eldercare services rely heavily on high-standard medical equipment and pharmaceutical supplies from upstream sectors, with stringent requirements for supply chain stability, which can be challenging for new entrants. Long-term partnerships with suppliers are also essential for cost competitiveness. As the midstream service providers, integration of medical and elderly care resources requires a unified and efficient management system, which presents operational and coordination challenges for newcomers.

Key Drivers and Development Trends

Aging Population. According to the NBSC Yearbook, in 2024, China's elderly population aged over 60 reached 310.3 million, accounting for 22.0% of the total population. In addition, in 2024, approximately 23.0% of the population in North China was aged 60 or above. In Beijing, the proportion reached 23.5%, higher than the national average. By 2030, the proportion of elderly individuals with disabilities is expected to exceed 15%, fueling demand for both medical services and long-term care. This trend drives a shift from fragmented, basic integrated care services toward community-based models encompassing prevention, treatment, and rehabilitation.

Rising Health Awareness. The government promotes healthy aging through comprehensive strategies emphasizing preventive care, chronic disease management, and mental health support. North China actively aligns with national policy. Shanxi Province included elderly mental health services in its 14th Five-Year Health Plan, establishing counseling rooms in community centers in Taiyuan. Inner Mongolia applies traditional Mongolian medicine to prevent and treat geriatric joint and cardiovascular diseases in cities like Hohhot. Nationwide, dementia prevention initiatives and community care expansion are advancing. For instance, Haidian District in Beijing launched "Memory Clinics" within communities to screen cognitive function and memory, provide one-on-one cognitive training, group sessions, and individual services, demonstrating strong commitment to improving elderly quality of life and tackling aging challenges.

Improved Spending Power. Higher disposable incomes are increasing demand for premium eldercare, particularly in urban centers. In 2024, China's national per capita disposable income reached RMB41,314, representing a year-on-year increase of 5.3%. Among urban residents, the figure rose to RMB54,188, reflecting a 4.6% increase. The average per capita disposable income in North China was RMB43,130 in 2024, marking a year-on-year increase of 5.0%. Tiered income growth drives upgraded care consumption and reveals structural development potential across regions.

Strengthening Policy Support. Regional policies actively promote integrated care. The Beijing-Tianjin-Hebei regional integration strategy enhances efficient allocation and coordination of care resources. In 2021, Beijing's Health Commission issued an implementation plan to deepen integrated care, expand service supply, simplify registration for such institutions, and support the group- and chain-based development of large private-sector providers. In 2025, the health commissions of Beijing Tongzhou, Tianjin Wuqing, and Hebei Langfang jointly released the 2025 Work Plan for High-Quality Integrated Healthcare Development. The plan includes building regional alliances for integrated care, specialty networks, and expert quality control panels, promoting coordinated development across the Beijing-Tianjin-Hebei region.

Horizontal Expansion and Vertical Coordination. The integrated healthcare and eldercare industry in North China is undergoing strategic consolidation through both horizontal expansion and vertical integration. Leading providers are adopting group-based operational models, leveraging their capital strength and management expertise to pursue mergers and acquisitions that expand service networks across regions. This horizontal growth is facilitated by standardized care protocols and shared clinical data systems, enabling efficient scaling of operations. Concurrently, industry players are deepening vertical collaboration along the value chain, utilizing clinical insights from chronic disease management and rehabilitation cases to drive upstream innovation in medical equipment and assistive technologies. These dual development pathways — horizontal expansion and vertical coordination — are creating synergies that enhance service quality while optimizing resource allocation across the integrated care ecosystem.

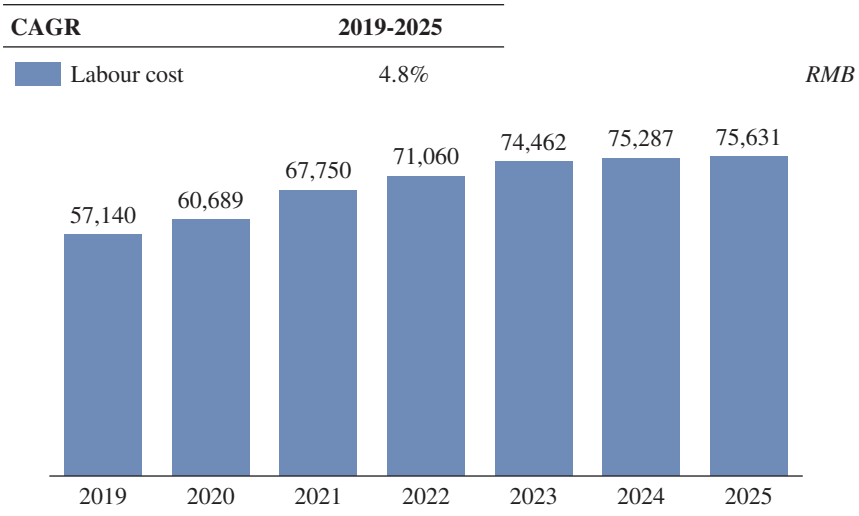
Technology-driven Smart Transformation. The convergence of artificial intelligence and big data is emerging as a key trend in the integrated healthcare and eldercare sector. Amid accelerating aging and rising healthcare demand, AI is increasingly applied in medical imaging analysis, disease prediction, and personalized treatment, supporting physicians in diagnosing geriatric diseases with greater efficiency and accuracy. Cloud-based health data platforms enhance auxiliary diagnosis and disease forecasting, further strengthening geriatric and rehabilitation service capabilities. In patient management, digital platforms integrating appointment scheduling, follow-ups, health records, and telemedicine are becoming widespread, delivering full-process, continuous health management services for the elderly. The trend facilitates the effective transfer and conversion of medical resources, promotes the adoption of precision health management, and drives rapid expansion in related services and product markets.

HISTORICAL AND FORECAST PRICE TRENDS OF MAJOR COST COMPONENTS

Cost of Labor

Labor costs constitute a primary cost driver for integrated healthcare and eldercare service providers. Based on sector data for urban private units in health and social services, average annual wages increased from 2019 to 2025 at a CAGR of 4.8%. The most pronounced acceleration occurred between 2019 and 2021, driven by heightened demand for licensed clinicians, nursing, rehabilitation, and care management personnel, alongside post-pandemic staffing tightness. Wage growth remained steady from 2022 to 2023 on the back of continued policy support for healthcare reform, rising disposable income, and sustained demand for integrated care models. The 2025 figure suggests a modest normalization of growth while maintaining an upward trajectory. Looking ahead, average annual wages in China's health and social service industry are projected to maintain its steady growth.

Historical average labor cost trend of urban private units in China's health and social service industry, 2019-2025



Source: NBS, CIC

SOURCE OF INFORMATION

In connection with the [**REDACTED**], we engaged China Insights Consultancy, an independent market research consultant, to conduct an analysis of, and to prepare a report about China's integrated healthcare and eldercare services industry. The CIC Report has been prepared by China Insights Consultancy, independent of the influence of our Group and other interested parties. We have agreed to pay China Insights Consultancy a total fee of RMB501,380 for the preparation and use of the CIC Report, and we believe that such fees are consistent with the market rate.

China Insights Consultancy conducted both primary and secondary research using a variety of resources. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources. The market projections in the commissioned report are based on the following key assumptions: (1) the overall social, economic and political environment in China is expected to remain stable during the forecast period; (2) China's economic and industrial development is likely to maintain a steady growth trend over the next decade; (3) related key industry drivers are likely to continue driving the growth of the market during the forecast period; and (4) there is no extreme force majeure or industry regulation in which the market may be affected dramatically or fundamentally.

Unless otherwise specified, all data and forecasts contained in this section are derived from the CIC Report. Our Directors, upon acting with reasonable prudence, confirmed that there has been no occurrence of adverse change in the overall market information that would subject the data to significant restrictions, contradiction or negative effects since the date of the report.