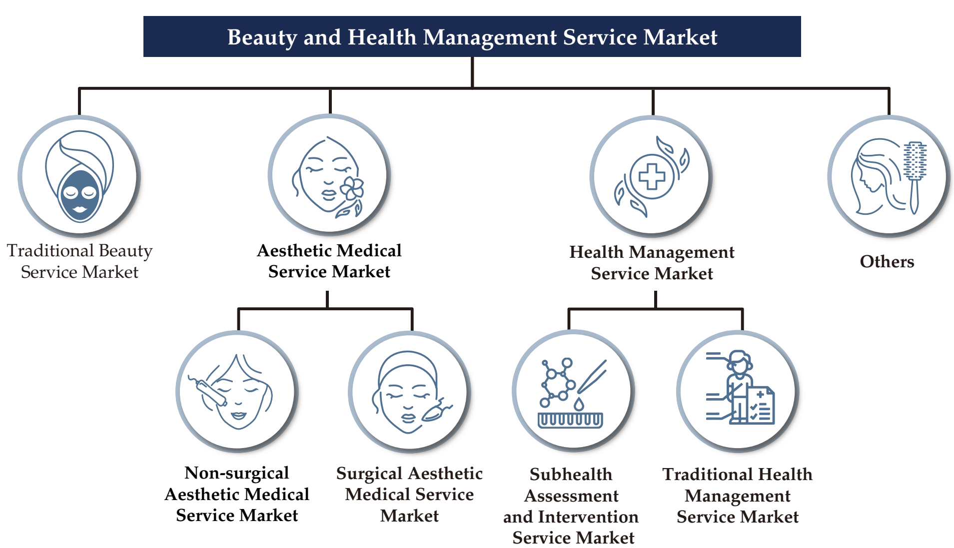
The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan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

OVERVIEW OF BEAUTY AND HEALTH MANAGEMENT SERVICES

The concept of beauty and health management services refers to a wide range of services to help consumers maintain and improve their physical appearance and health, including traditional beauty services, aesthetic medical services, health management services and others. Aesthetic medical services can be further categorized into non-surgical aesthetic medical services and surgical aesthetic medical services. Health management services refer to one-stop physical examination, consultation and intervention services for healthy and sub-health population, which can be subdivided into (i) traditional health management services applying clinical medicine; and (ii) newly emerged subhealth assessment and intervention services applying functional medicine in terms of the examination and intervention approaches. We have been dedicated to providing traditional beauty services since 1993 and expanded to non-surgical aesthetic medical services in 2011, to subhealth assessment and intervention services in 2018, within this beauty and health management service industry.

The following chart briefly illustrates the beauty and health management service market:



Source: Frost & Sullivan analysis.

The main characteristics of traditional beauty services, aesthetic medical services and subhealth assessment and intervention services that the Company provides are demonstrated in the table below:

	Beauty Services			Health Management Services
		Aesthetic Medical Services		
Service Categories	**Traditional Beauty Services**	**Non-surgical Aesthetic Medical Services**	**Surgical Aesthetic Medical Services**	**Subhealth Assessment and Intervention Services**
Treated Areas	Superficial human tissues, generally limited to the skin, subcutaneous tissues and superficial muscles			Organ systems
Medical Interventions	Not involved	• Superficial treatments utilizing various forms of energy, such as laser, radiofrequency, intense pulsed light • Superficial cosmetic injections of dermal fillers, botulinum toxin type A, etc.	Facial and body aesthetic surgeries	Functional medicine by means of intravenous infusion, intracavitary perfusion, holistic physical therapy, etc.
Effects of Services	Mild effects on maintaining consumers' skin conditions	Enhanced effects on maintaining and/or improving consumers' skin conditions	Visible alteration in consumers' appearance	Elevated conditions of the organ systems of the body, such as enhanced digestive power, hormone balance, intestinal flora balance
Main Products or Devices Used	• Skin care products, such as masks, lotions and serums • Body and facial care devices	• Energy-based beauty devices, such as Fotona 4D system, Thermage RF system, etc. • Cosmetic injectables	Surgical instruments	• Functional medicine equipment that provides functional assessment or intervention of organ systems, such as thermal texture maps system, hyperthermia system, etc. • Medications, such as reduced glutathione

	Beauty Services			Health Management Services
		Aesthetic Medical Services		
Service Categories	**Traditional Beauty Services**	**Non-surgical Aesthetic Medical Services**	**Surgical Aesthetic Medical Services**	**Subhealth Assessment and Intervention Services**
Medical Practitioners	Not involved	Aesthetic dermatologists	Aesthetic surgeons	Internists
Medical Departments Involved	Not involved	Department of aesthetic dermatology	Department of aesthetic surgery	Department of internal medicine

Source: Frost & Sullivan analysis.

The overall beauty and health management service market size reached RMB1,236.5 billion in 2021, and several clear drivers can be observed in recent years and are expected to continue in near future:

Increasing disposable income and expanding middle class: *Per capita* disposable income of urban residents in China increased at a CAGR of 6.8% from RMB36,396 in 2017 to RMB47,412 in 2021. In addition, the number of middle-class households with annual household income above RMB300,000 in tier-one cities has grown from approximately 28.2 million in 2017 to approximately 46.4 million in 2021. Beauty and health management services nowadays pertain closely to consumerism and are likely to see a rise in demands.

Increasing awareness of beauty and health: Due to the rapid economic development and a service-oriented consumption upgrade in recent years, urban residents are able and willing to spend more money to maintain and improve well-being as well as physical appeal. Besides, as suboptimal health status (SHS) population grows and related physical and mental issues surge, many urban residents are suffering from various suboptimal health symptoms, which increases their awareness towards health improvement and disease prevention, such as cardiovascular diseases and gastrointestinal diseases.

TRADITIONAL BEAUTY SERVICES

Traditional beauty services include body care services and facial services. Body care services mainly include slimming and body maintenance services. Facial services mainly include cleaning and moisturizing, skin whitening and skin rejuvenation services. Particularly, water circulation cleaning, skin moisturizing, skin whitening, skin tightening and body massage are popular among clients of traditional beauty services.

Customers

Traditional beauty service customers mainly age between 31 and 50, and are mostly white-collar professionals, executives, entrepreneurs, and housewives, among whom 82.5% are females living in cities. The average transaction value of traditional beauty services is in the range of RMB400 to RMB1,500. Particularly, among mid-to-high-end customers, the average transaction value is in the range of RMB800 to RMB1,500. When choosing an institution, they focus on service and product quality, brand reputation, comprehensive services, proficiency of practitioners, cost-effectiveness, locations and environments of institutions, among others.

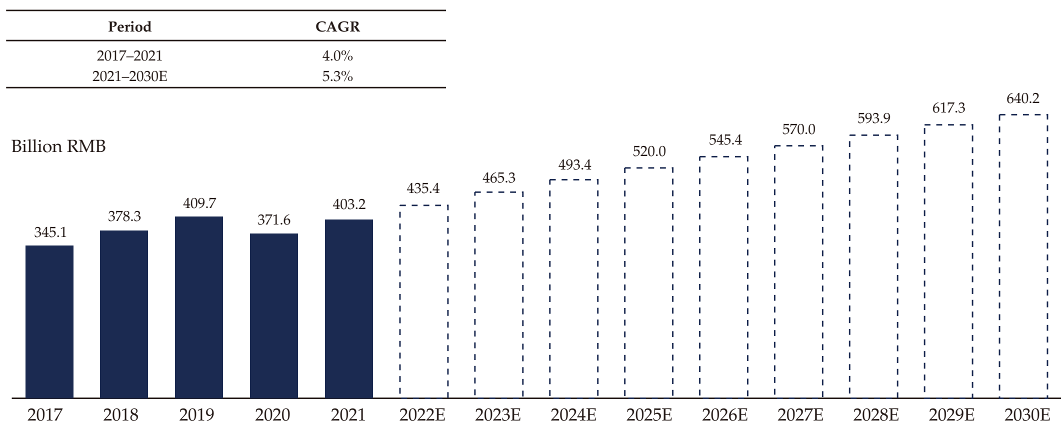
Since traditional beauty services provide relief for skin and body conditions with moderate effects, consumers tend to repurchase and consume frequently, and take regular service sessions to refresh themselves and release stress.

From 2017 to 2021, the population receiving traditional beauty services in China increased from 147.4 million to 155.2 million, with a CAGR of 1.3%. Although the population shrank from 161.8 million in 2019 to 152.1 million in 2020 and 155.2 million in 2021 due to the impact of COVID-19 pandemic, it is expected to grow in long term and is projected to reach 197.5 million in 2030.

Market Size

Total revenue of traditional beauty service market in China has grown from RMB345.1 billion in 2017 to RMB403.2 billion in 2021, with a CAGR of 4.0%. As the Chinese government imposed nationwide restrictions on social distancing and personal interaction, in response to the COVID-19 pandemic, the traditional beauty service market shrank from RMB409.7 billion in 2019 to RMB371.6 billion in 2020 and RMB403.2 billion in 2021. However, in the near future, with consumption upgrade, the traditional beauty service market will continue to grow, and the market size is forecasted to reach RMB640.2 billion in 2030, with a CAGR of 5.3% from 2021 to 2030.

Total Revenue of Traditional Beauty Service Market in China, 2017-2030E



Source: China Healthcare Statistical Yearbook, Annual Report, Expert Interview, Frost & Sullivan analysis.

Key Growth Drivers

The development of traditional beauty service industry is driven by wide product offering, including serums, lotions and facial masks. Furthermore, daily facial and body care products are mostly classified as cosmetic products under the classification criteria of the NMPA, thus are much faster to obtain approval and start commercialization, as compared with aesthetic products and devices classified as Class III medical devices.

Entry Barriers

New entrants of the traditional beauty service market in China face the following entry barriers:

- **Strong brand effect of leading players:** Even though traditional beauty services are not as risky as other beauty services, such as surgical procedures or injections, clients tend to choose chain institutions with trusted reputation and proven track record of quality services, as such institutions with experienced practitioners and robust store networks tend to be more trustworthy to clients in guaranteeing the authenticity of products and high standard of services. It is difficult for new market entrants to establish a good brand reputation and achieve stable client flows in a short period of time.

- **Difficulty to scale up on personalized services:** As body and skin issues vary among clients of different genders, ages and regions, an increasing number of clients are expecting personalized and tailor-made services. As an institution expands, it is difficult to ensure the high quality of personalized services among different stores, as well as to standardize or streamline personalized service offerings during the process of expansion.

- **Insufficient capital:** It is a capital heavy business, especially when operating a nation-wide network of stores. To be competitive in the market, constant capital investment to acquire and upgrade to cutting-edge devices and equipment is essential. In addition, leasing stores with high footage and renovating to maintain quality interiors also require heavy investment of capital.

- **Lack of experienced therapists:** The quality and client experience of traditional beauty services rely greatly on the skills of the therapists providing such services. There is a limited number of therapists who possess the relevant skills, systemic training and extensive experience. Furthermore, it takes a long time for a newcomer in this industry to become an experienced therapist. Together with the growing demand for traditional beauty services, the limited supply of trained therapists may result in increasing difficulty for service providers to hire and retain qualified and experienced therapists for the provision of traditional beauty services.

Competitive Landscape

Market players in traditional beauty service market in China mainly include domestic and international traditional beauty service providers with individual and chain stores in the PRC. All such market players were taken into account when analyzing the top market players for traditional beauty service market. As set forth in the table below, in terms of revenue generated from traditional beauty services at direct stores, our Group ranked first among competitors in China in 2021.

Top Market Players in Traditional Beauty Services in China by Revenue in 2021

Rank	Institution	Company background	Revenue	Market Share
			(RMB millions)	*(%)*
1	Our Group	/	910.8	0.2
2	Guangzhou Naturade Beauty Technology Company Limited (廣州奈瑞兒美容科技有限公司)	A private beauty service group founded in 2007, headquartered in Guangzhou, China. It mainly provides traditional beauty services and non-surgical aesthetic medical services	674.9	0.2
3	Siyanli Beauty Limited Company (思妍麗美容集團)	A private beauty service group founded in 1996, headquartered in Shanghai, China. It mainly provides traditional beauty services and non-surgical aesthetic medical services	532.6	0.1
4	Shanghai Zunya Industry Co., Ltd. (上海尊雅實業有限公司)	A private beauty service group founded in 1999, headquartered in Shanghai, China. It mainly provides traditional beauty services	354.0	0.1
5	Laboratoire Fillmed	A private beauty service provider based in France. It entered PRC market in 2017. It mainly provides traditional beauty services	311.0	0.1

Source: Expert Interview, Frost & Sullivan analysis.

Note: Revenue in the chart above excludes revenue generated from manicures, eyebrow tattooing and other services performed by third-party service providers.

Large-scale chain institutions with comprehensive service portfolio, established brand reputation and loyal client bases in mid-to-high-end markets are more likely to gain market shares in the future.

Future Trends

The future trends of the traditional beauty service market in China include the following:

- **Increasingly specialized and differentiated services:** Due to clients' increased beauty awareness and advancement of beauty technologies, clients nowadays have more diversified and differentiated demands for traditional beauty services, such as skin whitening, body slimming, and skin tightening. As they have higher and more diversified requirements for services than before, service providers are encouraged to offer services in more professional ways in the future.

- **Industry consolidation:** Consolidation among traditional beauty service market players is expected to accelerate within this fragmented industry, pushing the industry to gravitate towards providing services of higher quality and practice standards. Leading players, with technological superiority, brand awareness and client resource advantages, are expected to experience rapid expansion.

OVERVIEW OF AESTHETIC MEDICAL SERVICES

Aesthetic medical services are medical services that are primarily intended to maintain or improve personal appearance. Such services are generally elective and performed on various parts of clients' face and body. In general, aesthetic medical services may be categorized into non-surgical aesthetic medical services and surgical aesthetic medical services.

Non-Surgical Aesthetic Medical Services

Non-surgical aesthetic medical services include two groups of services, namely, energy-based procedures and injection procedures. Energy-based procedures are performed with devices that utilize various forms of energy, such as laser, radiofrequency, intense pulsed light and ultrasound. They are used primarily for skin care and body contouring, such as acne and pigmentary treatments, rejuvenation applications and skin tightening. Injection procedures primarily comprise procedures that involve minimal penetration into body tissues, where substances such as botulinum toxin type A, collagen and hyaluronic acid dermal filler are injected into clients' face or body.

The following table sets forth the key service categories of injection procedures and energy-based procedures:

Facial Body

Injection Procedures

Mesotherapy

- Injecting active substances, such as hyaluronic acid, into the junction of dermis and epidermis through micro-injections or using the vacuum negative pressure technology with the aim to moisturize and hydrate skin, shrink pores, improve skin tone and lighten fine wrinkles.

Dermal Filling

- **Hyaluronic acid:** material for facial shaping and wrinkle reduction.
- **Collagen:** replenish the skin's natural collagen.

Botulinum Toxin Injection

- For the purpose of wrinkle removal, face thinning and weight loss

Energy-based Procedures

Pulse Light

- **LED light therapy:** For the purpose to kill acne-causing bacteria.
- **Intense Pulsed Light (Photo Rejuvenation):** Using broad-spectrum light to ease spots and trying to stimulate the rejuvenation of collagen.

Laser

- **Picosecond Laser:** Using laser of picosecond pulse duration which can accurately blast pigment [REDACTED] or tattoo with the aim to reduce pigmentation and brighten skin tone.
- **Q-Switch Laser:** Using laser of nanosecond pulse duration which can accurately blast pigment [REDACTED] or tattoo with higher selective photothermolysis compared to picosecond laser.
- **Fotona 4D:** Using a multi-wavelength laser system for the purpose to tighten skin, reduce wrinkles and improve elasticity.

Radiofrequency

- **Thermage:** Using radiofrequency to dermis to denature and constrict the collagen by heat energy, so as to activate the self-repairing process and stimulate the regeneration of collagen with an aim to improve skin texture, shrink pores, increase skin elasticity and whitening skin.
- **Thermolift:** Using radiofrequency energy reaching the epidermis, dermis and superficial muscular aponeurotic system intending to tighten the collagen in the skin.
- **Radiofrequency Microneedling:** Using tiny needles and radiofrequency waves to rejuvenate facial skin.

Ultrasound

- Intended to promote the creation of collagen or reduce the number of fat cells.

[REDACTED]

- Using cold temperature intended to reduce fat deposits in certain areas of the body.

Electric Muscle Stimulation

- Elicitation of muscle contraction using electric impulses for the purpose of body shaping.

Source: Frost & Sullivan analysis.

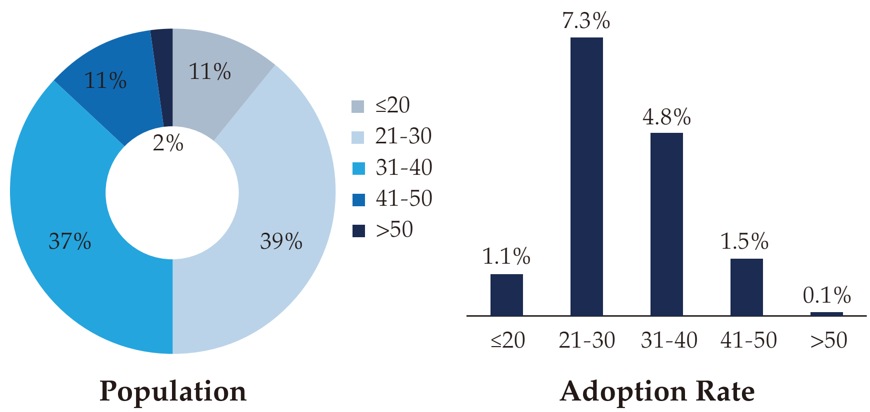
Particularly, hyaluronic acid injection, botulinum toxin type A injection, photo rejuvenation, picosecond laser treatments and Thermage are popular among customers of non-surgical aesthetic medical services.

Customers

Around 72.6% of non-surgical aesthetic medical service clients are female, among whom 76.0% are aged between 21 and 40. Customers in this age group have both strong purchasing power and demands for non-surgical aesthetic medical services, with an average annual spending in the range of RMB6,000 to RMB20,000 per year. Approximately 67.0% of non-surgical aesthetic medical service clients live in tier-one and new tier-one cities. The average transaction value of energy-based procedures is in the range of RMB4,000 to RMB20,000. Particularly, among mid-to-high-end clients, the average transaction value of energy-based procedures ranges from RMB9,000 to RMB20,000. The average transaction value of injection procedures is in the range of RMB2,000 to RMB10,000. Particularly, among mid-to-high-end clients, the average transaction value of injection procedures is in the range of RMB4,000 to RMB10,000.

From 2017 to 2021, the population receiving non-surgical aesthetic medical services in China increased from 6.0 million to 20.3 million, representing a CAGR of 35.7%, and such number is projected to reach 67.2 million in 2030 with a CAGR of 14.2% from 2021 to 2030.

Female Consumers for Non-Surgical Aesthetic Medical Services Distributed by Age, 2021



Source: *National Bureau of Statistics of the PRC, Expert Interview, Frost & Sullivan analysis.*

Note: The adoption rate refers to the percentage of female consumers of non-surgical aesthetic medical services of the relevant age cohort out of the total population of the same age cohort in 2021.

Features

The non-surgical aesthetic medical service market has the following features:

- **High client stickiness:** Since the non-surgical aesthetic medical services are medical-related and usually need periodic treatment to achieve and maintain the optimal treatment effects, clients tend to choose the brand that they previously used and trusted for non-surgical aesthetic medical services. Therefore, the client stickiness and repurchase rate are relatively high in this industry.

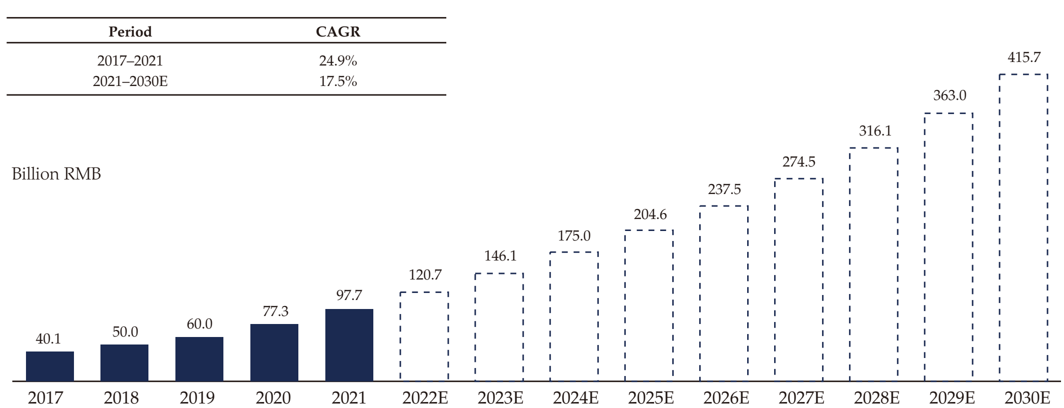
- **Lower mental burden:** Surgical aesthetic medical services are usually performed with the intention to alter the appearance of various parts of the face or the body, such as eyelids, nose, breast and facial shape, and typically involve local or general anaesthesia, as well as partial or full incisions. Comparatively, non-surgical aesthetic medical services will not alter the appearance of the client, and generally only involve local anaesthesia (if any at all) or minimal penetration (if any at all) into body tissues, for the purpose to improve or maintain the facial or body condition of the clients. In addition, surgical beauty procedures may have prosthetic implants placed into human body. As a result, the recovery time for non-surgical aesthetic medical services is relatively shorter than surgical aesthetic medical services, and the risk of complications, such as incision infections, anesthesia and implant-related complications, is also relatively lower compared to that of surgical aesthetic medical services. As such, clients usually have less concerns and lower mental burden when receiving non-surgical aesthetic medical services as compared to surgical aesthetic medical services.

- **Diversity and professionalism of services:** As non-surgical aesthetic medical procedures become increasingly diversified and specialized, advanced technologies, such as Thermage, Fotona 4D®, and radiofrequency microneedling, are applied in order to meet the personalized consumer demands.

Market Size

Total revenue of non-surgical aesthetic medical service market in China grew from RMB40.1 billion in 2017 to RMB97.7 billion in 2021 with a CAGR of 24.9%. The total revenue is forecasted to reach RMB415.7 billion in 2030, with a CAGR of 17.5% from 2021 to 2030.

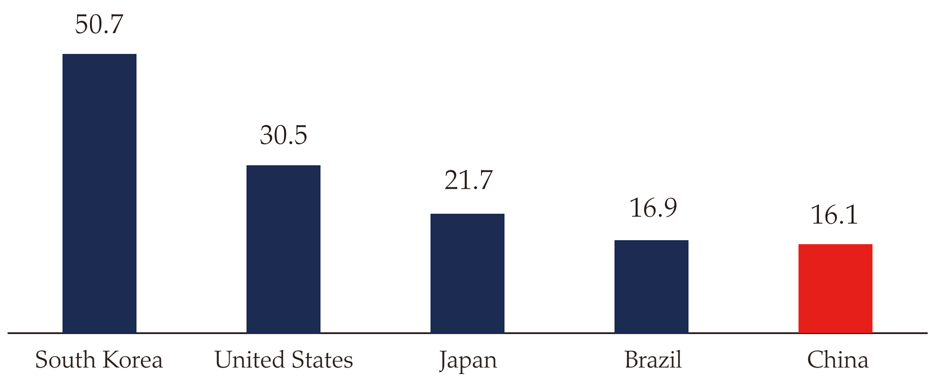
Total Revenue of Non-Surgical Aesthetic Medical Services Market in China, 2017-2030E



Source: *China Healthcare Statistical Yearbook, Chinese Association of Plastics and Aesthetics, Annual Report, Expert Interview, Frost & Sullivan analysis.*

The non-surgical aesthetic medical procedures per thousand people in China has increased from 6.4 in 2016 to 16.1 in 2020 drastically, with a CAGR of 26.0%. However, the penetration of non-surgical aesthetic medical services in China is still low compared with the same in other major markets, where, for example, non-surgical aesthetic medical procedures per thousand people was 50.7 in South Korea and 30.5 in the United States in 2020. The differences demonstrate that China is a developing market in respect of non-surgical aesthetic medical services. Non-surgical aesthetic medical services are widely accepted in tier-one cities and new tier-one cities in China. As large-scale chain institutions open stores in smaller cities, people in such cities are provided with opportunities to improve or maintain their face and body conditions safely and effectively, they are likely to embrace non-surgical aesthetic medical services and make such services part of their overall lifestyle, along with the expected increase in per capita consumption expenditure of PRC residents on non-surgical aesthetic medical services in the future ten years from RMB69.0 in 2021 to RMB286.1 in 2030.

Non-surgical Aesthetic Medical Procedures per Thousand People in Major Countries, 2020



Source: The International Society of Aesthetic Plastic Surgery, The American Society for Aesthetic Plastic Surgery, World Bank, Frost & Sullivan analysis.

Key Growth Drivers

The following key factors have primarily driven the growth of non-surgical aesthetic medical service market:

- **Growing social acceptance:** Driven by people's enhanced aesthetic awareness and technological advancement which lead to better treatment outcomes, there has been a positive shift in social impression of injections and energy-based beauty services in recent years. For example, many young people are receiving non-surgical aesthetic medical services to pursue their personalized needs. At the same time, some older people are receiving non-surgical aesthetic medical services, such as injections of HA-based dermal fillers, to prevent skin aging or wrinkles.

- **Development in technology and innovations of materials:** The rapid advancement in material science, biotechnology, and the pharmaceutical industry has yielded more effective and safer service outcomes with lower risks and faster recovery, which makes non-surgical aesthetic medical services increasingly widely accepted by consumers. For example, Thermage and Fotona 4D® can improve skin texture and elasticity with radiofrequency, and achieve better tightening effect. Sculptra, a poly-L-lactic acid injectable filler, and Ellansé, a Poly-ε-caprolactone-based injectable dermal filler, were recently commercialized after demonstrating long lasting and significant efficacy in skin condition improvement in clinical trials.

Entry Barriers

The new entrants of the non-surgical aesthetic medical service market in China face the following entry barriers:

- **Strict standards of industry regulation:** In China, the non-surgical aesthetic medical service industry is strictly regulated. According to the Measures for the Administration of Aesthetic Medical Services (《醫療美容服務管理辦法》), non-surgical aesthetic medical service providers are required to apply for "License for Practicing of Medical Institutions (醫療機構執業許可證)". Moreover, non-surgical aesthetic medical service physicians should have practicing qualifications and work experience in the relevant field. In addition to the related qualification requirements, in recent years, the Chinese government has enacted various laws and regulations to regulate and supervise the business of the non-surgical aesthetic medical service industry. For example, "Notice on Further Strengthening the Comprehensive Supervision and Law Enforcement of Aesthetic Medical Services" (《關於進一步加強醫療美容綜合監管執法工作的通知》) was released in April 2020, aiming to standardize the industry.

- **Difficult to establish brand reputation:** As the non-surgical aesthetic medical service industry becomes more mature and transparent, clients grow to be more rational and usually choose reputable service institutions for reliable services. Any dissatisfactory service may have a negative effect on the brand reputation of non-surgical aesthetic medical service providers. For new entrants, it could be difficult to establish a good brand reputation in a short time period.

- **High capital requirements:** To enter the non-surgical aesthetic medical service market in China, new entrants usually need a large sum of initial capital to purchase essential medical devices and products. In addition, non-surgical aesthetic medical service institutions need to rent or purchase proper workplace to provide medical services for clients, which may be costly. Furthermore, it takes both manpower and financial resources to employ eligible medical professionals to provide quality non-surgical aesthetic medical services for clients and to lay a foundation for sustainable development of the market players. Therefore, new entrants have to prepare abundant capital to support the operation of non-surgical aesthetic medical service business in the early stage.

- **Difficult to recruit certificated practitioners:** In China, there are a limited number of certificated practitioners who possess the required qualification, relevant skills, rigorous professional training and extensive experience in non-surgical aesthetic medical treatments. In 2020, the total number of certificated practitioners providing beauty services in China was around 38,000, which accounted for only 36.0% of the forecasted number of certificated practitioners needed in the market in the same year. Together with the growing demands for non-surgical aesthetic medical services, the limited supply of certificated practitioners may result in increasing difficulty for service providers to hire and retain qualified and experienced practitioners for the provision of non-surgical aesthetic medical services.

- **High selling expenses :** New entrants of the non-surgical aesthetic medical service market generally bear high selling expenses, which usually account for more than 30% of their revenue in the beauty service industry. Some new entrants develop both online and offline channels to market their services and/or products. Among online channels, non-surgical aesthetic medical service providers usually incur the highest selling expenses on search engines.

Competitive Landscape

Market players in non-surgical aesthetic medical service market in China mainly include public and private hospitals, chained and independent aesthetic medical institutions that provide non-surgical aesthetic medical services. All such market players were taken into account when analyzing the top market players for non-surgical aesthetic medical service market. The non-surgical aesthetic medical service market in China remains fragmented while it is expected to undergo a series of consolidations in the coming years. As set forth in the table below, in terms of revenue generated from non-surgical aesthetic medical services in 2021, our Group ranked fourth among competitors in China's market.

Top Market Players in Non-Surgical Aesthetic Medical Service Market in China by Revenue in 2021

Rank	Institution	Company background	Revenue	Market Share
			(RMB millions)	*(%)*
1	Mylike Aesthetic Plastic Hospital Group (美萊醫療美容醫院集團)	A private beauty service group founded in 1999, headquartered in Shanghai, China. It mainly provides non-surgical aesthetic medical services and surgical aesthetic medical services	3,240.0	3.3
2	Yestar Cosmetic Surgery Group (藝星醫療美容集團)	A private beauty service group founded in 2009, headquartered in Shanghai, China. It is specialized in surgical aesthetic medical services, while it also provides non-surgical aesthetic medical services	1,170.0	1.2
3	Beijing Evercare Medical Technology Group (北京伊美爾醫療科技集團股份公司)	A private beauty service group founded in 1997, headquartered in Beijing, China. It mainly provides non-surgical aesthetic medical services and surgical aesthetic medical services	907.0	0.9
4	Our Group	/	586.9	0.6
5	Aesthetic Medical International Holdings Group Ltd. (醫美國際控股集團公司) (Nasdaq: AIH)	A public beauty service group founded in 1997, headquartered in Shenzhen, China, and listed in the Nasdaq in 2019. It mainly provides non-surgical aesthetic medical services, surgical aesthetic medical services and healthcare services	334.3	0.3

Source: Annual Report, Expert Interview, Frost & Sullivan analysis.

Note: Revenue in the chart excludes revenue generated from surgical procedures.

Although certain market players in non-surgical aesthetic medical service market are also major market players in surgical aesthetic medical service market, our Company, mainly providing traditional beauty and non-surgical aesthetic medical services, is different from them in service portfolios and business focuses.

Large-scale chain institutions with high service quality, established brand reputation and loyal client bases in mid-to-high-end markets are more likely to gain market shares.

Future Trends

In the future, proliferation of innovative digitalization tools will improve industry transparency and information quality for consumers. Digitalization enables the assessment of client information for service providers to draw meaningful insights and make tailored recommendation that is most relevant to meet client needs. Digitalization in non-surgical aesthetic medical service industry also enables the market players to customize services according to skin types and issues, and numerous other features that are client specific.

Integration With Traditional Beauty Services

Scientific and technological advancements enable great progress in non-surgical aesthetic medical service market. Nowadays, non-surgical aesthetic medical services are safer and more tolerable for a wider range of skin types, and are more natural in service results than they were before. Customers are gradually perceiving non-surgical aesthetic medical services as a natural extension of traditional beauty services to achieve the same goal, with the former providing quicker, more visible and long-lasting effects. Large-scale chain institutions offering both kinds of services are likely to enjoy growth synergies from the two groups of services. These two segments supplement each other and can attract client traffic mutually.

Customers are likely to embrace the idea that receiving a combination of non-surgical aesthetic medical services with customized traditional beauty sessions brings better results for customers (such as prolonged effects) than receiving such services separately. For example, consumers with acne scar problems may be recommended to have laser treatments along with post-treatment skin moisturizing services. Laser treatment is used to break up scar tissue and to encourage new and healthy skin cell growth. However, such laser treatment may dry and irritate the skin. Regular or emergent skin moisturizing services will help hydrate the skin and smooth the scar. There is also a trend that traditional beauty and non-surgical aesthetic medical services will integrate to serve customers routinely to maintain a good skin condition. When combining the two fast growing and ever integrating segments of traditional beauty services and non-surgical aesthetic medical services together, we would be ranked the second in terms of revenue in 2021 in China.

Surgical Aesthetic Medical Services

Surgical aesthetic medical services refer to plastic surgeries performed by licensed physicians with the purpose to alter appearance, such as mouth, nose, breast and facial shape. Such services typically involve local or general anesthesia and incisions of the skin or body. Consumption frequency of surgical aesthetic medical services is relatively low due to the long-lasting effects and operational risks and complexity. Customers receiving surgical procedures bear some risk of complications related to surgical operations, anesthesia, among others. After surgical procedures, customers generally need one to six months to recover.

According to the Catalogue for the Hierarchical Management of Medical Aesthetic Items, surgical aesthetic medical services can be divided into four grades based on the difficulty, complexity and risks:

	Brief Introduction	Examples of Procedures	Institutions
Grade I Procedures	• Grade I surgical aesthetic medical items are beauty procedures that have the lowest risks and operational complexity, not requiring general anesthesia, such as, intravenous general anesthesia, endotracheal general anesthesia and combined anesthesia	• Double eyelid plasty, eyebrow lifting, liposuction with removed fat tissue less than 1,000 ml, etc.	• Clinics • Outpatient departments • Hospitals
Grade II Procedures	• Grade II surgical aesthetic medical items are beauty procedures that have certain risks and operational complexity, requiring epidural nerve block or intravenous general anesthesia	• Breast augmentation, comprehensive rhinoplasty, liposuction with removed fat tissue between 1,000 ml and 2,000 ml, etc.	• Outpatient departments • Hospitals
Grade III Procedures	• Grade III surgical aesthetic medical items are beauty procedures that have increased risks and operational complexity, requiring endotracheal general anesthesia and preoperative blood preparation	• Liposuction with removed fat tissue between 2,000 mL and 5,000 mL, etc.	• Hospitals
Grade IV Procedures	• Grade IV surgical aesthetic medical items are beauty procedures that have the highest risks and operational complexity among all surgical beauty procedures	• Reduction malarplasty, etc.	• Hospitals

Source: Catalogue for the Hierarchical Management of Medical Aesthetic Items, Frost & Sullivan analysis.

The Company provides periocular beauty procedures, double eyelid construction, lipofilling services and liposuction surgeries, which are all categorized as Grade I procedures.

HEALTH MANAGEMENT SERVICE MARKET

Health management services are one-stop medical services of physical examination, consultation and intervention, for the purpose to help clients prevent diseases, maintain or obtain a better physical condition, rather than treating any particular existing disease. Health management services can be categorized into (i) traditional health management services; and (ii) recently emerged subhealth assessment and intervention services. Traditional health management services are generally provided by private physical examination institutions, by means of traditional clinical medicine. Such services target ordinary city residents. In contrast, subhealth assessment and intervention services are provided by medical institutions offering functional medicine services. Customers of subhealth assessment and intervention services are usually high-net-worth individuals.

Subhealth Assessment and Intervention Services

Subhealth assessment and intervention services refer to medical services that aim to improve clients' physical health conditions, by way of regulating and enhancing the functions of the organ systems of the client's body, which generally include a combination of three service steps, specifically, (i) functional health assessment that tests the functional status of various internal organ systems within the human body, including but not limited to the endocrine system, immune system and digestive system, (ii) post-test consultation with doctors, and (iii) tailor-made intervention measures by applying functional medicine. Unlike the treatment of diseases, subhealth assessment and intervention services focus on disease prevention, and long-term health monitoring and maintenance based on the detection and assessment results of clients. Subhealth assessment and intervention service providers offer personalized diagnostic and treatment plan for each client, to help the client's body function in the best way possible.

Key subhealth assessment and intervention services include comprehensive functional health assessment, health consultation, and intervention applying functional medicine. Main functional health assessments include thermal texture map system assessment, bioelectrical impedance analysis, autonomic nervous system assessment, vascular function detection, and metabolic system risk assessment. Main health interventions include functional medical treatments, such as hormonal conditioning, gastrointestinal environment repair and liver detoxification. Among the services named above, the Company provides main functional health assessments, expert consultation and functional medical interventions.

According to Frost & Sullivan, there is currently no recommendation from national or international treatment guidelines for assessment or intervention measures for subhealth status, including subhealth assessment and intervention services provided by the Company.

In addition, some assessment and intervention approaches have been evaluated in clinical studies or included in expert consensus in China in different areas. For example, the efficacy of thermal texture mapping (TTM) has been proven in the diagnosis of abnormal physical signatures in several clinical studies; comprehensive hormonal conditioning has been recommended for the health management of climacteric women in the Consensus on Climacteric Women Health Management (《更年期婦女健康管理專家共識》) in 2021.

Major Subhealth Medical Assessment

Thermal texture maps (TTM) system
Systematic diseases and health conditions, such as autoimmune disorders are associated with certain thermal signatures that can be obtained from the TTM system and used to assess the presence and risk of such disorders.

Bioelectrical impedance analysis (BIA)
BIA is a method for estimating body composition, in particular body fat and muscle mass, where a weak electric current flows through the body and the voltage is measured in order to calculate impedance (resistance) of the body.

Autonomic nervous system (ANS) assessment
Disorders of the ANS can affect any system of the body and may be primary or secondary to other disorders. ANS assessment is based on heart rate variability (HRV), which monitors the R-R intervals, beat-by-beat blood pressure, and pulse waveform.

Vascular function detection
Quantitative and non-invasive evaluation of the vascular function by assessing pulse-wave velocities (PWV) and ankle-brachial blood pressure index (ABI).

Metabolic system risk assessment
One of the main pathogenetic mechanisms of diabetic complications is the generation and accumulation of advanced glycation end-products (AGEs). Based on its fluorescence characteristics, AGEs may be non-invasively measured in the skin, reflecting the risks of metabolic disturbance.

Major Subhealth Medical Interventions

Hormonal Conditioning
- Almost all women over 40 starts to experience hormone imbalance, producing loss of skin elasticity, bone shrinkage, moodiness, etc. Hormonal conditioning is the combination of dietary supplements and lifestyle management.

Gastrointestinal Environment Repair
- Doctors and dietitians intend to optimize gastrointestinal health by customizing personalized nutrition plans and treatments, including probiotic supplements, fecal microbiota transplantation, and colon hydrotherapy.

Liver Detoxification
- Liver is the vital organ to clear waste and poisonous substances in the blood. Liver detoxification combines dietary supplements and intravenous therapy that deliver amino acids, minerals, vitamins, glutathione, and other nutrients directly to the body for the purpose to restore and improve liver function.

Hyperthermia Therapy
- Hyperthermia therapy uses higher temperatures to facilitate metabolism and ease nerve and muscle pain.

Source: Frost & Sullivan analysis.

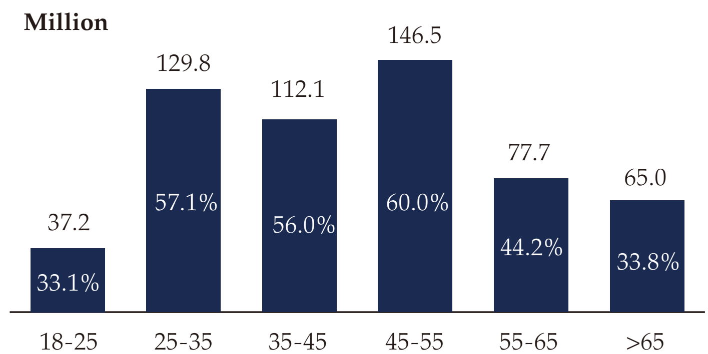
Customers

Subhealth assessment and intervention service clients are mainly middle-aged clients seeking health examination, consultation and disease prevention, as well as urban residents affected by sub-health symptoms.

Healthy state refers to a state of complete physical, mental, and social well-being, not merely in absence of disease or infirmity. A diseased state is a particular abnormal condition that negatively affects the structure or function of all or part of an organism, which abnormal condition is not resulted from any immediate external injury. Suboptimal health status is an intermediate state between a healthy and a diseased state. Suboptimal health status, or sub-health, can be defined as a pre-disease condition characterized by certain disturbances in psychological behaviors, physical characteristics, or abnormal physical indications shown in physical examinations, which mainly include: (a) physical and mental discomfort shown in the form of various symptoms, such as physical fatigue and emotional disorder; (b) weakness resulted from abnormal declines in physical functions; (c) microbiota imbalance in body; and (d) pre-disease pathophysiological change. Common physical symptoms include: fatigue, chronic pain, dizziness, sleep disorders, inappetence and digestive issues. Common psychological symptoms include: depression and anxiety, memory deterioration and attention-deficit disorder. People in sub-health status may also have difficulty in social interaction. People will be diagnosed with sub-health status if he or she has at least one of the aforementioned symptoms for over three months, without any specific cause of diseases found in systemic examination.

SHS has emerged as a main issue among Chinese residents as people are facing increasing mental pressures from work and home lives. SHS has been troubling people in a wide age range, with middle-aged adults constituting the majority of the SHS population. The annual spending on the subhealth assessment and intervention services per client ranged from RMB10,000 to RMB200,000. The below chart shows the sub-health rates in different age groups in China in 2021, where people under age 18 are not taken into consideration and calculation.

Sub-Health Population in Different Age Groups in China (2021)

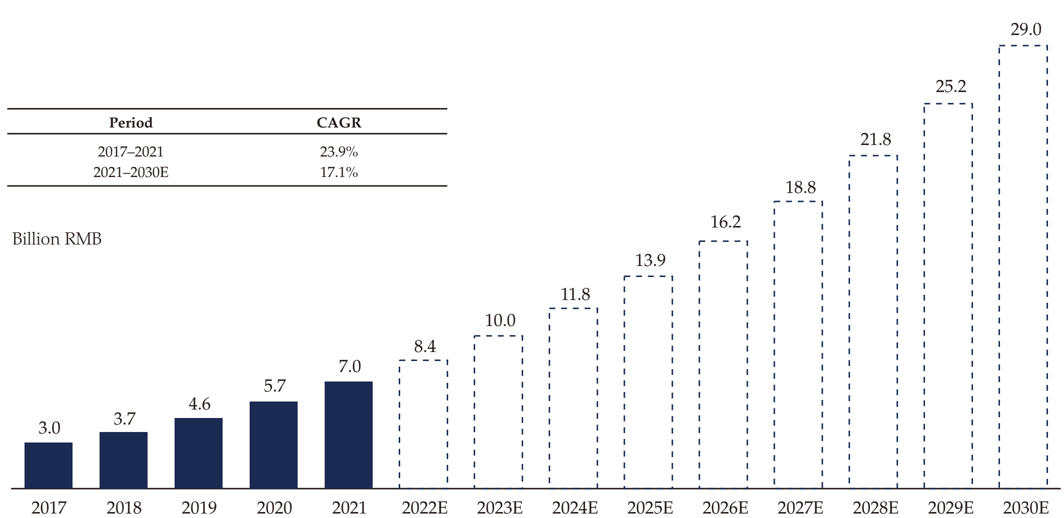


Source: *China Healthcare Statistical Yearbook, Expert Interview, Frost & Sullivan analysis.*

Market Size

Total revenue of subhealth assessment and intervention service market in China has grown from RMB3.0 billion in 2017 to RMB7.0 billion in 2021, with a CAGR of 23.9%. It is forecasted to reach RMB29.0 billion in 2030, with a CAGR of 17.1% from 2021 to 2030.

Total Revenue of Subhealth Assessment and Intervention Service Market in China, 2017-2030E



Source: *China Healthcare Statistical Yearbook, Expert Interview, Frost & Sullivan analysis.*

Key Growth Drivers

The following key factors have primarily driven the growth of the subhealth assessment and intervention service market:

- **Increasing SHS population:** China's SHS population is becoming increasingly prominent, which grew from 557.9 million in 2017 to 568.4 million in 2021, and is expected to reach 583.1 million by 2030. In 2021, more than 50% of the total population aged between 25 and 55 is under SHS. Meanwhile, various sub-health symptoms have seriously troubled people under sub-health status, which situation increases people's awareness towards health improvement and disease prevention, and in turn creates huge demands for subhealth assessment and intervention services.

- **Technological advancement:** An increasing number of advanced technologies have been introduced in the subhealth assessment and intervention service market, such as IRATHERM®, which simulates sunlight to help increase the core body temperature of the client to the range of 38.5°C and 40.5°C, and intends to accelerate metabolism of the body. Leveraging the technological advancement, subhealth assessment and intervention service providers are able to provide higher quality services to more customers and cultivate an increasingly recognizable and professional brand image, which in turn will attract more customers.

Competitive Landscape

The subhealth assessment and intervention service market is an emerging market at a relatively early stage. In terms of revenue generated from subhealth assessment and intervention services in 2021, the Company's market share is approximately 0.9%. However, it has market growth potential in the years to come. New players are expected to expedite the pace of their investments and to expand their service network, tapping into the subhealth assessment and intervention service market. Existing players in traditional beauty service market or non-surgical aesthetic medical service market may add subhealth assessment and intervention services to their service portfolios, which would become one of their core competitiveness.

Top five market players in subhealth assessment and intervention service market in China are set forth in the table below, in terms of revenue generated from subhealth assessment and intervention services in 2021.

Top Market Players in Subhealth Assessment and Intervention Services in China by Revenue in 2021

Rank	Institution	Company background	Revenue	Market Share
			(RMB millions)	*(%)*
1	Yiling Hospital Management Group (一齡醫院管理集團)	A private hospital group founded in 2005	638.0	9.1
2	Shanghai Cell Therapy Group (上海細胞治療集團)	A private hospital group founded in 2013	475.0	6.8
3	Shenzhen CVP Medical Technology Company Limited (深圳施為必醫療科技有限公司)	A private medical group founded in 2018	233.0	3.3
4	Shenzhen Zhongxu Medical Group (深圳中旭醫學集團)	A private hospital group founded in 2017	218.0	3.1
5	SNC Cell Engineering Group (華夏源細胞工程集團)	A private hospital group founded in 2015	135.0	1.9

Source: Frost & Sullivan analysis.

Future Trends

The subhealth assessment and intervention service industry in China is expected to be influenced by the following trends:

- **Customized service offering:** Subhealth assessment and intervention service providers in China are expected to increasingly focus on enhancing their services and operations through advanced technologies and digitalization, and computer-aided design, which allow increased specialization in sub-health assessment in various dimensions, as well as improved operational efficiency. Such advancements help deliver customized services with tailor-made sub-health intervention strategies and feasible plans to the clients.

- **Extended target clients:** Driven by people's increasing awareness of healthcare, the target clients of subhealth assessment and intervention services are no longer limited to older generation. Consumers, such as those aged between 25 and 35, are also receptive to subhealth assessment and intervention services for better health conditions and prevention of diseases. Moreover, heavy workloads and unhealthy lifestyles of white-collar workers in urban areas have brought about many sub-health issues, such as sleeping disorders, depression, anxiety, and chronic fatigue. In order to stay healthy and prevent more serious problems, either physically or mentally, a wider group of people may become receptive to subhealth assessment and intervention services.

- **Synergies with other beauty and health management services:** As an emerging industry in beauty and health management service industry, some subhealth assessment and intervention service providers in China are seeking cooperation with other related industries, such as traditional beauty service industry and aesthetic medical service industry, to attract customers. Market players are able to take advantage of such synergy to expand their lines of business, and to provide one-stop integrated service experience for their clients.

SOURCE OF INFORMATION

We engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, the beauty and health management service market for use in this document. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in the document is extracted from the Frost & Sullivan Report, a report commissioned by us for a fee of RMB600,000, and is disclosed with the consent of Frost & Sullivan. The Frost & Sullivan Report is prepared through extrapolating publicly available data such as information provided by the government, annual reports of public companies, trade and medical journals, industry reports and market data gathered by conducting interviews with key industry experts and leading industry participants. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected.

Our Directors confirm that, to the best of their knowledge, after taking reasonable care, there has been no adverse change in market information since the date of the Frost & Sullivan Report, which may qualify, contradict or impact the information disclosed in this section.