

ARRAIL 瑞尔®

Fabulous Smile . Confident You

Arrail Group Limited 瑞爾集團有限公司

(Incorporated in the British Virgin Islands with limited liability
and continued in the Cayman Islands)

Stock Code: 6639



GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley



UBS 瑞銀集團

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

CICC 中金公司



海通國際
HAITONG

Joint Bookrunners and Joint Lead Managers



HSBC

富途證券

招銀國際

IMPORTANT

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



Arrail Group Limited 瑞爾集團有限公司

(Incorporated in the British Virgin Islands with limited liability and continued in the Cayman Islands)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 46,527,500 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 4,653,000 Shares (subject to reallocation)
Number of International Offer Shares	: 41,874,500 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	: HK\$14.62 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and the Stock Exchange trading fee of 0.005% (payable in full on application, subject to refund)
Nominal value	: US\$0.02 per Share
Stock code	: 6639

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Morgan Stanley



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection—Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price will be HK\$14.62 per Offer Share. Applicants for Hong Kong Offer Shares are required to pay, on application, the Offer Price of HK\$14.62 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027%, a FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%.

The Joint Representatives (on behalf of the Underwriters) may, with the consent of our Company, reduce the Offer Price stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.arrailgroup.com not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the section headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at <http://www.arrailgroup.com>. If you require a printed copy of this document, you may download and print from the website addresses above.

March 9, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This document is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <http://www.arrailgroup.com>. If you require a printed copy of this document, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk;
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this document for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

IMPORTANT

Your application must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Arrail Group Limited (Stock Code 6639)

(HK\$14.62 per Hong Kong Offer Share)

NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
500	7,383.68	8,000	118,138.79	70,000	1,033,714.34	1,000,000	14,767,347.67
1,000	14,767.34	9,000	132,906.13	80,000	1,181,387.81	1,200,000	17,720,817.21
1,500	22,151.02	10,000	147,673.48	90,000	1,329,061.29	1,400,000	20,674,286.74
2,000	29,534.69	15,000	221,510.22	100,000	1,476,734.76	1,600,000	23,627,756.27
2,500	36,918.37	20,000	295,346.95	200,000	2,953,469.54	1,800,000	26,581,225.80
3,000	44,302.04	25,000	369,183.70	300,000	4,430,204.30	2,000,000	29,534,695.34
3,500	51,685.72	30,000	443,020.43	400,000	5,906,939.07	2,326,500 ⁽¹⁾	34,356,234.35
4,000	59,069.39	35,000	516,857.18	500,000	7,383,673.84		
4,500	66,453.07	40,000	590,693.91	600,000	8,860,408.60		
5,000	73,836.74	45,000	664,530.65	700,000	10,337,143.37		
6,000	88,604.09	50,000	738,367.39	800,000	11,813,878.13		
7,000	103,371.43	60,000	886,040.86	900,000	13,290,612.91		

Note:

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE⁽¹⁾

Hong Kong Public Offering commences9:00 a.m. on
Wednesday, March 9, 2022

Latest time for completing electronic applications
under the **White Form eIPO** service through
the designated website www.eipo.com.hk ⁽²⁾11:30 a.m. on
Monday, March 14, 2022

Application lists open⁽³⁾11:45 a.m. on
Monday, March 14, 2022

Latest time for (a) completing payment for
White Form eIPO applications by effecting
internet banking transfer(s) or PPS payment
transfer(s) and (b) giving **electronic application**
instructions to HKSCC⁽⁴⁾12:00 noon on
Monday, March 14, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close⁽³⁾12:00 noon on
Monday, March 14, 2022

(1) Announcement of:

- the level of indication of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on our website at
<http://www.arrailgroup.com> and the website of
the Stock Exchange at www.hkexnews.hk
on or before⁽⁹⁾ Monday, March 21, 2022

EXPECTED TIMETABLE⁽¹⁾

(2) Announcement of results of allocations in the Hong Kong Public Offering to be available through a variety of channels as described in “How to apply for Hong Kong Offer Shares—11. Publication of Results” from⁽⁹⁾ Monday, March 21, 2022

(3) Announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the websites of the Company and the Stock Exchange at <http://www.arrailgroup.com>⁽⁶⁾ and www.hkexnews.hk from⁽⁹⁾ Monday, March 21, 2022

Results of allocations for the Hong Kong Public Offering will be available at the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function from⁽⁹⁾ 8:00 a.m. on Monday, March 21, 2022 to 12:00 midnight on Sunday, March 27, 2022

From the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Monday, March 21, 2022 to Thursday, March 24, 2022

Dispatch/Collection of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before⁽⁷⁾⁽⁹⁾ Monday, March 21, 2022

Dispatch/Collection of **White Form** e-Refund payment instructions/refund checks in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Monday, March 21, 2022

Dealings in the Shares on the Stock Exchange expected to commence at⁽⁹⁾ 9.00 a.m. on Tuesday, March 22, 2022

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All dates and times refer to Hong Kong local times and dates, except as otherwise stated.
- (2) You will not be permitted to submit your application under **White Form eIPO** service through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of the application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a “black” rainstorm warning signal or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m and 12:00 noon on Monday, March 14, 2022, the application lists will not open and close on that day. See section headed “How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to section headed “How to apply for Hong Kong Offer Shares—6. Applying through CCASS EIPO Service”.
- (5) None of the website or any of the information contained on the website forms part of this prospectus.
- (6) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting—Underwriting Agreement and Expenses—Hong Kong Public Offering—Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (7) e-Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications.
- (8) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Monday, March 14, 2022 to Monday, March 21, 2022, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund checks e-Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. For details of the structure and conditions of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see the sections headed “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares”, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, the Company will make an announcement as soon as practicable thereafter.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or a solicitation of an offer to subscribe for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Form to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers or representatives, or any other person or party involved in the Global Offering. Information contained in our website, located at www.arrailgroup.com does not form part of this prospectus.

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SUMMARY

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

OVERVIEW

We were the largest dental services provider in the premium private dental service market in China in terms of total revenues in 2020, according to Frost & Sullivan, and also the third largest dental services provider in the overall private dental services market in China in terms of revenues during the same period. Founded in 1999, we have served patients in approximately 7.4 million visits in the past ten years, and have been instrumental in raising public awareness and driving consumer recognition of the importance of dental care and good oral hygiene in China. We have become a leading dental services group and have established a nationwide footprint in China, operating both Arrail Dental, a leading premium dental services brand, and Rytime Dental, a middle-end dental services brand. According to Frost & Sullivan, premium dental services generally refer to comprehensive and highly customized dental services targeting the upper market with listed prices at least 25% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals, while middle-end dental services generally refer to comprehensive dental services tailored to the middle and upper markets with listed prices approximately 10% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals.



Arrail Dental 瑞爾齒科

51 dental clinics primarily in Tier-1 cities as of September 30, 2021



Rytime Dental 瑞泰口腔

7 dental hospitals and 53 dental clinics primarily in Tier-1 and key Tier-2 cities, including Beijing, Shanghai, Chengdu, Chongqing, as of September 30, 2021

We have been providing dental services since we opened our first Arrail Dental clinic in 1999. We offer a diverse range of professional, personalized dental services spanning (i) general dentistry; (ii) orthodontics; and (iii) implantology. Through decades of commitment and endeavors in the dental healthcare industry, we have earned the trust of our patients. In addition, our repeat visit rates, defined as the percentage of patients that revisited our clinics or hospitals beyond six months after their initial visits and exclude follow-up consultations of the same treatment, were 42.1%, 41.4%, 45.8% and 47.6% in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

SUMMARY

China's market has more dental establishments operated by private services providers. This is because the private sector mainly comprises dental clinics which have less operational, regulatory and capital requirements, resulting in broader geographic coverage. As a subset of dental clinics, private dental clinics are broadly distributed geographically, with various business models corresponding to different market positioning. In addition to common dental diseases, private dental clinics also provide cosmetic and chronic care programs, pre-treatment consultation and other personalized customer services. The public sector mainly consists of dental hospitals, which primarily offer comprehensive and diverse dental treatments to customers in Tier-1 and Tier-2 cities, and general hospitals with dental departments, which are typically located in both urban and rural areas catering to common dental treatment demands of mass population. The number of dental establishments had been growing at a CAGR of 6.5% from 64,100 in 2015 to 87,700 in 2020. The number of dental establishments is expected to reach 144,500 in 2025 with a CAGR of 10.4%. In particular, private dental clinics accounted for 51.9% of the total dental services market in China in 2020, while dental hospitals and general hospitals with dental departments in aggregate accounted for 48.1% of the total market share.

We have successfully established an extensive presence in China, and are continuing to expand our footprint nationwide. As of September 30, 2021, we operated 111 hospitals and clinics, including four clinics in Changsha operated under exclusive consultation and service agreements, providing mid- to high-end dental care services in 15 predominantly Tier-1 and Tier-2 cities across China, with 882 experienced dentists. We have established this dental network through both organic growth and strategic acquisition, to systematically and effectively open and ramp up new clinics, as well as maintain and improve revenues and profitability at fully-fledged clinics.

We firmly believe that our corporate culture plays a significant role in ensuring the scalability of our business model and the consistency of our service quality. Since our inception, we aim to cultivate a service-oriented culture and incorporate our key values of "integrity, professionalism and being a good person" into our day-to-day operation. We also believe that our corporate culture enables our dentists and our staff to collaborate effectively and provide superior service to our patients. Our business philosophy is to provide "Proper Treatment", which we define as most suitable and medically necessary treatment, for each of our patients. In order to ensure that our conduct is in accordance with our culture, we have developed a series of management framework, protocols and infrastructure to guide our daily operations.

Our large, growing and high-caliber team of dentists with expertise and qualifications in a variety of therapeutic areas plays an important role in the competitiveness of our business. We understand the importance of talent acquisition and development in our industry, and have developed a robust system and proven strategy focused on recruiting, training, career progression and value sharing with our dentists. At the same time, we implement a standardized and digitalized platform model spanning across medical quality control, SaaS systems for dental operations, procurement, medical records management and patient relationship management to empower dentists to provide high-quality dental services to patients in an efficient and consistent manner across hospitals and clinics.

SUMMARY

We have formulated a dual-brand strategy with our Arrail and Rytime brands to offer clear and distinctive value propositions to patients of different economic and geographic background. We believe that operating complementary brands and providing differentiated pricing enable us to expand rapidly in a variety of regions and locations, and tap into a more diverse patient pool to fuel further growth.

- *Arrail.* Arrail Dental is a leading premium dental services brand in China and targets affluent patients with high purchasing power and greater lifetime value, primarily in Tier-1 cities. Arrail clinics are able to charge premium pricing based on their excellent quality of dental services and patient care. As of September 30, 2021, most of our clinics under the Arrail brand are located at prime commercial locations and Class A office buildings.
- *Rytime.* Rytime Dental is our fast-growing brand targeting middle-class consumers primarily in Tier-1 and key Tier-2 cities across a broader geographic reach. Rytime is positioned to capture the greater middle-end dental services market by offering high-quality dental services at more affordable prices. We have achieved particular success with Rytime hospitals in attracting substantial patient flow and realizing economies of scale through offering a broad spectrum of dental specialties at a single location. As of September 30, 2021, we operated 7 hospitals and 53 clinics under the Rytime brand, most of which were located in densely populated residential areas.

Over the past two decades, we have developed a growing and loyal customer base. Our customers are primarily individual patients, and to a lesser extent, corporate clients such as corporations, industry-leading banks and insurance companies who provide dental care benefits to their employees and/or customers. For fiscal 2021 and the six months ended September 30, 2021, revenues generated from individual patients remained steady at 93% of our total revenues, respectively. See “Business—Our Customers” for further details.

We are well positioned to capture the enormous market opportunities in China, especially in the premium market, leveraging our market leadership and deep understanding of China’s private dental services market. Our growth is supported by powerful drivers such as increasing disposable income of the Chinese population, increasing per capita expenditure on healthcare services, rising awareness of dental health and aesthetics and favorable government policies. As a result, our business experienced rapid growth during the Track Record Period. According to the Frost & Sullivan Report, the market size of private dental services market in China increased from RMB43.3 billion in 2015 to RMB83.1 billion in 2020 with a CAGR of 13.9%, and is expected to further expand and reach RMB241.4 billion in 2025, representing a CAGR of 23.3% during the forecast period. Notably, the market size of premium private dental services market increased from RMB1.3 billion in 2015 to RMB2.6 billion in 2020, representing a CAGR of 15.2%. Along with the continuous growth in household disposable income, and commercial health insurance coverage for dental conditions, premium dental services with higher service standards, greater customization and more privacy become increasingly attractive. The underserved demand for high-quality dental services indicates a sizable underpenetrated private dental services market in China.

SUMMARY

Our revenues continued to grow during the Track Record Period. Our revenues were RMB1,080.3 million in fiscal 2019, RMB1,099.9 million in fiscal 2020, and grew significantly to RMB1,515.1 million in fiscal 2021. Our revenues increased from RMB720.3 million for the six months ended September 30, 2020 to RMB841.3 million for the six months ended September 30, 2021. We had net losses of RMB304.2 million, RMB325.8 million, RMB597.8 million in fiscal 2019, 2020 and 2021, respectively. We had a net loss of RMB464.2 million in the six months ended September 30, 2021, compared to a net loss of RMB187.9 million in the same period in 2020, primarily due to the impact of the losses from changes in fair value of our convertible redeemable preferred shares, bond, and warrants and certain one-off expenses we incurred during such periods.

OUR STRENGTHS

We believe the following strengths contribute to our success:

- Largest Premium Dental Services Group in China and Pioneer of China's Private Dental Care Market with Nationwide Footprint
- Experienced Team of Dentists and Robust Talent Development Framework
- Leading Dental Services Group with Large and Loyal Patient Base
- Standardized, Platform-based Operating Model to Ensure Service Quality and Operational Efficiency
- Strong Track Record of Successful Expansion
- Experienced and Visionary Management Team and Cohesive Corporate Culture

OUR STRATEGIES

To achieve our mission and further strengthen our market leadership, we intend to pursue the following strategies:

- Continue to empower and train our team of dentists
- Enhance our brand awareness to expand customer reach
- Improve Patient Experience
- Strengthen Arrail presence in key gateway cities and expand Rytime network driven by organic growth and acquisitions
- Explore upgrades to our digital infrastructure to increase operational efficiency and standardization of services across our network
- Continue developing our Arrail Ecosystem to drive internal and external improvements

SUMMARY

OUR SERVICES

We were the largest private dental services group in the premium dental services market in China in terms of total revenues in 2020, according to the Frost & Sullivan Report. Our network of dental hospitals and clinics provides a wide array of dental healthcare services across China. We adopt a dual-brand strategy through our Arrail and Rytime Dental brands to service customers of different economic and geographic background. Through decades of commitment and service in the dental healthcare industry, we have earned the trust of our patients, and successfully established an extensive presence in China, and are continuing to expand our footprint nationwide. As of September 30, 2021, we had 7 dental hospitals and 104 dental clinics in 15 cities across China, with 882 experienced dentists and nearly 7.4 million patient visits over the past decade.

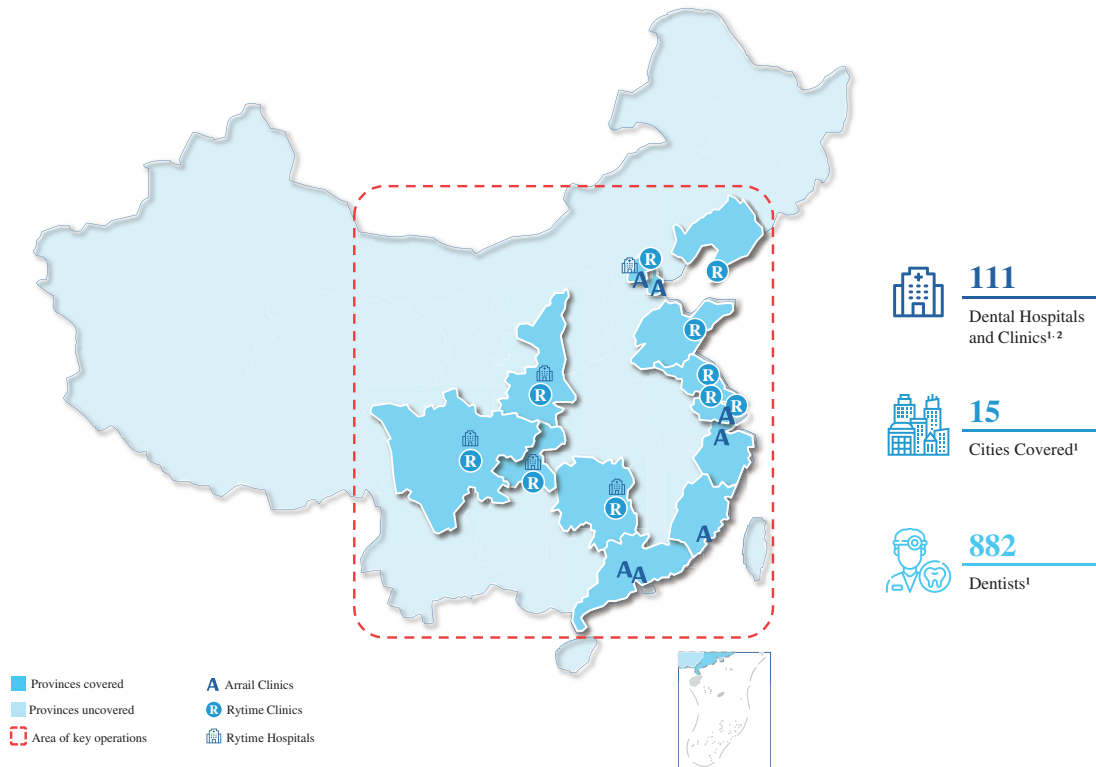
We offer a diverse range of professional, personalized dental services, consisting of (i) general dentistry; (ii) orthodontics; and (iii) implantology.

During the Track Record Period, we received a total of 672 patient complaints in relation to the dental services we provided, representing 0.016% of the total number of dental treatments performed during the same period. Such rate is significantly lower than the industry average of approximately 1.00%, according to the Frost & Sullivan Report. Patient complaints relating to service experience accounted for 61% of our total complaints, and the remaining 39% of our complaints are in relation to treatment outcomes. The total amount of settlement and other types of monetary compensation paid to our patients and/or their families by us was less than RMB615,000 during the Track Record Period. See “Business—Our Customers—Individual Patients” for further details.

SUMMARY

Our Hospitals and Clinics

As of September 30, 2021, we operated (i) 7 hospitals under the Rytime Dental brand; and (ii) 104 clinics, including 51 under the Arrail Dental brand and 53 under the Rytime Dental brand, in China, as illustrated in the map below.



Notes:

1. Operating data as of September 30, 2021.
2. Including four clinics in Changsha operated under exclusive consultation and service agreements whose financial results are not consolidated into our consolidated financial statements in accordance with IFRSs. For more details on such agreements, please refer to “Business—Our Services—Our Hospitals and Clinics.”

SUMMARY

OUR SUPPLIERS

Our suppliers primarily consist of our suppliers for human resources service, dental equipment, consumable and dental supplies, including anesthetics and other medicine, dental prosthesis (such as crowns, bridges and dentures), materials used in dental procedures (such as impression materials, filling materials and cements), dental instruments (such as extraction forceps, injection needles, root canal files and orthodontic brackets and aligners), and consumables (such as facial masks, disposable gloves, dental bibs, plastic cups and gauze). We implement a centralized procurement process and purchase from suppliers predominantly located in China. We procure dental instruments and equipment that are manufactured by foreign manufacturers through domestic distributors who are licensed to import them. See “Business—Our Suppliers” for further details.

RISK FACTORS

Our business and the Global Offering involve certain risks, which are set out in “Risk Factors” in this prospectus. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face are relating to:

- An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on our results of operations.
- We may not be able to achieve and maintain an optimal balance between our business expansion and profitability by effectively managing the number and mix of our hospitals and clinics in different stages.
- If we fail to ramp up our dental hospitals and clinics as planned, we may continue to incur operating losses in the future.
- The establishment of dental hospitals and clinics in the PRC require various permits, licenses, certificates and government approvals. There can be no assurance that we can obtain or renew any of them in a timely manner or at all.
- We lease properties in various place as premises for our dental hospitals and clinics and office space. Any non-renewal of leases, substantial increase in rent, or any failure to comply with applicable laws and regulations may affect our business and financial performance.
- Newly opened or acquired dental hospitals and clinics may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.
- We conduct our business in a heavily regulated industry and incur on-going compliance costs as well as face penalties for non-compliance.

SUMMARY

- Our professional indemnity insurance coverage and other insurance coverage may not be sufficient to cover the risks related to our business and operations.
- Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our bond and warrants.
- We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.
- We are dependent on our dentists. Our financial results may be affected if we are not able to retain our existing dentists or attract suitable professionals to join us.
- We may be subject to complaints, investigations or legal proceedings relating to alleged malpractice or misconduct in the services provided by our employees, which could harm our reputation, brand image and results of operations.
- Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.
- We may not be able to protect our patient information from leakage or improper use, which could expose our Group and our staff to claims or litigation.
- Any disruption, malfunction or breakdown of our business management system and network security may interrupt our business operations and materially and adversely affect our business.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth the summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I to this prospectus. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the Accountant's Report set out in Appendix I to this prospectus, including the notes thereto.

SUMMARY

Summary of Consolidated Income Statements

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%
Cost of sales	(916,519)	(84.8%)	(988,477)	(89.9%)	(1,150,707)	(75.9%)	(537,514)	(74.6%)	(653,882)	(77.7%)
Gross profit	163,772	15.2%	111,391	10.1%	364,420	24.1%	182,807	25.4%	187,457	22.3%
Selling and distribution expenses	(105,576)	(9.8%)	(84,825)	(7.7%)	(79,122)	(5.2%)	(37,350)	(5.2%)	(38,377)	(4.6%)
Administrative expenses	(103,878)	(9.6%)	(112,680)	(10.2%)	(130,330)	(8.6%)	(71,433)	(9.9%)	(103,018)	(12.2%)
Research and development expenses	(19,111)	(1.8%)	(27,495)	(2.5%)	(27,311)	(1.8%)	(8,674)	(1.2%)	(10,319)	(1.2%)
Net (impairment loss)/reversal of impairment loss on financial assets	(14,782)	(1.4%)	(16,706)	(1.5%)	(5,476)	(0.4%)	(2,087)	(0.3%)	4,523	0.5%
Other (losses)/gains – net	(4,468)	(0.4%)	(3,129)	(0.3%)	2,286	0.1%	2,782	0.4%	2,810	0.3%
Operating (loss)/profit	(84,043)	(7.8%)	(133,444)	(12.1%)	124,467	8.2%	66,045	9.2%	43,076	5.1%
Finance income	8,796	0.8%	9,326	0.8%	7,581	0.5%	4,438	0.6%	5,979	0.7%
Finance costs	(37,458)	(3.5%)	(48,011)	(4.3%)	(51,914)	(3.4%)	(23,790)	(3.3%)	(32,251)	(3.8%)
Finance costs – net	(28,662)	(2.7%)	(38,685)	(3.5%)	(44,333)	(2.9%)	(19,352)	(2.7%)	(26,272)	(3.1%)
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method	(9,939)	(0.9%)	(2,716)	(0.3%)	2,602	0.2%	267	0%	829	0.1%
Re-designation to Series E preferred shares from issued ordinary and preferred shares	-	-	-	-	(196,712)	(13.0%)	-	-	-	-
Fair value change of convertible redeemable preferred shares	(192,818)	(17.8%)	(146,049)	(13.3%)	(424,289)	(28.0%)	(215,234)	(29.9%)	(428,109)	(50.9%)
Fair value change of bond	-	-	-	-	(16,677)	(1.1%)	(5,309)	(0.7%)	(22,650)	(2.7%)
Fair value change of warrants	-	-	-	-	(26,802)	(1.8%)	(7,527)	(1.0%)	(13,686)	(1.6%)
Fair value change of derivative liabilities	-	-	-	-	-	-	-	-	(1,129)	(0.1%)
Fair value difference between termination of the warrants and recognition of derivative liabilities	-	-	-	-	-	-	-	-	(11,136)	(1.3%)
Loss before income tax	(315,462)	(29.2%)	(320,894)	(29.2%)	(581,744)	(38.4%)	(181,110)	(25.1%)	(459,077)	(54.6%)
Income tax credit/(expenses)	11,293	1.0%	(4,931)	(0.4%)	(16,018)	(1.1%)	(6,812)	(0.9%)	(5,110)	(0.6%)
Loss for the year/period	<u>(304,169)</u>	<u>(28.2%)</u>	<u>(325,825)</u>	<u>(29.6%)</u>	<u>(597,762)</u>	<u>(39.5%)</u>	<u>(187,922)</u>	<u>(26.1%)</u>	<u>(464,187)</u>	<u>(55.2%)</u>
Loss attributable to:										
Owners of the Company	(301,178)	(27.9%)	(316,854)	(28.8%)	(599,420)	(39.6%)	(189,524)	(26.3%)	(468,429)	(55.7%)
Non-controlling interests	(2,991)	(0.3%)	(8,971)	(0.8%)	1,658	0.1%	1,602	0.2%	4,242	0.5%
	<u>(304,169)</u>	<u>(28.2%)</u>	<u>(325,825)</u>	<u>(29.6%)</u>	<u>(597,762)</u>	<u>(39.5%)</u>	<u>(187,922)</u>	<u>(26.1%)</u>	<u>(464,187)</u>	<u>(55.2%)</u>

SUMMARY

Non-IFRS Measures

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

We define adjusted EBITDA as EBITDA (which is loss for the year/period plus income tax credit/(expenses), depreciation and amortization expenses and net finance costs) for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of the warrants and recognition of derivative liabilities, and (viii) fair value changes of derivative liabilities.

We define adjusted net (loss)/profit for the year/period as loss for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of warrants and recognition of derivative liabilities, (viii) transaction cost on issuance of Series E convertible redeemable preferred shares, and (ix) fair value changes of derivative liabilities.

The following tables reconcile our adjusted EBITDA and adjusted net (loss)/profit for the year/period presented to the most directly comparable financial measure calculated and presented under IFRS.

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
Loss for the year/period	(304,169)	(325,825)	(597,762)	(187,922)	(464,187)
Add:					
Income tax credit/(expenses)	(11,293)	4,931	16,018	6,812	5,110
Depreciation and Amortization	181,370	222,616	228,991	114,354	117,526
Finance costs—net	28,662	38,685	44,333	19,352	26,272
EBITDA	<u>(105,430)</u>	<u>(59,593)</u>	<u>(308,420)</u>	<u>(47,404)</u>	<u>(315,279)</u>

SUMMARY

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
Add:					
Re-designation to Series E Preferred shares from ordinary and preferred shares ⁽¹⁾	-	-	196,712	-	-
Fair value change of convertible redeemable preferred shares ⁽²⁾	192,818	146,049	424,289	215,234	428,109
Fair value change of warrants ⁽³⁾	-	-	26,802	7,527	13,686
Share-based compensation expenses ⁽⁴⁾	1,291	445	-	-	-
Listing expenses ⁽⁵⁾	-	-	5,871	-	22,517
Change in fair value due to modification of bond ⁽⁶⁾	-	-	-	-	9,628
Fair value difference between termination of the warrants and recognition of derivative liabilities ⁽⁷⁾	-	-	-	-	11,136
Fair value changes of derivative liabilities ⁽⁹⁾	-	-	-	-	1,129
Adjusted EBITDA	88,679	86,901	345,254	175,357	170,926
Loss for the year/period	(304,169)	(325,825)	(597,762)	(187,922)	(464,187)
Add:					
Re-designation to Series E Preferred shares from ordinary and preferred shares ⁽¹⁾	-	-	196,712	-	-
Fair value change of convertible redeemable preferred shares ⁽²⁾	192,818	146,049	424,289	215,234	428,109
Fair value change of warrants ⁽³⁾	-	-	26,802	7,527	13,686
Share-based compensation expenses ⁽⁴⁾	1,291	445	-	-	-
Listing expenses ⁽⁵⁾	-	-	5,871	-	22,517
Change in fair value due to modification of bond ⁽⁶⁾	-	-	-	-	9,628
Fair value difference between termination of warrants and recognition of derivative liabilities ⁽⁷⁾	-	-	-	-	11,136
Transaction cost on issuance of Series E convertible redeemable preferred shares ⁽⁸⁾	-	-	-	-	9,170
Fair value changes of derivative liabilities ⁽⁹⁾	-	-	-	-	1,129
Adjusted net (loss)/profit for the year/period	(110,060)	(179,331)	55,912	34,839	31,188

SUMMARY

Notes:

- (1) Re-designation to Series E Preferred shares from ordinary and preferred shares represents difference in fair value of ordinary shares and preferred shares arising from the re-designation of ordinary shares held by certain existing shareholders to Series E Preferred Shares in connection with Series E Pre-IPO Investment. It is adjusted for as the transaction is irregular to the Company's business operations. In addition, it is not directly related to our business operations.
- (2) Fair value change of convertible redeemable preferred shares represents change in fair value of the convertible redeemable preferred shares issued by the Company and relates to changes in the valuation of the Company. This item is non-cash in nature and is not directly related to our business operations. The convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing. Subsequently, we do not expect to record any further fair value change of convertible redeemable preferred shares.
- (3) Fair value change of warrants represents change in fair value of the outstanding Warrants and relates to changes in the valuation of the Company. This item is non-cash in nature. We do not expect to record any further fair value change of warrants after the Listing, since the Warrants were terminated on June 29, 2021.
- (4) Share-based compensation expenses incurred during the years ended March 31, 2019 and 2020 arose from shares granted to a director of the Company which vested during the respective financial years. This item is adjusted for as it is non-cash in nature.
- (5) Listing expenses relate to this Global Offering of the Company. This item is adjusted for as it is not directly related to its operating activities.
- (6) Change in fair value due to modification of bond represents change in fair value of bond attributable to the early redemption right entitled to the bond investor pursuant to a new bond investment agreement entered into on June 29, 2021. This item is adjusted for as it is non-cash in nature.
- (7) Fair value difference between termination of warrants and recognition of derivative liabilities represents fair value of the right that the warrants holder has to re-enter into a warrants purchase agreement under certain circumstances as stipulated in a deed of termination and undertaking entered into on June 29, 2021. This item is adjusted for as it is non-cash in nature.
- (8) Transaction cost on issuance of Series E convertible redeemable preferred shares represents the financial advisor expenses relating to the issuance of Series E convertible redeemable preferred shares. It is adjusted for as the transaction is irregular to the Company's business operations. In addition, it is not directly related to our business operations.
- (9) Fair value change of derivative liabilities represents the change in fair value of derivative liabilities as a result of the change in probability of the Global Offering, the change in equity value of the Company and other changes in market risk factors. The derivative liabilities relate to the Company's obligation to settle the US\$15.62 million for the termination of the Warrant on June 29, 2021 by its own capital resources before the Listing Date, see "Financial Information—Indebtedness, Contingent Liabilities and Off-balance Sheet Commitments and Arrangements—Warrants" and "—Derivative Liabilities" for more details. As of the date of this prospectus, the derivative liabilities have been fully settled and derecognized. Consequently, "fair value changes of derivative liabilities" will not occur after the Listing. In addition, this item is not directly related to our business operations.

SUMMARY

Gross Profit Margin

We had gross profit margin of 15.2%, 10.1% and 24.1% for fiscal 2019, 2020 and 2021, respectively. Our gross profit margin for the six months ended September 30, 2021 was 22.3%, compared to 25.4% for the six months ended September 30, 2020. For discussion in detail on the primary causes for the fluctuation in gross profit margin year-over-year, see “Financial Information—Description of Major Consolidated Statements of Comprehensive Income Items—Gross profit and gross profit margin.”

For a breakdown of our revenues, gross profit, and gross profit margin by hospitals or clinics, and by development stage of our hospitals and clinics during the Track Record Period, see “Business—Our Services—Our Hospitals and Clinics.”

Loss for the Year/Period

We had net losses of RMB304.2 million, RMB325.8 million and RMB597.8 million in fiscal 2019, 2020 and 2021, and RMB187.9 million and RMB464.2 million for the six months ended September 30, 2020 and 2021, respectively. For discussion in detail on the primary causes for the net losses, see “Financial Information—Description of Major Consolidated Statements of Comprehensive Income Items—Loss for the year/period.”

PATH TO NET PROFITABILITY

We were in operating loss position in fiscal 2019 and 2020, and swung to an operating profit in fiscal 2021 and the six months ended September 30, 2021. Further, we recorded substantial and growing net cash inflow from operating activities during the Track Record Period. We expect our operating cash flow to further improve, see “Financial Information—Working Capital” for more details. As of January 31, 2022, we had RMB1.0 billion in cash and cash equivalent. We are well positioned to achieve sustainable growth.

Notwithstanding the above, we had net losses during the Track Record Period. Furthermore, we were in net liability position as of March 31, 2019, 2020 and 2021 and September 30, 2021, and were in net current liability position as of March 31, 2019, 2020 and 2021, respectively.

We expect to further improve our financial performance and achieve net profitability in the near future through continuous revenue growth and improved cost efficiency. We will strive to strike a balance between our business expansion and the profitability, and intend to achieve this by evaluating our expansion plans and monitoring the composition of hospitals and clinics in different growth stages on an ongoing basis through the collective efforts of the Board, the management teams and the new project committee.

In light of the foregoing, our Directors are of the view that we will start recording net profit in the medium term, assuming there are no changes in extrinsic factors that would materially influence the dental services market in China generally or our Group specifically such as evolvement of COVID-19.

See “Business—Path to Net Profitability” for more details.

SUMMARY

Summary of Consolidated Balance Sheets

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Property, plant and equipment	330,479	312,154	260,842	286,150
Right-of-use assets	608,882	595,950	595,114	630,315
Other receivables	179,335	188,900	185,015	102,979
Total non-current assets	1,288,951	1,282,873	1,257,793	1,226,133
Prepayments	78,040	71,440	104,976	125,950
Trade and other receivables	111,745	105,017	155,935	238,801
Financial assets at fair value through profit or loss	12,324	77,104	51,004	6,034
Cash and cash equivalents	168,457	172,618	676,304	1,120,584
Total current assets	586,785	620,118	1,092,961	1,642,523
Total assets	1,875,736	1,902,991	2,350,754	2,868,656
Convertible redeemable preferred shares	2,230,268	–	–	4,072,152
Total non-current liabilities	2,771,979	560,730	549,878	4,662,494
Trade and other payables	278,332	266,470	294,668	324,877
Contract liabilities	163,983	236,263	209,521	193,302
Borrowings	168,636	254,400	194,623	189,507
Convertible redeemable preferred shares	–	2,463,404	3,178,465	–
Bond	–	–	167,345	184,569
Warrants	–	–	71,126	–
Total current liabilities	740,290	3,370,364	4,257,453	1,117,543
Total liabilities	3,512,269	3,931,094	4,807,331	5,780,037
Net current assets/(liabilities)	(153,505)	(2,750,246)	(3,164,492)	524,980
Share capital	9,938	9,938	9,447	24,882
Reserves	140,959	71,380	239,184	230,515
Accumulated losses	(1,829,231)	(2,146,085)	(2,748,503)	(3,216,932)
Deficit in equity attributable to owners of the Company	(1,678,334)	(2,064,767)	(2,499,872)	(2,961,535)
Non-controlling interests	41,801	36,664	43,295	50,154
Total deficit in equity	(1,636,533)	(2,028,103)	(2,456,577)	(2,911,381)
Total deficit in equity and liabilities	1,875,736	1,902,991	2,350,754	2,868,656

SUMMARY

Current Assets and Liabilities

	As of March 31,			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				(unaudited)
Current assets:					
Inventories	38,455	37,500	39,036	51,850	51,540
Prepayments	78,040	71,440	104,976	125,950	143,052
Trade and other receivables	111,745	105,017	155,935	238,801	135,716
Financial assets at fair value					
through profit or loss	12,324	77,104	51,004	6,034	–
Restricted cash	144,097	156,439	65,706	97,304	95,641
Time deposits with original					
maturity over three months	33,667	–	–	2,000	2,000
Cash and cash equivalents	168,457	172,618	676,304	1,120,584	1,034,385
Total current assets	586,785	620,118	1,092,961	1,642,523	1,462,334
Current liabilities:					
Trade and other payables	278,332	266,470	294,668	324,877	251,457
Contract liabilities	163,983	236,263	209,521	193,302	192,718
Current tax liabilities	4,451	5,891	9,565	8,957	8,957
Borrowings	168,636	254,400	194,623	189,507	118,374
Convertible redeemable preferred					
shares	–	2,463,404	3,178,465	–	–
Bond	–	–	167,345	184,569	183,109
Warrants	–	–	71,126	–	–
Lease liabilities	124,888	143,936	132,140	119,972	132,681
Derivative liabilities	–	–	–	96,359	95,448
Total current liabilities	740,290	3,370,364	4,257,453	1,117,543	982,744
Net current assets/(liabilities)	(153,505)	(2,750,246)	(3,164,492)	524,980	479,590

SUMMARY

Summary of Consolidated Statements of Cash Flows

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

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
	(unaudited)				
Operating cash flows before					
changes in working capital	114,841	109,424	357,798	179,370	155,194
Changes in working capital	25,613	52,181	(107,539)	(53,903)	(2,347)
Cash generated from operations	140,454	161,605	250,259	125,467	152,847
Income tax paid	(3,645)	(7,311)	(7,389)	(772)	(7,619)
Net cash generated from operating activities	136,809	154,294	242,870	124,695	145,228
Net cash (used in)/generated from investing activities	(309,309)	(109,594)	61,753	(142,272)	(30,556)
Net cash generated from/(used in) financing activities	34,444	(43,847)	217,513	158,380	333,370
Net (decrease)/increase in cash and cash equivalents	(138,056)	853	522,136	140,803	448,042
Cash and cash equivalents at the beginning of the year/period	290,385	168,457	172,618	172,618	676,304
Effects of exchange rate changes on cash and cash equivalents	16,128	3,308	(18,450)	(6,981)	(3,762)
Cash and cash equivalents at the end of the year/period	168,457	172,618	676,304	306,440	1,120,584

SUMMARY

Key Financial Ratios

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

	Year ended March 31,			For the six months ended September 30,	
	2019	2020	2021	2020	2021
	(unaudited)				
Profitability ratios					
Gross profit margin ⁽¹⁾ (%)	15.2	10.1	24.1	25.4	22.3
Net profit/(loss) margin ⁽²⁾ (%)	(28.2)	(29.6)	(39.5)	(26.1)	(55.2)
Non-IFRS Measures					
Adjusted EBITDA margin ⁽³⁾ (%)	8.2	7.9	22.8	24.3	20.3
Adjusted net (loss)/profit margin ⁽⁴⁾ (%)	(10.2)	(16.3)	3.7	4.8	3.7
Capital adequacy ratio					
Gearing ratio ⁽⁵⁾ (%)	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenues and multiplied by 100%.
- (2) Net loss margin is calculated based on net loss divided by revenues and multiplied by 100%.
- (3) Adjusted EBITDA margin equals adjusted EBITDA divided by revenues and multiplied by 100%. We define adjusted EBITDA as EBITDA (which is loss for the year/period plus income tax credit/(expenses), depreciation and amortization expenses and net finance costs) for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of the warrants and recognition of derivative liabilities, and (viii) fair value changes of derivative liabilities. For further details, see “—Non-IFRS Measures.”
- (4) Adjusted net (loss)/profit margin equals adjusted net (loss)/profit divided by revenues and multiplied by 100%. We define adjusted net (loss)/profit for the year/period as loss for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of warrants and recognition of derivative liabilities, (viii) transaction cost on issuance of Series E convertible redeemable preferred shares, and (ix) fair value changes of derivative liabilities. For further details, see “—Non-IFRS Measures.”
- (5) Gearing ratio is calculated based on total borrowings divided by total equity and multiplied by 100%. Gearing ratio is not applicable to us during the Track Record Period due to our negative equity position.

SUMMARY

PRE-IPO INVESTORS

Since the establishment of our Company, we have received several rounds of Pre-IPO Investments from the Pre-IPO Investors. For further details of the identity and background of the Pre-IPO Investors and the principal terms of the Pre-IPO Investments, please see “History, Reorganization and Corporate Structure—Pre-IPO Investments” in this prospectus.

EMPLOYEE INCENTIVE PLAN

On June 25, 2021, the Board has approved to set up a platform in the BVI to hold the incentive shares in a total amount of 4,798,904 Shares (or 119,972,600 Ordinary Shares assuming the completion of the Share Subdivision), representing approximately 22.42% of the total issued share capital of the Company immediately before the Global Offering, for the participants under an RSU Scheme adopted by the Company on August 3, 2021. We believe the RSU Scheme will align the interests of the eligible persons with those of our Group through ownership of Shares to encourage and retain them to make contributions to the long-term growth and profits of our Group. In order to maintain a stable ownership of the Company as well as the dynamics between our founder and the Pre-IPO Investors, a deed of voting proxy was executed by the ESOP BVI on October 1, 2021, who irrevocably and unconditionally appointed Mr. Zou as its true and lawful attorney and proxy with respect to all the Shares of the ESOP BVI at the Company’s shareholders’ meetings. For further details of the RSU Scheme, see “History, Reorganization and Corporate Structure—Employee Incentive Plan” and “Appendix IV—Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—6. RSU Scheme.”

On October 1, 2021, 616 employees (of which, (i) 8 of them are Directors and senior management with a total of 1,076,799 underlying shares granted, representing 29.35% of the total underlying shares granted, (ii) 272 of them are dentists with a total of 1,476,033 underlying shares granted, representing 40.23% of the total underlying shares granted, (iii) 100 of them are nurses with a total of 108,660 underlying shares granted, representing 2.96% of the total underlying shares granted, and (iv) the remaining 236 grantees are other supporting staff with a total of 1,007,449 underlying shares granted, representing 27.46% of the total underlying shares granted) were approved by the Board to be grantees under the RSU Scheme with a total of 3,668,941 underlying Shares (or 91,723,525 underlying Shares assuming the completion of the Share Subdivision), representing approximately 76% of the underlying Shares to be granted under the proposed RSU Scheme. None of such grantees has interest in the underlying Shares of more than 2% of our total issued share capital upon completion of the Global Offering. Despite the grant of approximately 76% of the underlying shares to Directors, senior management and employees on October 1, 2021, the RSU Scheme may still incentivize the Directors, senior management and employees as the granted RSUs will only become realizable in four equal installments every six months after the Listing Date, provided that the respective grantee holding such RSUs passes the annual performance review administered by the Board for each of the immediately preceding calendar years. Currently, we do not have plans to grant RSUs in the near future. If the Company develops a plan to allocate the remaining incentive shares, the allocation among the Directors/senior management and the

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employees will be in similar proportion as those granted on October 1, 2021. Such allocation plan will effectively incentivize employees and also retain talents who held different positions in the Group including dentists, nurses and other supporting staff with sufficient amount of underlying Shares as incentive awards.

Taking into account the Shares held by the ESOP BVI, Mr. Zou will be interested in approximately 34.29% of the total share capital of the Company, and therefore he will become a controlling shareholder (as defined under the Listing Rules) as at the date of this prospectus. Following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zou will be interested in an aggregate of approximately 31.55% of the total issued share capital of our Company. Irrespective of the composition of the shareholding of ESOP BVI, as long as the deed of voting proxy conferring the voting power of ESOP BVI upon Mr. Zou is still in effect and the underlying Shares are still held in escrow, it will not affect Mr. Zou's controlling stake in the Company.

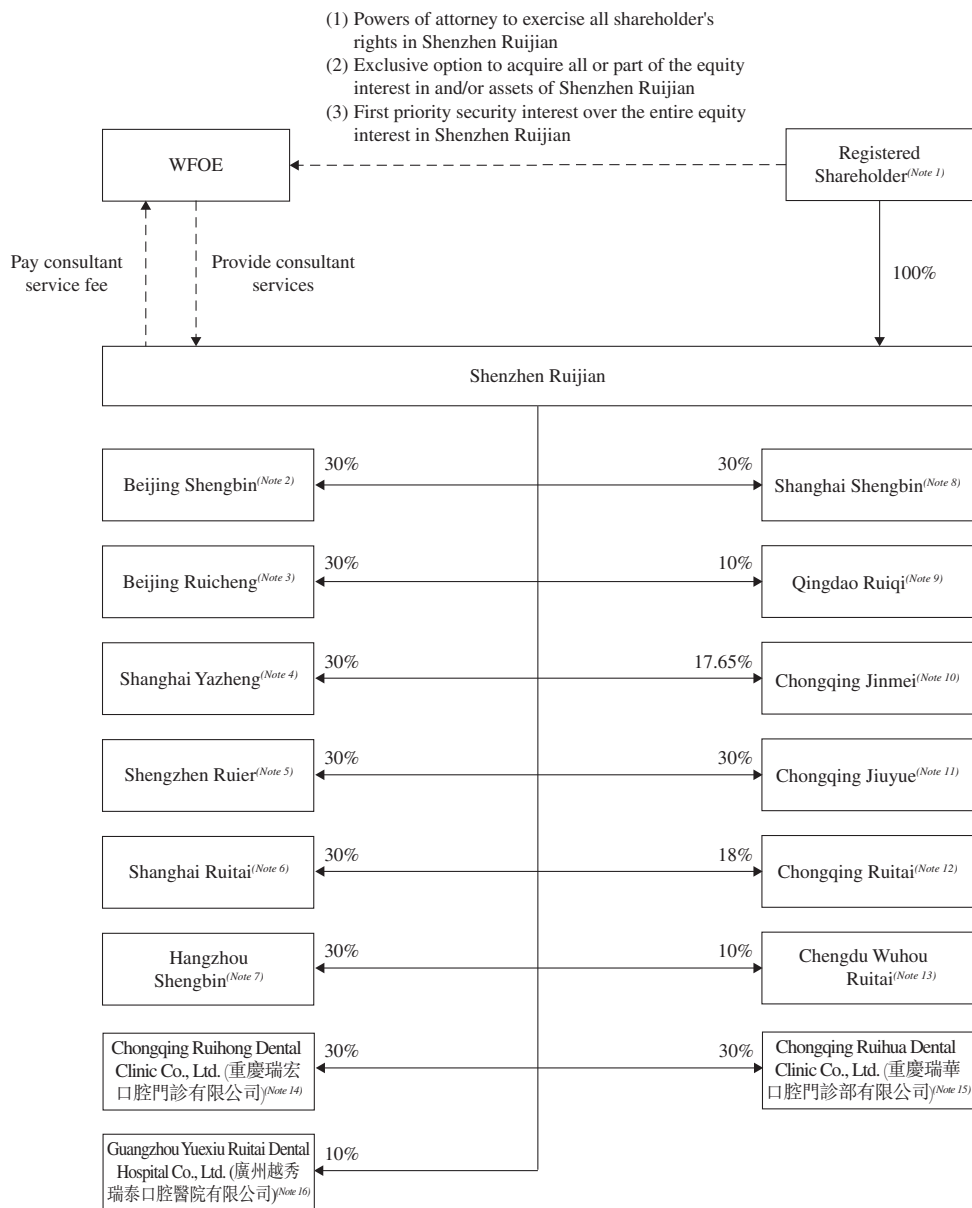
Share-based compensation expenses relating to the RSUs granted under the RSU Scheme amounted to not less than RMB90 million, RMB120 million and RMB30 million will be recognised in profit or loss in the financial years of 2022, 2023 and 2024 respectively.

CONTRACTUAL ARRANGEMENTS

Our Group primarily engages in the provision of premium dental medical services through dental clinics and hospitals in China, which is a sector where foreign investment is subject to restrictions under the PRC laws and regulations as advised by our PRC Legal Advisers. In order to comply with such laws, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we entered into the Contractual Arrangements on August 20, 2020. Pursuant to the Contractual Arrangements, we controlled the maximum equity interest of our VIE Entities to the extent possible as permitted under the PRC Laws and the requirements under the Listing Rules (except for some minority interests held by others in some of our subsidiaries) and are entitled to all the economic benefits derived from the VIE Entities' operations. For further details, please see "Contractual Arrangements" in this prospectus.

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The following simplified diagram illustrates the flow of economic benefits from our VIE Entities to our Company stipulated under the Contractual Arrangements:



Notes:

- (1) The Registered Shareholder is Ms. Zou Lifang, who is a PRC citizen and the sister of our founder Mr. ZOU Qifang. Ms. Zou holds 100% interest of Shenzhen Ruijian.
- (2) The remaining 70% interest of Beijing Shengbin was held by Beijing Ruisheng, a wholly-owned subsidiary of the WFOE.
- (3) The remaining 70% interest of Beijing Ruicheng was held by Beijing Ruisheng.
- (4) The remaining 70% interest of Shanghai Yazheng was held by Shanghai Ruicheng, a wholly-owned subsidiary of the WFOE.
- (5) The remaining 70% interest of Shengzhen Ruier was held by the WFOE.

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- (6) The remaining 70% interest of Shanghai Ruitai was held by Shanghai Ruicheng.
- (7) The remaining 70% interest of Hangzhou Shengbin was held by Shanghai Ruicheng.
- (8) The remaining 70% interest of Shanghai Shengbin was held by Shanghai Ruicheng.
- (9) The remaining 70% and 20% interest of Qingdao Ruiqi was held by Beijing Ruisheng and Chengdu Ruibowen Hospital Management Center LLP (成都瑞勃文醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. QU Bo and Mr. HU Yunfan, who are senior management of the Company.
- (10) The remaining 82.35% interest of Chongqing Jinmei was held by the WFOE.
- (11) The remaining 70% interest of Chongqing Jiuyue was held by Chongqing Ruijing, a wholly-owned subsidiary of the WFOE.
- (12) The remaining 70% and 12% interest of Chongqing Ruitai was held by Chongqing Ruijing and Chongqing Ruibang Xingtai Hospital Management Center LLP (重慶瑞邦興泰醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. HU Xing, who is our senior management.
- (13) The remaining 90% interest of Chongqing Wuhou Ruitai was held by Chongqing Ruijing.
- (14) The remaining 70% interest of Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司) was held by Chongqing Ruijing.
- (15) The remaining 70% interest of Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司) was held by Chongqing Ruijing.
- (16) The remaining 90% interest of Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. (廣州越秀瑞泰口腔醫院有限公司) was held by Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. (珠海橫琴瑞爾泰醫院投資有限公司), a wholly-owned subsidiary of the WFOE, and Hainan Yongrui Enterprise Management Center (Limited Partnership) (海南雍瑞企業管理中心(有限合夥)), a third party independent to the Company, as to 70% and 20%, respectively.

On January 1, 2020, the FIL and the FIL Implementing Regulation came into effect, which have become the legal foundation for foreign investment in the PRC. Although neither the FIL nor the FIL Implementing Regulation explicitly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Please refer to the section headed “Risk Factors—Risks Relating to our Contractual Arrangements” in this prospectus for further details.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute partially-exempt or non-exempt continuing connected transactions under Chapter 14A of the Listing Rules after the Listing. Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed “Connected Transactions” in this prospectus.

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OUR CONTROLLING SHAREHOLDERS

On June 25, 2021, the Board has approved to set up a platform in the BVI to hold incentive shares in a total amount of 4,798,904 Ordinary Shares, representing approximately 22.42% of the total issued share capital of the Company immediately prior to the Global Offering, for the participants under an RSU Scheme adopted by the Company on August 3, 2021. In order to maintain a stable ownership of the Company as well as the dynamics between our founder and the Pre-IPO Investors, the voting rights of the ESOP BVI is held by Mr. Zou by way of proxy. Taking into account the Shares held by the ESOP BVI, Mr. Zou is interested in approximately 34.29% of the total share capital of the Company, and therefore he is a controlling shareholder (as defined under the Listing Rules) as at the date of this prospectus. Following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zou will be interested in an aggregate of approximately 31.55% of the total issued share capital of our Company, comprising: (i) Shares representing approximately 5.19%, 3.18% and 1.71% of the share capital of our Company held through Rise Day Holdings Limited, Mingda International Limited and Beier Holdings Limited, respectively, (ii) Shares representing approximately 0.85% of the share capital of our Company held by Mr. Zou directly, and (iii) the voting rights conferred upon Mr. Zou by ESOP BVI through proxy representing approximately 20.63% of the share capital of the Company. Therefore, Mr. Zou, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI will be treated as a group of Controlling Shareholders before the Global Offering, and Mr. Zou, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI will, collectively, remain as our Controlling Shareholders after the completion of the Global Offering.

KEY OPERATING METRICS

Patient Visits

The following table sets forth the details of our patient visits to our dental hospitals and clinics during the Track Record Period.

	For the year ended March 31,			For the six months ended September 30,	
	2019	2020	2021	2020	2021
Total patients	494,267	509,146	577,996	289,357	398,785
Total patient visits	1,063,562	1,076,054	1,371,046	626,369	805,049
Average revenues per patient visit (RMB)	987.0	978.7	1,071.8	1,119.5	1,020.9

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Our total patient visits and average revenues per patient visit remained relatively stable from fiscal 2019 to 2020, primarily due to the temporary closures of our hospitals and clinics in February through April, 2020 amid the outbreak of the COVID-19 pandemic. Such two metrics increased from fiscal 2020 to 2021, in line with the recovery in our business as the COVID-19 pandemic came under control in China.

Our total patient visits increased from the six months ended September 30, 2020 to the six months ended September 30, 2021, in line with the recovery in our business as the COVID-19 pandemic came under control in China. Our average revenues per patient visit were RMB1,119.5 in the six months ended September 30, 2020, compared to RMB1,020.9 in the same period in 2021. The higher revenues per patient visit in the former period was primarily because we had to prioritize treating complex dental cases and provided fewer general dentistry treatments (such as non-emergency dental care services like tooth cleaning) during such period amid COVID-19, in response to Chinese government's efforts to contain the spread of the virus which included suspension of non-emergency dental care services, limited operation orders and more stringent standards for sterilization and disinfection. Since complex dental treatments typically generate greater revenues than general dentistry services from each patient visit, and the number of complex dental treatments we provided accounted for a larger portion of all the dental services we provided in the six months ended September 30, 2020 as compared to that in the six months ended September 30, 2021, such practices drove up our revenues per patient visit during the six months ended September 30, 2020.

OUR INDUSTRY

The Chinese dental market is still relatively underpenetrated and fragmented compared to developed nations. According to the Frost & Sullivan report, the top five players in the private dental services market in 2020 only accounted for an aggregate of 8.5% of the total market share in terms of revenues. With the growing dental services market, dental services providers continue to compete for market share. The dental services market can be segmented into three categories: small dental services providers, regional chain dental services providers, and national chain dental services providers. According to the Frost & Sullivan report, small dental services providers operate a single dental clinic in a specific location; regional chain dental services providers operate multiple dental clinics across a single region; and national chain dental services providers operate multiple clinics across multiple regions.

China's market has more dental establishments operated by private services providers. This is because the private sector mainly comprises dental clinics which have less operational, regulatory and capital requirements, resulting in broader geographic coverage. As a subset of dental clinics, private dental clinics are broadly distributed geographically, with various business models corresponding to different market positioning. In addition to common dental diseases, private dental clinics also provide cosmetic and chronic care programs, pre-treatment consultation and other personalized customer services. The public sector mainly consists of dental hospitals, which primarily offer comprehensive and diverse dental treatments to customers in Tier-1 and Tier-2 cities, and general hospitals with dental departments, which are typically located in both urban and rural areas catering to common dental treatment demands

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of mass population. The number of dental establishments had been growing at a CAGR of 6.5% from 64,100 in 2015 to 87,700 in 2020. The number of dental establishments is expected to reach 144,500 in 2025 with a CAGR of 10.4%. In particular, private dental clinics accounted for 51.9% of the total dental services market in China in 2020, while dental hospitals and general hospitals with dental departments in aggregate accounted for 48.1% of the total market share.

With greater access to funds and talent, chain dental services providers are generally better positioned to compete and obtain additional market shares by leveraging economy of scale. In particular, national chain dental services providers tend to possess more competitive advantages, including advanced digitalization, talent acquisition on a national scale, extensive knowledge sharing and precise capturing of regional consumers through organic growth and strategic acquisitions. These advantages allow national providers to adapt to changing market conditions through catering to more patients and providing higher quality services.

Due to the differences in demographic profiles and gap in spending power between various regions in China, market fragmentation is expected to remain the norm in the near future, creating extensive penetration potential for national chain dental services providers.

Our Market Share

According to the Frost & Sullivan report, Arrail Dental accounted for 24.1% of the premium private dental services market in terms of revenues in 2020; Rytime Dental accounted for 1.1% of the middle-end private dental services market in terms of revenues in 2020; Arrail Group accounted for 1.5% of the overall private dental services market in terms of revenues in 2020.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, we opened one new dental clinic in Beijing and one new dental clinic in Chongqing.

In fiscal 2022, we expect to incur share-based compensation expenses relating to the RSUs issuable under the RSU Scheme and record fair value change of convertible redeemable preferred shares primarily related to fair value increase of the convertible redeemable preferred shares. As a result, we expect to record substantial losses in fiscal 2022.

Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. (珠海橫琴瑞爾泰醫院投資有限公司), a subsidiary of our Company, as purchaser proposed to enter into an investment agreement with Shenzhen Baocheng Dental Hospital (深圳寶城口腔醫院) (the “**Target Company**”) and its existing shareholders (the “**Acquisition**”). Upon completion of the Acquisition, Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. will hold 14.4% equity interest in the Target Company in total. For details of the Acquisition, see “History, Reorganization and Corporate Structure—Post-Track Record Period Investment” in this prospectus.

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Recent Regulatory Developments in China

On December 24, 2021, the China Securities Regulatory Commission, or the CSRC, released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively the “**Draft Regulations on Listing**”) for public comments, both of which had a comment period that expired on January 23, 2022. The Draft Regulations on Listing, if adopted in their current form, will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Our PRC Legal Advisers are of the view that, the Draft Regulations on Listing were released only for soliciting public comments at this stage and their provisions and anticipated adoption or effective date are subject to changes, and thus their interpretation and implementation remain substantially uncertain. The Draft Regulations on Listing are not clear on the exact criteria of qualified issuers who must complete the CSRC filing procedures after submitting the application for an initial public offering overseas, and are not clear on whether qualified issuers which have submitted the application for initial public offering overseas but have not yet completed the whole listing process shall be subject to the said CSRC filing procedures. Although according to the existing text of the Draft Regulations on Listing, the proposed Listing may be subject to the newly-empowered regulatory scope of CSRC and the newly-enacted report and filing procedures for constituting a “indirect overseas offering and listing by a PRC company”, we cannot predict the impact of the Draft Regulations on Listing on the proposed Listing, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. In addition, as advised by our PRC Legal Advisers, given that the Draft Regulations on Listing are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to the Listing as of the date of this prospectus. Notwithstanding the foregoing, our PRC Legal Advisers are of the view that if the Draft Regulations on Listing come into effect after our proposed Listing, it will not apply retrospectively requiring us to complete the CSRC filing procedures for an initial public offering overseas. See “Regulatory Overview—Laws and Regulations Related to Overseas Listing” and “Contractual Arrangements—PRC Laws and Regulations Related to Overseas Listing” for more details.

In addition, according to Article 6 of the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單) (2021年版)) (the “**2021 Negative List**”) which took effect on January 1, 2022, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. As confirmed by our PRC Legal Advisers, according to the 2021 Negative List, medical institutions like us do not fall within the prohibited areas provided in the 2021 Negative List, and therefore the requirements stipulated in the aforementioned Article 6 are not applicable to us.

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On December 27, 2021, a spokesman from the NDRC held a press conference in relation to the 2021 Negative List. During the conference, it was held that the supervision and administration of the Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List shall be led by CSRC and the CSRC will seek the view of the competent authority in the relevant industry or sector after receipt of the application materials for an “overseas listing” (“境外上市”). On January 18, 2022, another press conference was held by the NDRC to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applying to the situations where domestic enterprises were seeking a direct overseas issuance and listing.

However, we cannot guarantee that new rules or regulations promulgated in the future, including without limitation to the Draft Regulations on Listing, will not impose any additional requirements on us or otherwise tighten the regulations on companies with a VIE structure. For further details, see “Risk Factors—Risks Relating to Our Contractual Arrangements—We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.”

Impact of COVID-19 on Our Business

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020, including us. The Chinese government’s efforts to contain the spread of COVID-19, including city lockdowns or “stay-at-home” orders, suspension of non-emergency dental care services and temporary closures of dental hospitals and clinics, restrictions on travel and other emergency quarantines, have caused significant and unprecedented disruptions to the general economy and normal business operations across sectors. As a result, China’s overall dental services market had been negatively impacted. Although many of the quarantine measures within China have been relaxed and our businesses have resumed growth since the second quarter of 2020, restrictions were re-imposed in certain cities during the second half of 2020 from time to time.

Specifically, the COVID-19 pandemic adversely affected our operating and financial performance in fiscal 2020, in particular, during the fourth quarter of fiscal 2020. In response to mandated shutdowns and limited operation orders instituted across China from February to April 2020, the peak of the COVID-19 outbreak in China, we temporarily closed all of our hospitals and clinics in February 2020, partially resuming operations in March 2020 and fully resuming operations in May 2020. As a result, we experienced an immediate and drastic reduction in revenue levels and patient visits, particularly from February 2020 to April 2020, compared to the same periods in 2019.

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COVID-19 had also adversely impacted our gross profit margin, primarily due to the combination of: (i) the substantial slowdown in revenue growth and (ii) an increase in cost of sales from fiscal 2019 to 2020, as we still had to pay fixed costs such as rent and employee salaries for our hospitals and clinics in spite of temporary closures in February through April 2020.

We have experienced steady recovery in our operating performance since April 2020, as the social and market conditions in China started to improve since late March 2020 when the COVID-19 outbreak was substantially under control, demonstrated by an upward trend in our revenues, cost of revenues and gross profit margin.

See “Financial Information—Impact of COVID-19 Pandemic on our Business and Financial Performance” for more details.

Recent Resurgence of Regional COVID-19 Outbreaks

Since late May 2021, new regional COVID-19 outbreaks have hit certain areas in China which subsequently spread to several other cities. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions and mandate of temporary shutdown of business operations across certain regions. As a result, we had a slowdown in patient visit growth and revenue growth in the affected areas from June to November 2021, compared to the same periods in 2020. See “Financial Information—Impact of COVID-19 Pandemic on our Business and Financial Performance” for more detailed discussion on the impact of COVID-19 on our patient visits across the regional markets in June through August 2021.

The COVID-19 pandemic continued into September, affecting the overall dental services industry. According to Frost & Sullivan, business operations of dental service providers were disrupted by a series of preventive and control measures implemented by the Chinese government to contain COVID-19, and dental clinics in major cities suffered disruption to business operations to varying degrees due to more stringent restrictions. For example, the municipal government of Beijing has temporarily suspended “multi-site practices” for medical practitioners. Namely, local medical practitioners are temporarily prohibited from practicing across multiple sites, which could lead to a shortage of practitioners for the normal operations of dental services in Beijing. In addition, the local governments mandated temporary closures of certain of our hospitals and clinics. Consequently, four of our clinics in Xi’an experienced temporary closure in late October and early November, and 11 of our clinics in Chengdu and Chongqing since early November, which has adversely affected our business performance in the regional markets. As a result, we expect that we will have a decrease in adjusted net profit (non-IFRS measure) for fiscal 2022.

In September 2021, patient visits in the Northern China market and the Southern China market were 43,913 and 7,477, down 2.5% and 9.8% from September 2020 respectively, while the year-on-year growth of patient visits in the Eastern and Western China markets was 7.5% and 19.4%, respectively, where COVID-19 had relatively small impact. In October 2021,

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patient visits in the Northern China market and Southern China market were up 7.7% and 5.8% from October 2020, while the year-on-year growth of patient visits in the Eastern and Western China markets was 11.7% and 26.6%, respectively, where COVID-19 had relatively small impact.

More recently, there have been regional outbreaks of COVID-19 variants including the highly transmissible Delta and Omicron. In response, local governments in the affected areas imposed various restrictions on business and social activities, including city lockdowns, suspension of non-emergency dental care services, restrictions on travel and other emergency quarantines. Due to the lockdown in the city of Xi'an, all of our dental hospitals and clinics in the city had been closed temporarily since late December 2021, and were reopened around early February 2022. Our dental clinic in Tianjin experienced temporary closure for less than a week in January 2022 and has resumed operations. Our dental hospitals and clinics outside of Xi'an have been operating as usual, although patients from medium or high-risk or certain other areas identified by the government are required to provide proof of negative result of COVID-19 nucleic acid test within 48 hours when they visit our hospitals and clinics, according to local regulations. These factors led to a slowdown in our patient visit growth and revenue growth during the same period.

Having considered that (i) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks, and (ii) we do not plan to, nor are we aware of any government policy to, permanently shut down any of our existing hospitals or clinics in the affected areas, the Directors believe that despite that we may continue to experience slowdown in patient visit growth and revenue growth in the short term, the sporadic regional resurgence of COVID-19 is unlikely to have a material adverse impact on our business, results of operations and financial conditions as a whole in the long term.

We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, the COVID-19 pandemic remains an evolving situation. There is great uncertainty as to the future development of the disease. For risks relating to potential future outbreak of COVID-19, see "Risk Factors—An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on our results of operations."

No Material Adverse Change

Our Directors confirm that there has been no material adverse change in our financial, operational or trading positions or prospects since September 30, 2021, being the end of the period reported in the Accountant's Report in Appendix I to this prospectus save as otherwise disclosed in "—Recent Resurgence of Regional COVID-19 Outbreaks" above.

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WORKING CAPITAL

We recorded net liabilities of RMB1.6 billion, RMB2.0 billion, RMB2.5 billion and RMB2.9 billion as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. We recorded net current liabilities of RMB153.5 million, RMB2.8 billion and RMB3.2 billion as of March 31, 2019, 2020 and 2021, respectively. We had net current assets of RMB525.0 million as of September 30, 2021. Our net liabilities and net current liabilities position were primarily due to the impact of our convertible redeemable preferred shares recorded as financial liabilities. See “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Right-of-use assets—Net current assets/liabilities” for more details. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, and we, consequently, will return to a net assets and a net current assets position.

We seek to improve our liquidity and profitability as well as ensure our working capital sufficiency going forward by driving our operating cash flow through our expanding dental network. During the Track Record Period, our net cash inflow from operating activities continued to grow from RMB136.8 million in fiscal 2019 to RMB154.3 million in fiscal 2020, and further to RMB242.9 million in fiscal 2021, and from RMB124.7 million to RMB145.2 million for the six months ended September 30, 2020 and 2021, respectively, primarily driven by the growth of our business scale and an increasing capacity of fully-fledged hospitals and clinics. We expect our operating cash flow to further improve as a result of (i) the rapid growth of business scale, (ii) an increasing number of our hospitals and clinics reaching the fully-fledged stage, and (iii) our continued efforts to balance revenue growth and the expansion of our network while achieving and maintaining profitability. As of January 31, 2022, we had RMB1.0 billion in cash and cash equivalents. We will closely monitor the level of our working capital, particularly in view of our strategy to continue enhancing our service capabilities and expanding our geographic footprint.

Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, our current cash and cash equivalents and our anticipated cash flows from operations, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this prospectus. See “Financial Information—Working Capital” for more detailed analysis on our working capital sufficiency.

DIVIDENDS

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to our shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our shareholders such interim dividends as appear to our Directors to be justified by the operating loss of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

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We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

No dividend had been paid or declared by our Company during the Track Record Period.

The amount of dividend actually distributed to our shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend. We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that the Share Subdivision and the Global Offering are completed and 581,591,950 Shares are in issue upon the completion of the Share Subdivision and the Global Offering and that the Over-allotment Option is not exercised.

	Based on an Offer Price of HK\$14.62 per Share
	<hr/>
Market capitalization of our Shares	HK\$8,502.9 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽¹⁾	HK\$4.00

Note:

- (1) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this prospectus. No adjustment has been made to reflect any trading results or other transactions we entered into subsequent to September 30, 2021.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$14.62 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$589.9 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 75%, or HK\$442.4 million, will be used for business expansion, opening new Arrail and Rytime hospital and clinics in existing and new cities;
- approximately 15%, or HK\$88.5 million, will be used to build and optimize our IT infrastructure; and
- approximately 10%, or HK\$59.0 million, will be used as working capital to continue to deliver superior dental services to our clients, adopting initiatives.

For more details, please refer to section headed “Future Plans and Use of Proceeds—Use of Proceeds.”

LISTING EXPENSES

We expect to incur a total of approximately HK\$90.3 million of listing expenses in connection with the Global Offering, representing approximately 13.3% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$14.62 per Offer Share, and assuming that the Over-allotment Option is not exercised), among which (a) underwriting-related expenses, including underwriting commission and other expenses, are expected to be approximately HK\$27.2 million and (b) non-underwriting-related expenses are expected to be approximately HK\$63.1 million, comprising (1) fees and expenses of legal advisers and accountants of approximately HK\$44.9 million and (2) other fees and expenses of approximately HK\$18.2 million. Listing expenses of approximately HK\$39.1 million were incurred on or before September 30, 2021, of which HK\$35.2 million was charged to our consolidated income statements, while the remaining amount of HK\$3.9 million was capitalized as a prepayment and will be subsequently charged to equity upon completion of the Global Offering. We estimate we will further incur underwriting commission and other listing expenses of approximately HK\$51.2 million after September 30, 2021, of which HK\$30.5 million will be charged to our consolidated income statements, and HK\$20.7 million is expected to be accounted for as a deduction from equity upon the completion of Global Offering. The listing expenses disclosed above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

SUMMARY

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We are applying for the Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (i) our revenues for the year ended March 31, 2021, being approximately RMB1.5 billion, which is significantly over HK\$500 million required by Rule 8.05(3); and (ii) our expected market capitalization at the time of Listing, which, based on the Offer Price of HK\$14.62 per Offer Share, significantly exceeds HK\$4 billion required by Rule 8.05(3).

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

“Accountant’s Report”	the audited consolidated financial statements of our Company for the Track Record Period, as included in the accountants’ report in Appendix I to this prospectus
“Articles of Association” or “Articles”	the articles of association of our Company adopted on December 1, 2021, which will become effective on the Listing Date, as amended from time to time, a summary of which is set out in “Appendix III—Summary of the Constitution of our Company and the Company Laws of the Cayman Islands” to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Ruicheng”	*Beijing Ruicheng Hospital Management Co., Ltd. (北京瑞程醫院管理有限公司), a limited liability company established in the PRC on July 23, 2009 and a VIE Entity of our Company
“Beijing Ruisheng”	*Beijing Ruisheng Shidai Consulting Service Co., Ltd. (北京瑞盛時代諮詢服務有限公司), a limited liability company established in the PRC on February 17, 2015 and a subsidiary of our Company
“Beijing Shengbin”	*Beijing Shengbin Science Trade Co., Ltd. (北京聖彬科貿有限公司), a limited liability company established in the PRC on December 17, 1997 and a VIE Entity of our Company
“Board” or “Board of Directors”	the board of directors of our Company
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Clearing Participant’s stock account through causing HKSCC Nominees to apply on your behalf, including by (a) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, or (b) (if you are an existing CCASS Investor Participant) giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (following the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input electronic application instructions for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request form
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“Chengdu Wuhou Ruitai”	*Chengdu Wuhou Ruitai Rongcheng Dental Hospital Co., Ltd. (成都武侯瑞泰融誠口腔醫院有限公司), a limited liability company established in the PRC on October 16, 2014 and a VIE Entity of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires otherwise, references in this prospectus to “China” or “PRC” do not apply to Hong Kong, the Macau Special Administrative Region and Taiwan
“Chongqing Jiuyue”	*Chongqing Jiuyue Dental Clinic Co., Ltd. (重慶久悅口腔門診有限公司), a limited liability company established in the PRC on November 27, 2013 and a VIE Entity of our Company
“Chongqing Ruijing”	*Chongqing Ruijing Shengbin Medical Management Co., Ltd. (重慶瑞景聖彬醫療管理有限公司), a limited liability company established in the PRC on January 25, 2021 and a subsidiary of our Company
“Chongqing Ruisheng”	*Chongqing Ruisheng Dental Clinic Co., Ltd., (重慶瑞升口腔門診有限公司), previously known as *Chongqing Huaxi Dental Clinic Co., Ltd. (重慶市華西口腔門診有限公司), a limited liability company established in the PRC on March 10, 2004 and a subsidiary of our Company
“Chongqing Ruitai”	*Chongqing Ruitai Dental Hospital Co., Ltd. (重慶瑞泰口腔醫院有限公司), a limited liability company established in the PRC on June 28, 2017 and a VIE Entity of our Company
“Class III Grade A hospitals”	public hospitals at the top level in the PRC National Health Commission hospital classification system. Class III Grade A hospitals typically provide treatment of common dental diseases to the mass population. Their listed prices are typically used as a benchmark for pricing of dental services in China.
“Class 1 Ordinary Share(s)”	the class 1 Ordinary Share(s) of the Company
“Class 2 Ordinary Share(s)”	the class 2 Ordinary Share(s) of the Company

DEFINITIONS

“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Act” or “Cayman Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Arrail Group Limited 瑞爾集團有限公司, an exempted company registered by way of continuation under the laws of the Cayman Islands with limited liability on November 16, 2020, and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance on July 26, 2021
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司) and ZOU Lifang, details of which are described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholder(s)”	means Mr. ZOU Qifang, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI, who are in aggregate expected to be interested in more than 30% of our total issued share capital as at the date of this prospectus

DEFINITIONS

“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report as set in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“COVID-19”	novel coronavirus (COVID-19), a coronavirus disease
“Director(s)” or “our Director(s)”	the directors of our Company, including all executive, non-executive and independent non-executive directors
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) which was promulgated on 16 March 2007 and last amended on 29 December 2018
“ESOP BVI”	Arrail Sunshine Holdings Limited, a limited liability company incorporated in BVI on July 21, 2021 as a platform holding the underlying incentive shares in the total amount of 4,798,904 Ordinary Shares under the RSU Scheme
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“Foreign Investment Law”	Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) adopted by the second session of the 13th NPC on 15 March 2019 and became effective on 1 January 2020
“FRC”	Financial Reporting Council
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Greater China”	PRC, Hong Kong SAR, Macau SAR and Taiwan

DEFINITIONS

“ GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “our” or “us”	our Company and all of our subsidiaries and the VIE Entities from time to time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
“Hangzhou Shengbin”	*Hangzhou Shengbin Health Management Consulting Co., Ltd. (杭州聖彬健康管理諮詢有限公司), a limited liability company established in the PRC on January 16, 2012 and a VIE Entity of our Company
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK\$” or “HK Dollars”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 4,653,000 Shares being initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the GREEN Application Form(s)
“Hong Kong Share Register”	the register of members of our Shares maintained by the Hong Kong Share Registrar

DEFINITIONS

“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering whose names are set out in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated March 8, 2022 relating to the Hong Kong Public Offering entered into by, among other parties, our Company, the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) as described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering” in this prospectus
“IFRSs”	International Financial Reporting Standards, which include standards, amendments and interpretations issued by the International Accounting Standards Board
“Independent Third Party(ies)”	party or parties that, to the best of our Directors’ knowledge, information and believe, having made all reasonable enquiries, is or are not a connected person or connected persons of the Company within the meaning of the Listing Rules
“International Offer Shares”	the 41,874,500 Shares being initially offered by the Company at the Offer Price in the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option, subject to any adjustment or reallocation

DEFINITIONS

“International Offering”	the offer of the International Offer Shares at the Offer Price, in the United States to QIBs only in reliance on Rule 144A and outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters expected to enter into the International Underwriting Agreement relating to the International Offering
“International Underwriting Agreement”	the conditional international underwriting agreement relating to the International Offering and expected to be entered into by, among others, the Joint Sponsors, the Joint Representatives (for themselves and on behalf of the International Underwriters) and our Company, on or about March 14, 2022, as further described in “Underwriting—Underwriting Arrangements and Expenses—The International Offering” in this prospectus
“Joint Bookrunners”	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, Futu Securities International (Hong Kong) Limited and CMB International Capital Limited
“Joint Global Coordinators”	Morgan Stanley Asia Limited, UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and Haitong International Securities Company Limited

DEFINITIONS

“Joint Lead Managers”	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), UBS AG Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited, Haitong International Securities Company Limited, The Hongkong and Shanghai Banking Corporation Limited, Futu Securities International (Hong Kong) Limited and CMB International Capital Limited
“Joint Representatives”	Morgan Stanley Asia Limited and UBS AG Hong Kong Branch
“Joint Sponsors”	Morgan Stanley Asia Limited and UBS Securities Hong Kong Limited
“Latest Practicable Date”	March 1, 2022, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Tuesday, March 22, 2022, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time

DEFINITIONS

“MOFCOM” or “Ministry of Commerce”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“M&A Rules”	Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Negative List”	the List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單)》), which was last amended on December 27, 2021 and subsequently enforced on January 1, 2022 by the NDRC and the MOFCOM
“NHC”	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) or, where the context so requires, its predecessor, the National Health and Family Planning Commission (國家衛生和計劃生育委員會), or NHFPC
“Nomination Committee”	the nomination committee of the Board
“Non-PRC Resident Enterprise”	as defined under the EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
“NPC”	the National People’s Congress of the PRC (中華人民共和國全國人民代表大會) and its Standing Committee
“Offer Price”	HK\$14.62 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005%)

DEFINITIONS

“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Ordinary Shares” or “Shares”	ordinary shares in the share capital of the Company with a par value of US\$0.50 each prior to the Share Subdivision and US\$0.02 each upon the completion of the Share Subdivision
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 6,979,000 additional Shares (representing not more than 15% of our Shares initially being offered under the Global Offering) at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, the details of which are described in the section headed “Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option” in this prospectus
“PRC Legal Advisers”	Commerce & Finance Law Offices
“Pre-IPO Investment(s)”	the pre-IPO investment(s) in our Company undertaken by the Pre-IPO Investors, details of which are set out in the section headed “History, Reorganization and Corporate Structure—Pre-IPO Investments”
“Pre-IPO Investor(s)”	the investors of the Pre-IPO Investments
“Preferred Share(s)”	Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D-1 Preferred Shares, Series D-2 Preferred Shares, Series D-3 Preferred Shares and Series E Preferred Shares we issued during the series financings
“Principal Share Registrar”	Harneys Fiduciary (Cayman) Limited
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering

DEFINITIONS

“QIBs”	qualified institutional buyers within the meaning of Rule 144A
“Qingdao Ruiqi”	*Qingdao Ruiqi Rytime Dental Hospital Co., Ltd. (青島瑞旗瑞泰口腔醫院有限公司), previously known as Qingdao Ruiqi Medical Management Co., Ltd. (青島瑞旗醫療管理有限公司), a limited liability company established in the PRC on November 29, 2017 and a VIE Entity of our Company
“Registered Shareholder”	being Ms. Zou Lifang, who is a PRC citizen and the sister of our founder Mr. ZOU Qifang. Ms. Zou holds 100% interest of Shenzhen Ruijian
“Regulation S”	Regulation S under the U.S. Securities Act
“related parties”	has the meaning as set out in the paragraph headed “Related Party Transactions” under Note 35 to the Accountant’s Report set out in Appendix I to this prospectus
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“Reorganization”	the reorganization of our Group in preparation for the Listing, details of which are set out in the section headed “History, Reorganization and Corporate Structure—Reorganization” in this prospectus
“Repurchase Mandate”	the general unconditional mandate given to our Directors relating to the repurchase of Shares, as further described in “Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—5. Repurchase of Our Own Securities” in Appendix IV to this prospectus
“RSU Scheme”	the restricted share unit scheme adopted by our Company on August 3, 2021
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)

DEFINITIONS

“SAIC”	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商管理總局)
“SAMR”	the State Administration for Market Regulation of the PRC (中華人民共和國市場監督管理總局)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SCNPC”	The Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“Series A-1 Investors”	holder(s) of the Series A-1 Preferred Shares
“Series A-1 Preferred Shares”	the series A-1 preferred shares held by the Series A-1 Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“Series A-2 Investors”	holder(s) of the Series A-2 Preferred Shares
“Series A-2 Preferred Shares”	the series A-2 preferred shares held by the Series A-2 Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“Series B Investors”	holder(s) of the Series B Preferred Shares
“Series B Preferred Shares”	the series B preferred shares held by the Series B Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“Series C Investors”	holder(s) of the Series C Preferred Shares
“Series C Preferred Shares”	the series C preferred shares held by the Series C Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”

DEFINITIONS

“Series D-1 Investors”	holder(s) of the Series D-1 Preferred Shares
“Series D-1 Preferred Shares”	the series D-1 preferred shares held by the Series D-1 Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“Series D-2 Investors”	holder(s) of the Series D-2 Preferred Shares
“Series D-2 Preferred Shares”	the series D-2 preferred shares held by the Series D-2 Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“Series D-3 Investors”	holder(s) of the Series D-3 Preferred Shares
“Series D-3 Preferred Shares”	the series D-3 preferred shares held by the Series D-3 Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“Series E Investors”	holder(s) of the Series E Preferred Shares
“Series E Preferred Shares”	the series E preferred shares held by the Series E Investors in the authorized share capital of the Company following the Reorganization, details of which are described in the section headed “History, Reorganization and Corporate Structure”
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shanghai Ruicheng”	*Shanghai Ruicheng Hospital Management Co., Ltd. (上海瑞城醫院管理有限公司), previously known as *Shanghai Ruicheng Dental Hospital Co., Ltd. (上海瑞程口腔醫院有限公司), a limited liability company established in the PRC on November 11, 2018 and a subsidiary of our Company

DEFINITIONS

“Shanghai Ruitai”	*Shanghai Ruitai Jiasheng Dental Clinic Co., Ltd. (上海瑞泰佳盛口腔門診部有限公司), a limited liability company established in the PRC on January 22, 2019 and a VIE Entity of our Company
“Shanghai Shengbin”	*Shanghai Shengbin Medical Consulting Service Co., Ltd. (上海聖彬醫療諮詢服務有限公司), a limited liability company established in the PRC on September 26, 2001 and a VIE Entity of our Company
“Shanghai Yazheng”	*Shanghai Yazheng Medical Consulting Service Co., Ltd. (上海亞正醫療諮詢服務有限公司), a limited liability company established in the PRC on May 24, 2002 and a VIE Entity of our Company
“Share Subdivision”	the subdivision of each share in the Company’s issued and unissued share capital with par value of US\$0.50 each into 25 shares of the corresponding class with par value of US\$0.02 each immediately before the Listing, the details of which are set out in “History, Reorganization and Corporate Structure—Share Subdivision”
“Shareholder(s)”	holder(s) of the share(s) (including Ordinary share(s) and Preferred Share(s))
“Shenzhen Ruier”	*Shenzhen Ruier Hospital Management Co., Ltd. (深圳瑞爾醫院管理有限公司), previously known as *Shenzhen Meixia Hospital Management Co., Ltd. (深圳美霞醫院管理有限公司), a limited liability company established in the PRC on December 21, 2006 and a VIE Entity of our Company
“Shenzhen Ruijian”	Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司), a limited liability company established under the laws of the PRC on October 11, 2005
“Stabilizing Manager”	Morgan Stanley Asia Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)

DEFINITIONS

“Stock Borrowing Agreement”	the agreement expected to be entered into on or around March 14, 2022 between Rise Day Holdings Limited and the Stabilizing Manager and/or its affiliates, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Rise Day Holdings Limited to make available to the Stabilizing Manager up to 6,979,000 Shares to cover, inter alia, over-allocations in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the three financial years ended March 31, 2019, 2020 and 2021 and the six months ended September 30, 2021
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. persons”	U.S. persons as defined in Regulation S
“U.S. Securities Act”	United States Securities Act of 1933, as amended, the rules and regulations promulgated thereunder
“VAT”	the PRC value-added tax
“VIE Entities”	the non-wholly owned subsidiaries of the WFOE in which Shenzhen Ruijian owns minority interest directly or indirectly through the Contractual Arrangements (each, a “ VIE Entity ”). For details, please refer to section headed “Contractual Arrangements” in this prospectus

DEFINITIONS

“WFOE” or “Beijing Ruier”	Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), a limited liability company established under the laws of the PRC on March 25, 1999, and an indirect wholly-owned subsidiary of the Company
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO Service Provider at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“%”	per cent

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

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

In this prospectus, the terms “associate,” “close associate,” “core connected person,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

FORWARD-LOOKING STATEMENTS

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

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

- our operations and business prospects;
- our financial conditions and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all the information set out in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Global Offering.

The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial condition and prospects of our Group. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on our results of operations.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, the outbreak of a widespread health epidemic or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the PRC or elsewhere, including but not limited to the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or the novel coronavirus named COVID-19 by the World Health Organization, could materially disrupt our business and operations.

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020, including us. The Chinese government's efforts to contain the spread of COVID-19, including city lockdowns or "stay-at-home" orders, suspension of non-emergency dental care services and temporary closures of dental hospitals and clinics, restrictions on travel and other emergency quarantines, have caused significant and unprecedented disruptions to the general economy and normal business operations across sectors. As a result, China's overall dental services market had been negatively impacted.

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Specifically, the COVID-19 pandemic adversely affected our operating and financial performance in fiscal 2020, in particular, during the fourth quarter of fiscal 2020. In response to mandated shutdowns and limited operation orders instituted across China from February to April 2020, the peak of the COVID-19 outbreak in China, we temporarily closed all of our hospitals and clinics in February 2020, partially resuming operations in March 2020 and fully resuming operations in May 2020. As a result, we experienced an immediate and drastic reduction in revenue levels and patient visits, particularly from February 2020 to April 2020, compared to the same periods in 2019. In February 2020, we had patient visits of 600, compared to 67,707 in February 2019. In March 2020, we had patient visits of 21,043, compared to 111,038 in March 2019. In April 2020, we had patient visits of 68,130, compared to 98,446 in April 2019. In May 2020, we had patient visits of 98,448, compared to 102,323 in May 2019. Our revenues decreased by 56.9% from RMB270.7 million in the three months from February 2019 to April 2019, to RMB116.6 million in the same period in 2020. Our revenues increased by 16.5% from RMB104.1 million in May 2019 to RMB121.3 million in May 2020.

COVID-19 had also adversely impacted our gross profit margin. Our gross profit margin decreased from 15.2% in fiscal 2019 to 10.1% in fiscal 2020, primarily due to the combination of: (i) the substantial slowdown in revenue growth due to the effects of the COVID-19 pandemic, with revenues only increasing slightly by 1.8% from RMB1,080.3 million in fiscal 2019 to RMB1,099.9 million in fiscal 2020, and (ii) cost of sales increasing by 7.9% from RMB916.5 million in fiscal 2019 to RMB988.5 million in fiscal 2020 despite the COVID-19 pandemic, as we still had to pay fixed costs such as rent and employee salaries for our hospitals and clinics in spite of temporary closures in February through April 2020. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information—Impact of COVID-19 Pandemic on Our Business and Financial Performance.”

Furthermore, since late May 2021, new regional COVID-19 outbreaks have hit certain areas in China, including Guangzhou, Nanjing, and Heilongjiang and Fujian provinces, which subsequently spread to several other cities. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions and mandate of temporary shutdown of business operations across certain regions. As a result, we had a slowdown in patient visit growth and revenue growth in the affected areas from June to September in 2021, compared to the same periods in 2020. For details of the impact of recent resurgence of regional COVID-19 outbreaks on our business, see “Summary—Recent Developments—Recent Resurgence of Regional COVID-19 Outbreaks.”

We have experienced a strong rebound of our business since May 2020, as the Chinese government gradually lifted restrictions and quarantine measures in China. However, we cannot assure you that our business and its growth rate will not be negatively affected by the pandemic in the future. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and the recent regional resurgence of COVID-19 cases in certain areas in China. Should there be an escalation of the spread, China may again take strict emergency measures

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to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations including dental hospitals and clinics, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact our business. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be reasonably estimated at this time. We are continuously evaluating its impact on our business, results of operations and financial condition, which we believe will depend on the duration of the pandemic and the government's responsive measures. The potential downturn brought by COVID-19 and the duration of its outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. If the outbreak persists or escalates, we may be subject to further negative impact on our business operations, results of operations and financial condition.

We have conducted, and will continue to conduct, measures to control the risk of virus spread in our business operations, including purchasing disinfection products, distributing masks to employees, and requiring all employees to report their recent travel history. However, if any of our employees, especially our dentists, has contracted or is suspected of having contracted any contagious disease or condition, local governments may require them to be quarantined and the related offices, dental equipment and other premises to be closed and disinfected. As a result, our business operations would be materially and adversely affected.

We may not be able to achieve and maintain an optimal balance between our business expansion and profitability by effectively managing the number and mix of our hospitals and clinics in different stages.

We were in an operating loss position in fiscal 2019 and 2020, and swung to an operating profit in fiscal 2021 and the six months ended September 30, 2021. Further, we recorded substantial and growing net cash inflows from operating activities during the Track Record Period. We expect our operating cash flows to further improve, see “Financial Information—Working Capital” for more details. As of January 31, 2022, we had RMB1.0 billion in cash and cash equivalents. Although we believe that we are well-positioned to achieve sustainable growth, we had net losses during the Track Record Period and had net liability positions as of March 31, 2019, 2020 and 2021 and September 30, 2021, and had net current liability positions as of March 31, 2019, 2020 and 2021, respectively.

We expect to further improve our financial performance and achieve net profitability in the near future through continuous revenue growth and improved cost efficiency. To grow our revenues, we will further expand our existing dental network and penetrate into new markets across China, see “Future Plans and Use of Proceeds” for more details on new hospitals and clinics we plan to open from fiscal 2022 to 2027. At the same time, the maturation of our existing hospitals and clinics into fully-fledged hospitals and clinics can help us achieve better performance in important operating metrics such as visits and revenue per dental chair, driving improvements in key financial metrics such as revenues, gross profit and gross profit margin. Going forward, we expect the percentage of our hospitals and clinics in the fully-fledged stage

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to remain no less than 50%, driving our overall profitability, and the percentage of our ramp-up hospitals and clinics to remain around 30%, taking into account the new hospitals and clinics we plan to open with the net proceeds from the Global Offering.

By balancing the scale of our network growth through opening new hospitals and clinics and improvements to profitability and cost efficiencies through the continued maturation of our existing hospitals and clinics, we are able to thoughtfully manage our business with an aim of continuously growing our overall revenues, improving our gross profit margin and quickly achieving profitability. For more details on our plans on achieving net profitability, see “Business—Path to Net Profitability.”

However, we may not be able to achieve and maintain an optimal balance between our business expansion and profitability by effectively managing the number and mix of our hospitals and clinics in different stages. Furthermore, hospitals and clinics in any development stage may underperform and thus adversely impact our overall results of operations. Please also refer to other relevant risks set forth in this Risk Factors section, including “—Newly opened or acquired dental hospitals and clinics may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.” and “—Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.”

In addition, our expected timeframe to achieve net profitability is based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future, and thus involves known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements to be materially different from such estimate. If we are not able to strike a balance between our business expansion and profitability by effectively managing the number of our hospitals and clinics in different stages, our business, results of operation, and financial condition would be materially and adversely impacted.

If we fail to ramp up our dental hospitals and clinics as planned, we may continue to incur operating losses in the future.

In fiscal 2019 and 2020, we had operating losses of RMB84.0 million and RMB133.4 million, respectively. The primary reason for our operating losses in such fiscal years was the continued growth of our business, and in particular, the rapid ramping up of our business scale and the substantial expansion of our dental clinic and hospital network during the Track Record Period, as well as the adverse effects of the COVID-19 pandemic in fiscal 2020. While the increasing number of our hospitals and clinics reaching the fully-fledged stage has driven us toward better operating and financial performance, and we achieved operating profit of RMB124.5 million and RMB43.1 million for fiscal 2021 and the six months ended September 30, 2021, we cannot assure you that our expansion and ramping up plan will be successfully implemented. Our ability to successfully ramp up our hospitals and clinics as planned is subject to a number of risks, including the performance of our existing hospitals and clinics,

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competitive landscape, customer preference, brand recognition and macroeconomic and regulatory environment. Therefore, our revenues may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. We may continue to incur operating losses in the future.

The establishment of dental hospitals and clinics in the PRC require various permits, licenses, certificates and government approvals. There can be no assurance that we can obtain or renew any of them in a timely manner or at all.

In expanding our operations in the PRC, we are required to obtain various permits, licenses, certificates and other approvals from various government authorities in the PRC, including the relevant healthcare administrative authorities. For details, see the section headed “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC” in this prospectus. Obtaining each of such permits, licenses, certificates and approvals may be subject to fulfillment of certain conditions, some of which may be beyond our control. We may also be affected for regulatory reasons as we are generally required to undergo certain regulatory reviews and approval processes from various government agencies and departments in the PRC, including relevant healthcare administrative authorities. Any changes in laws and regulations or material delay in the approval process of any government authorities could cause our failure or delay in obtaining the required permits, licenses, certificates and other approvals. There is no assurance that we will be able to obtain all necessary permits, licenses, certificates and approvals for opening or acquiring dental hospitals and clinics in the PRC in a timely manner or at all. There is also no assurance that we will not encounter problems in fulfilling any or all of the conditions imposed in respect of the granting of such permits, licenses, certificates and approvals, or that we will be able to expeditiously adapt to new laws, regulations or policies that may come into effect from time to time.

We lease properties in various place as premises for our dental hospitals and clinics and office space. Any non-renewal of leases, substantial increase in rent, or any failure to comply with applicable laws and regulations may affect our business and financial performance.

As all our dental hospitals and clinics are currently located at leased properties, our operations are particularly susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. The term of the lease agreements for our dental hospitals typically varies from 10 years to 15 years, and the term for our dental clinics typically varies from 3 years to 5 years. For details of the expiry date of each lease, please refer to the section headed “Business—Properties” in this prospectus. There is no assurance that our existing leases would be renewed on similar or favorable terms or at all, in particular with respect to the amount of rent and the term of the lease. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability.

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There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term. In the event that we are required to relocate our dental hospitals and clinics, there is no assurance that we will be able to identify comparable locations in a timely manner or at all or that we will secure a lease on comparable terms. We may also incur substantial reinstatement, relocation and renovation costs. In addition, it typically takes new dental hospitals or clinics a period of time to achieve a utilization rate comparable to the existing ones, due to factors such as the time needed to find suitable locations, build patient awareness in the local community, renovate new hospitals and clinics, and integrate the operations of such hospitals and clinics into our existing dental network. Any non-renewal of lease of either of our dental hospitals and clinics may have a material adverse effect on our business, results of operations and financial condition.

In addition, some of these leased properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the Latest Practicable Date, 157 of our lease agreements had not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. Please refer to the section headed “Business—Licenses, Permits and Approvals” in this prospectus for more details.

Further, we have entered into certain lease agreements with parties who have not provided us with evidence of proper legal title to the leased premises. If such parties are not the legal owners or they failed to obtain the proper authorization from the legal owners of the premises, and the actual owners successfully challenge the validity of the relevant lease, we would be forced to relocate.

Any dispute or claim in relation to the titles of the properties that we occupy, including any litigation involving allegations of illegal or unauthorized use of these properties, could require us to relocate our business operations occupying these properties. If any of our leases are terminated or voided as a result of challenges from third parties or the government, we would need to seek alternative premises and incur relocation costs. We cannot assure you that we will be able to relocate such operations to suitable alternative premises, and any such relocation may result in disruption to our business operations and thereby result in loss of earnings. There is also no assurance that we will be able to effectively mitigate the possible adverse effects that may be caused by such disruption, including loss and costs. Any of such disruption, loss or costs could materially and adversely affect our financial condition and results of operations.

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Newly opened or acquired dental hospitals and clinics may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.

To achieve operating results comparable to our existing dental hospitals and clinics, it typically takes the newly opened or acquired dental hospitals and clinics a period of time, due to factors such as the time needed to build patient awareness in the local community and to integrate new hospitals and clinics into our existing dental network. Furthermore, the opening and acquisition of the new dental institutions involve regulatory approvals and reviews by various authorities in the PRC, including relevant health authorities. We may not be able to obtain all the required approvals, permits or licenses for the opening and acquisition of dental hospitals and clinics in a timely manner or at all. Meanwhile, as they ramp up their businesses, the operating results generated from the newly opened and acquired dental hospitals and clinics may not be comparable to those generated from any of our existing dental hospitals and clinics. The newly opened and acquired entities may not eventually generate our expected financial returns, which could adversely affect our operating results.

In addition, our operating results could be influenced by the timing of opening new dental hospitals and clinics and the number of newly opened dental hospitals and clinics. New dental hospitals and clinics generally have lower income and higher operating costs during the initial stages of their operations. In addition, newly opened dental hospitals and clinics typically require a large amount of investments for construction, decoration and/or renovation of the property, recruitment of suitable staff, and purchase of dental and other equipment. As a result, relevant costs and expenses, such as depreciation of property, plant and equipment, staff expenses and rental expenses, begin to accrue at this early, ramp-up stage. Accordingly, the number and timing of new dental hospital and clinic openings have, and may continue to have, an impact on our profitability, in particular on our short-term financial performance. As a result, our results of operations may fluctuate from period to period, and the period-to-period comparisons of our operating results during the Track Record Period may not be indicative of the future performance of our operating results.

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

We conduct our business in a heavily regulated industry, therefore, incur on-going compliance costs, and face potential penalties for non-compliance. The laws and regulations mainly relate to the requirements for medical institutions and equipment, licensing and filings for conducting sales of medical device and the licensing, qualifications and number of medical professionals. Please refer to the section headed “Regulatory Overview” in this prospectus for more details. Accordingly, our dental hospitals and clinics and our dentists are subject to periodic licensing renewal requirements and inspections by various government agencies and departments.

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In addition, any changes in laws and regulations, or any change of interpretation thereof, could require us to obtain additional licenses, permits, approvals or certificates, result in the invalidation of our currently owned licenses, permits, approvals or certificates, or result in us being regarded as not in compliance with the relevant laws and regulations thereby subjecting us to penalties and/or other legal consequences.

Furthermore, we are subject to various environmental, health and safety laws and regulations, including those governing water discharge licenses and fire safety filings. If we fail to comply with these laws and regulations, we could face penalties which could adversely affect our brand, reputation, business, results of operation and prospects.

If we fail to obtain or renew any necessary licenses, permits, approvals and certificates, or if our medical professionals become unlicensed at any time during their practices at our dental hospitals and clinics, or if we are found to be non-compliant with any of these laws, regulations or rules, we may face penalties, suspension of operations or even revocation of operating licenses, permits, approvals or certificates, depending on the nature of the findings. Any such event could adversely affect our business, financial condition, results of operations and prospects.

In addition, there is no assurance that the government authorities of the PRC will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of dental services. There is also no assurance that we will be able to adapt to such changes in a timely manner. Even if we are able to be compliant with such new laws, rules, regulations or industry standards and the regular audit of the same, it may significantly increase our operating costs, which may in turn lower our profit margins. Any of the abovementioned circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

Our professional indemnity insurance coverage and other insurance coverage may not be sufficient to cover the risks related to our business and operations.

We are exposed to potential liabilities that are inherent to the provision of dental services. We currently do not maintain any form of medical liability insurance for our dental hospitals and clinics or our dentists. Therefore, we may be subject to losses and liabilities for any future claims against us. As advised by our PRC Legal Advisers, our dental hospitals and clinics are not required by any applicable laws or regulations of the PRC to maintain medical liability insurance or product liability insurance. According to Frost & Sullivan, there are no legal or regulatory requirements in China that require dental services providers to maintain medical liability insurance nor product liability insurance, and therefore our lack of medical liability insurance and product liability insurance is in line with industry practice. While we have obtained property insurance to cover properties damage that are generally associated with our business operations and public liability insurance to cover third party bodily injury in our premises, the insured amount may not be sufficient to cover damages or losses or to restore our operations when insured event occurs. Therefore, there is no assurance that our existing insurance coverage will be able to cover all types of risks involved in our business operations

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or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. In addition, there are certain types of risks, such as acts of god, for which insurance coverage is generally not available on commercially acceptable terms or at all. If we suffer any losses, damages or liabilities in the course of our business operations, we will have to bear all of such losses, damages or liabilities. Further, even if we have maintained insurance coverage for a specific area of business operations, there is no assurance that we will be able to successfully claim for compensation under the relevant insurance policy or that the claim will be fully insured within the maximum amount of our insurance coverage. In such circumstances, our business operations, financial condition and results of operations may be materially and adversely affected.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our bond and warrants.

During the Track Record Period, we issued a bond to a bond investor and warrants as an upfront payment of issuing a bond, both of which are designated as financial liabilities at fair value profit or loss. For fiscal 2021 and the six months ended September 30, 2021, we realized net fair value losses from the bond of RMB16.7 million and RMB22.7 million, and net fair value losses from the warrants of RMB26.8 million and RMB13.7 million. The fair value changes in our bond and warrants represent the changes in fair value of the outstanding bond and warrants and relate to the changes in our valuation. While we do not expect to record any further fair value changes of warrants with respect to the Warrants after the Listing, since the Warrants were terminated on June 29, 2021, we may issue new warrants after the Listing and may incur losses from the fair value changes in the newly issued warrants. In addition, we cannot assure you that we will not incur any losses from the fair value changes in our existing or any newly issued bond securities in the future. If we continue to incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected. For further details, see Notes 29, 29.1, 29.2 and 39 to the Accountant's Report in Appendix I to this prospectus.

We are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.

We have invested in, and intend to continue to selectively invest in bank structured deposits issued by reputable commercial banks. We had financial assets at fair value through profit or loss of RMB12.3 million, RMB77.1 million, RMB81.0 million and RMB36.0 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. The fair value changes of our investments measured at fair value through profit or loss may negatively affect our financial performance.

The valuation of our investments requires significant unobservable inputs, including expected volatility and expected rate of return, in valuing certain of our financial assets at fair value through profit or loss. The fair value changes of financial assets measured at fair value through profit or loss may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be

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subject to material changes, and therefore inherently involves a certain degree of uncertainty. For instance, we had net fair value gains on financial assets at fair value through profit or loss of RMB0.6 million, RMB 0.7 million, RMB6.1 million and RMB0.3 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such assets. These factors include changes in general economic condition, market interest rates and stability of the capital markets. Any of these factors could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition.

We are dependent on our dentists. Our financial results may be affected if we are not able to retain our existing dentists or attract suitable professionals to join us.

Our future success depends on our ability to retain, attract and motivate a sufficient number of qualified and experienced dentists, who are essential in supporting our expanding dental network and providing superior dental services and patient experience.

As we recruit new dentists on a continuous basis, the recruitment of qualified candidates can be highly competitive. We compete with both public and private dental services providers, and the supply of qualified and seasoned dentists is limited. Our ability to attract and retain competent personnel is dependent on several factors, such as our reputation, financial remuneration and job satisfaction. To compete with other dental services providers for such dentists, we have experienced and expect to continue to experience pressure to offer more competitive compensation to our dentists due to the current shortage of dentists. We cannot guarantee that we will win the competition for these qualified and experienced dentists.

We may also be subject to the constant risks that our competitors will poach our experienced dentists with attractive incentives. Failure to retain, attract or motivate qualified and experienced dentists and other professionals could adversely affect our operations in the existing dental hospitals and clinics.

We may be subject to complaints, investigations or legal proceedings relating to alleged malpractice or misconduct in the services provided by our employees, which could harm our reputation, brand image and results of operations.

The treatment performance of our employees as well as their communication and relationship with our patients are vital to our business, particularly due to our front-line staff who have high degree of interactions with our patients.

We rely on our employees in our dental hospitals and clinics to make proper decisions regarding the services provided to our patients. Any incorrect decisions on the part of our employees, or any failure by us to properly manage the activities of our dental hospitals and clinics may result in undesirable or unexpected outcomes, including complications, injuries

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and even deaths in extreme cases. We may be subject to complaints, claims or legal proceedings initiated by our patients as a result of any negative physical reaction to our services. We have been and will continue to be susceptible to complaints associated with our services from time to time.

Furthermore, our employees represent our image and reputation. As such, the unsatisfied performance of treatment and operation of equipment by our employees could affect our reputation. As a result we may lose existing clients and be unable to attract new clients, which could decrease our sales and may be materially and adversely affect our business, results of operations and financial condition.

During the Track Record Period, we had a customer complaint rate of 0.016%. Our Directors confirm that all of those complaints were properly addressed as of the Latest Practicable Date. During the Track Record Period, no member of our Group was involved in any litigation or arbitration related to those complaints. However, we cannot guarantee we will not be subject to such patient complaints or that we can successfully prevent or address all patient complaints in the future.

Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.

The growth of our business depends to a significant extent on the successful implementation of our expansion strategies. We plan to continuously expand our dental network across the PRC through both organic growth and strategic acquisition. The execution of our expansion plans is expected to require management attention and efforts and incur additional expenditures. Our ability to successfully expand into new markets depends on many factors including, among others, our ability to:

- identify suitable geographic markets for the type of services we offer;
- identify local consumer preferences;
- identify, capture or execute acquisition opportunities;
- address local market competition;
- hire, train and retain a growing team of qualified dentists and other personnel; and
- secure financing or maintain sufficient capital to invest in new dental hospitals and clinics or making acquisitions.

Any factors listed above, either individually or in aggregate, may delay or hinder our plan to increase the number of hospitals and clinics in desirable locations at manageable cost levels. Furthermore, customer demands for our services may not be as strong as we expect to support

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our rapid business growth, which may result in over-expansion of our dental network. Although our expansion plan, which we believe will allow us to increase market shares while achieving sustainable profitability in the long term, was determined by our management based on thorough market analyses, there can be no assurance that actual market demands may meet our expectation. If our expansion plan turns out to be aggressive, our business, results of operation, liquidity and financial condition would be materially adversely impacted.

In 2017, we identified four clinics that satisfied our criteria for acquisition. However, because these clinics were incorporated in the form of sole proprietorships, we were unable to acquire them and therefore entered into exclusive consultation and service agreements with them in exchange for annual service fees. Under these exclusive consultation and service agreements, we are engaged by each of the four clinics to provide exclusive operational management services and are entitled to receive a service fee equal to the amount of net profits of each of the four clinics after deducting operating expenses and applicable taxes. If any of the four clinics suffers financial or operational difficulties or their respective performance is otherwise inconsistent with prior performance, the service fee we receive will be reduced or delayed. The agreements can also be terminated as a result of our gross negligence or fraudulent conduct, and we cannot guarantee that any of the four clinics would not intentionally terminate or attempt to terminate the agreements in breach of contract. For more details on these agreements, please refer to the section headed “Business—Our Services—Our Hospitals and Clinics” in this prospectus. Our control over the four clinics is limited and they may have business or economic interests that are different from us, may dispute the agreements, may refuse to pay the full amount of service fee in a timely manner or at all, or may take action inconsistent with our interests or objectives. In addition, if any of these clinics fails to obtain, maintain or renew the approvals, permits, licenses or certificates that are requisite for their operations, or is otherwise found to be non-compliant with any applicable laws and regulations, it may be subject to administrative penalties, increased compliance costs, or even temporary or permanent closure of all or part of their business, which will in turn impact the service fee we are entitled to receive. To the extent any of these clinics suffers negative publicity or harm to their reputation, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such clinic. Furthermore, although our PRC Legal Advisers have advised us that these agreements are valid, legally binding and enforceable under the PRC laws, we cannot assure you that government policy will not change to prohibit such arrangements, making it unlawful for us to continue to perform the agreements. If any of these events were to occur, the service fee we receive may be materially and adversely affected, which may adversely affect our business, financial condition and results of operations.

In addition, to manage our growth and expansion and to attain and maintain profitability, we will continue to place demands on our management team, dentists, other medical professionals, and our administrative, operational and financial personnel and infrastructure. To accommodate our growth, we need to continuously manage our relationships with suppliers and patients. We cannot assure you that we will be able to implement our expansion plans or manage any future growth effectively and efficiently. Any failure to do so may adversely affect our ability to capitalize on new business opportunities, which in turn may have an adverse effect on our business and financial results.

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We may not be able to protect our patient information from leakage or improper use, which could expose our Group and our staff to claims or litigation.

We acknowledge that the personal information and privacy of our patients is particularly essential to dental hospitals and clinics and that they expect us to keep their information strictly confidential. Our dentists are required by the relevant professional code of conducts not to disclose any medical information of our patients to any third party without their consent other than in certain special circumstances. We are also subject to, among others, regulations on personal information protection in the PRC which limit the use of personal information of our patients collected by us for such purposes for which they were collected or for a directly related purpose. In addition, we have implemented our own policies to safeguard our patient personal information. We believe our current usage of patient medical information is in compliance with applicable laws and regulations governing the use of such information. However, any change in relevant laws and regulations could impose more stringent data protection requirements and, thus, affect our ability to use medical data. Such changes may also incur additional costs and labors.

In addition, we cannot guarantee that our information protection and privacy policies and measures can completely prevent our patient information from leakage or unauthorized use. Our information technology systems could be breached through hacking activities. Personal information we maintain could be leaked because of any theft or misuse of personal information due to misconduct or negligence. Any breach of our confidentiality obligations to our patients could expose our business and/or our staff to potential liabilities, such as claims, regulatory actions or litigations, and disciplinary actions. Such liabilities may have a material adverse effect on our brand image and reputation, business, results of operations, financial condition and prospects.

Any disruption, malfunction or breakdown of our business management system and network security may interrupt our business operations and materially and adversely affect our business.

Our business operations depend on the satisfactory performance, stability and reliability of our business management system and related software programs, which are critical to our storage of patient records and appointments, management of inventory as well as computation of operational and sales data. However, our business management system may experience disruption, malfunction, breakdown or other performance problems due to reasons such as (i) increasing pressure on our servers and network capacities as a result of growing patient base and expanding operations; (ii) undetected programming errors, bugs, flaws, corrupted data or other defects; (iii) hacking or other attacks on our network infrastructure and system programs; and (iv) floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses or similar events. Any disruption, malfunction, breakdown or other performance problems of our business management system may significantly disrupt our business operations and reduce our work efficiency. Such disruptions may have a negative impact on the quality of our services.

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There is no assurance that our business management system will not experience disruption, malfunction, breakdown or other performance problems in the future. There is also no assurance that we will be able to effectively upgrade our existing systems or develop new systems to support our expanding business operations in a timely manner. Any failure to do so may materially and adversely affect our business, results of operations, financial condition and prospects.

We maintain limited control over the quality of our dental devices, medical consumables and pharmaceuticals and may be subject to product liability claims. Any failures or defects of the dental equipment in our hospitals and clinics or any failure of our staff to properly operate such equipment could subject us to liability claims.

Even though we are selective in choosing our suppliers, we cannot assure you that the dental devices, medical consumables and pharmaceuticals we procure from our suppliers during the course of our business operations are safe and free of defects or can meet the relevant quality standards. We depend on the quality control procedures of our suppliers. In the event of any quality issues, we could be subject to complaints and product liability claims of our patients. We may not be able to seek indemnification from our suppliers. If we engage in legal proceedings against our suppliers, such proceedings may be time consuming and costly regardless of the outcomes. Any quality issues with our treatment devices, treatment consumables and medications may have a material adverse effect on our reputation, brand image, financial performance and lead to negative publicity.

Furthermore, we may also need to find alternative suppliers and suitable replacement products, which may result in delay in the provision of our services or the delivery of our products. If we are unable to find alternative suppliers or suitable replacement products in a timely manner, our business operations may be disrupted.

In addition, our business exposes us to liability risks that are inherent in the operation of complex dental equipment, which may contain defects or experience failures. We rely to a certain degree on equipment manufacturers to provide technical training to the staff on the proper operation of our complex dental equipment. If such staff are not properly and adequately trained by the equipment manufacturers or by us, they may misuse or ineffectively use such equipment in our hospitals and clinics. These staff may also make errors in the operation of the equipment even if they are properly trained. Any dental equipment defects or failures or any failure of the staff to properly operate the dental equipment could result in unsatisfactory treatment outcomes, patient injury or possible death, and we may be made a party to any such liability claim. Regardless of its merit or eventual outcome, such claim making us a party could result in significant legal defense costs for us, harm our reputation, and otherwise have a material adverse effect on our business, financial condition and results of operations.

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We have incurred net losses in the past, and may not be able to achieve or maintain profitability in the future. In addition, our financial performance may be adversely affected by fair value changes in our convertible redeemable preferred shares.

We had net losses of RMB304.2 million, RMB325.8 million, RMB597.8 million in fiscal 2019, 2020 and 2021, respectively, partially because we incurred significant fair value losses of convertible redeemable preferred shares. We had a net loss of RMB464.2 million in the six months ended September 30, 2021, compared to a net loss of RMB187.9 million in the same period in 2020, primarily due to the impact of the losses from changes in fair value of our convertible redeemable preferred shares, bond, and warrants and certain one-off expenses we incurred during such periods. We had fair value losses of convertible redeemable preferred shares of RMB192.8 million, RMB146.0 million, RMB424.3 million and RMB428.1 million in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021. The convertible redeemable preferred shares are designated as financial liabilities at fair value through profit or loss on the consolidated balance sheets; they are initially recognized at fair value and the increases in fair value are recognized as fair value loss on the consolidated income statement.

The determination of the fair value changes requires the use of estimates that are based on unobservable inputs. We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate and discount rate, in valuing certain of our liabilities, including convertible redeemable preferred shares, bond, warrants and derivative liabilities. The fair value changes of convertible redeemable preferred shares, bond, warrants and derivative liabilities may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition.

The fair value loss of convertible redeemable preferred shares is a non-cash item that will not recur in financial years after the Listing of our Shares on the Stock Exchange, as the convertible redeemable preferred shares issued by us will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing. However, we may still retain accumulated losses due to the fair value loss of our convertible redeemable preferred shares prior to and upon the Listing, which may adversely affect our financial performance.

Furthermore, after the Listing, we may incur additional compliance, accounting, and other expenses that we did not incur as a private company. If our revenue does not grow at a greater rate than our expenses, we may not be able to achieve and maintain profitability. We may incur considerable losses in the future for various reasons, many of which may be beyond our control. Additionally, we may encounter unforeseen expenses, operating delays, or other

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unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected. We may not be able to achieve or maintain profitability.

In addition, we have adopted the RSU Scheme for the purpose of granting share-based compensation awards to our Directors, employees and other participants as a means of compensation for their contribution to our growth and profits. We believe the granting of share-based compensation is important to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future.

During the Track Record Period, we did not grant any awards under our RSU Scheme and thus did not incur any share-based compensation expenses relating to the RSU Scheme. On October 1, 2021, we granted RSUs to 616 employees under the RSU Scheme, see “History, Reorganization and Corporate Structure—Employee Incentive Plan” for further details. Pursuant to our RSU Scheme, we may grant RSUs at any time and from time to time as determined by the Board during the period commencing on the adoption date, August 3, 2021, until the tenth anniversary of the adoption date. As a result, as expect our expenses associated with share-based compensation may increase, which may have a material adverse effect on our results of operation.

Additionally, we may encounter unforeseen expenses, operating delays, or other unknown factors that may result in losses in the future. If our cost of sales and expenses continuously exceed our revenue, our business may be materially and adversely affected. We may not be able to achieve or maintain profitability.

We generally enter into short-term agreements with our major suppliers, which may render us vulnerable to price fluctuations, quality issues and supply shortages, and could materially and adversely affect our business.

We generally enter into agreements with our major suppliers on a short-term and non-exclusive basis. Any interruptions or changes in the supply of dental devices, medical consumables and pharmaceuticals, or our inability to obtain substitute suppliers meeting our quality standards at acceptable prices in a timely manner may impair our ability to meet the demands of our customers. Any such event could have a material adverse effect on our business, results of operations, financial condition and prospects.

During the Track Record Period, we have engaged a limited number of suppliers for dental equipment, consumable and dental supplies to provide dental healthcare services. The profitability of the dental hospitals and clinics we own or manage is influenced by fluctuations in the costs of these supplies. The availability and prices of pharmaceuticals, dental devices and medical consumables can fluctuate and are subject to factors beyond our control, including supply, demand, general economic conditions and governmental regulations, each of which may affect the costs or cause a disruption in the supply. Our dental hospitals and clinics may not be able to anticipate and react to changes in medical supply costs by changing service offerings or adjusting service fees in the future, or the dental hospitals and clinics may be

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unable to pass these cost increases onto patients. These uncertainties could materially and adversely affect our margins and results of operations. Moreover, we expect our demand for such supplies to increase as we continuously expand our business scale. We cannot guarantee that our current suppliers have the capacity to meet our increasing demand going forward.

In addition, we cannot assure you that our suppliers will continue their business relationships with us on commercially reasonable terms or at all. We also cannot assure you that we will be able to secure a stable supply of dental devices, medical consumables and pharmaceuticals at all times going forward. In the event that our major suppliers terminate their business relationships with us, or fail to provide us with adequate supply to meet our needs, we may not be able to find suitable alternative suppliers within a short period of time. Therefore, if we cannot retain business relationships with our existing suppliers or if these suppliers increase prices, delay in delivery, provide substandard dental devices, medical consumables and pharmaceuticals, or encounter financial, operating or other difficulties, our business, financial condition and results of operations could be materially and adversely affected.

Any downtime for maintenance and repair of our dental equipment and any disruption to supply of utilities could lead to business interruptions that could be expensive and harmful to our reputation and business.

Significant downtime associated with the maintenance and repair of dental equipment used in our operations would result in the inability of the dental hospitals and clinics to provide diagnostic treatment or services to patients in a timely manner. We primarily rely on equipment manufacturers or third-party service companies for maintenance and repair services. The failure of manufacturers or third-party service companies to provide timely repairs on our equipment could interrupt the operation of hospitals and clinics in our network for extended periods of time. Such extended downtime could result in lost revenues for us.

In addition, our dental hospitals and clinics require essential utilities such as water and electricity to conduct dental treatments and other operating activities. We rely upon the government or other third parties for the utility supply for our operations. In fact, we have experienced water and electricity outages in the past. In case the supply of utilities to our hospitals and clinics is cut off for an extended period, our business, financial condition and results of operations could be materially and adversely affected.

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

We recorded goodwill of RMB89.4 million, RMB96.1 million, RMB98.5 million and RMB98.5 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, accounting for 4.8%, 5.0%, 4.2% and 3.4% of our total assets as of the same respective dates. Such goodwill represents the excess of the consideration over the fair value of the net identifiable assets we acquired.

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We do not amortize goodwill, but we conduct impairment reviews at least annually or more frequently if events or changes in circumstances indicate a potential impairment. For the purpose of impairment testing, we allocate goodwill acquired in a business acquisition to cash-generating units. We compare the carrying value of the cash-generating units containing the goodwill to the recoverable amount, which is the higher of the value-in-use of the operating segments and fair value less costs of disposal. We did not recognize impairment losses in respect of goodwill during the Track Record Period. Please refer to Note 17 in Appendix I to this prospectus for further details of our accounting policies for goodwill and goodwill impairment, the estimates and assumptions involved therein, and the components of our goodwill during the Track Record Period.

Our business may be affected by intensifying competition arising from an increasing number of market participants in the dental services market.

The dental services market in China is still relatively underpenetrated and fragmented compared to developed nations. With the growing dental services market, dental services providers continue to compete fiercely for market shares. We have formulated a dual-brand strategy with our Arrail and Rytime brands to offer clear and distinctive value propositions to patients of different economic and geographic background. Arrail Dental competes primarily with other private dental service providers that provide premium dental services targeting affluent patients with high purchasing power and greater lifetime value, primarily in Tier-1 cities in China. Rytime Dental's competitors are mainly private dental hospitals and clinics providing treatments to middle-class consumers primarily in Tier-1 and key Tier-2 cities across a broader geographic reach. Both Arrail Dental and Rytime Dental brands will also compete with future market entrants as the rapid growth of the dental services industry in the PRC may attract more market participants to enter. Our patients are constantly looking for quality dental services and superior patient experience at reasonable prices. As a result, we are constantly compete with other dental services providers in aspects such as quality and scope of services, comprehensiveness and diversity of medical devices, as well as pricing. Some of our competitors may be able to foresee the upcoming market trends more accurately or may be more responsive to new technologies or evolving patient preferences. They may also have greater financial and other resources than we do, thus, allowing them to provide similar services at a lower price. Apart from market share, we also compete for the relatively limited talent pool of dentists. Failure to compete and differentiate our operations against these competitors will result in lower market share or fewer dentists joining us to meet the needs of our patients. These will adversely and materially affect our revenue and hence our profitability. We cannot assure you that we will be able to successfully compete against new or existing competitors. If we are unable to compete successfully with our competitors, we may experience a reduction of market share and experience a slowdown in growth or a decline of our operations. Such event may in turn adversely affect our business, results of operations, financial condition and prospects.

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If we fail to provide superior dental healthcare services to our customers or our dental treatments are, or are perceived to be, ineffective, our business and reputation may be materially and adversely affected.

The success of our business hinges on our ability to provide superior customer experience, which depends on our ability to continue to offer quality dental healthcare services to our customers, to maintain the quality and effectiveness of our dental services, to deliver services and products that are responsive to customer demands, and to provide flexible payment options and superior after-sales services. Such ability, in turn, depends on a variety of factors beyond our control. If we fail to provide superior dental healthcare services to our customers, or our dental treatments are perceived to be ineffective, we may from time to time receive complaints or negative publicity about our dental hospitals and clinics. Such complaints and negative publicity may threaten the perception of our brand, and we cannot assure you that we will be able to defuse negative remarks to the satisfaction of our investors, customers and business partners. We may even be subject to government or regulatory investigation and may be required to spend significant time and incur substantial costs to deal with such allegations.

We rely on our reputation within the dental services market and our brand image which may be adversely affected by negative publicity.

Our success depends to a significant extent on the recognition of our brand and reputation in the dental services market as a reliable service provider. Any litigation claims or complaints from the patients in relation to the quality of services provided by us may adversely affect the reputation and image of our business and may in turn materially and adversely affect the demand for our services.

Where undesirable complications or harms are caused by our services or where the relevant treatment or medication does not fully meet the expectation of a customer, the customer may express negative comments through media such as the internet, newspaper or lodge complaints with relevant consumer councils or may pursue a claim against our employees and us. These complaints may result in reviews, investigations or disciplinary actions by regulatory and professional bodies and may affect the reputation of the relevant employee as well as our business. Should the provision of our dental services reduce an undesirable outcome for a customer or if we receive a complaint from a customer, we may need to divert a significant amount of resources and incur extra expenses to handle such outcome or complaint which could affect our corporate image and reputation in the industry if it is widely published by the media. Where a member of our professional team is involved in medical disputes and/or are subject to complaints, professional investigations, or convicted of professional misconduct, it is possible that he or she may have to allocate resources to respond to these disputes. The employee may even be restricted from practicing in our dental hospitals or clinics. This may have a material adverse effect on our operations and profitability if we are not able to find replacement promptly. In the event that any complaint results in disciplinary actions or legal proceedings against our business and/or our employees, we may need to allocate resources in order to claim an indemnity against relevant members of our professional team. Thus, there may be an adverse effect on our reputation and hence financial performance.

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We may not be able to conduct our marketing activities cost-effectively and we are subject to limitations in promoting our business.

We have incurred significant expenses on a variety of different marketing and brand promotion efforts designed to enhance our brand recognition and increase sales of our services and products. However, our brand promotion and marketing activities may not be well received by customers and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the PRC healthcare market are evolving. This trend may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to refine our existing marketing approaches or to introduce new marketing approaches in a cost-effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability.

We face possible infringement of our intellectual property rights, which could weaken our competitive position and affect our operations.

Our principal intellectual property rights are our patents, trademarks, copyrights and domain names in our business operations. We are susceptible to infringement of our intellectual property rights by third parties, especially unauthorized use of our trademarks. We rely on a combination of intellectual property protection laws, rules and regulations as well as confidentiality procedures and agreements including confidentiality provisions to protect our intellectual properties and brand. However, there is no assurance that third parties will not copy or otherwise obtain and use our trademarks and other intellectual property rights without our prior authorization. Infringement of our intellectual property rights could adversely affect the perception that our customers have of us as to our credibility, creditworthiness and abilities. Such effect may in turn have a material adverse effect on our business, financial condition, results of operations and prospects. If we were to enforce our intellectual property rights through litigation, such litigation, whether successful or unsuccessful, could result in the incurrence of substantial costs and the diversion of resources. In the event that we are unable to adequately protect or safeguard our intellectual property rights, our reputation, business, financial condition and results of operations and prospects may be materially and adversely affected.

We have registered intellectual properties, including patents, trademarks, copyright, and registered domain names, that are material to our business in China. Details of all of the above mentioned properties are set out in the section headed “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights” in Appendix IV to this prospectus. It is possible that we may be unable to register trademarks in future markets in which we operate or may be unable to renew the registrations of our trademarks. Further, there is no guarantee that the registration of our trademarks can completely protect us against any infringement or keep us away from any potential challenges raised by our competitors or other third parties.

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As we focus on providing mid- to high-end dental services, our business, financial condition and results of operations are subject to developments in customer preference and spending power, consumer demand and sentiment and general economic conditions in our respective markets.

We focus on providing mid- to high-end dental services to our customers at higher prices compared with most public hospitals and certain other private hospitals and clinics that provide similar services in our respective markets. We mainly target customers who are willing to pay a premium for high-quality dental healthcare services. Our business may be materially and adversely affected if any economic downturn were to result in customers cutting back on the spending on mid- to high-end dental healthcare services and becoming less willing to pay for premium services. We are more susceptible to changes in customer preference and spending power, consumer demand and sentiment, and general economic conditions in our respective markets than some of our competitors who provide similar services at lower prices. The demand for our dental services may decrease due to competition, industry or market changes, distrust to the domestic medical services and other factors. Customers may also choose not to undertake some of our treatments, procedures or services that are not considered medically necessary. As a result, any adverse change in customer preference, consumer spending power and economic conditions in one or more of our respective markets may materially and adversely affect our business, financial condition and results of operations.

We had net current liabilities and net liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities or net liabilities in the future, which could expose us to liquidity risks.

We had net current liabilities of RMB153.5 million, RMB2.8 billion and RMB3.2 billion as of March 31, 2019, 2020 and 2021, respectively.

Our net current liabilities position as of March 31, 2019 was primarily attributable to (i) trade and other payables, (ii) borrowings, (iii) contract liabilities, and (iv) lease liabilities, partially offset by (i) trade and other receivables, (ii) time deposits, and (iii) cash and cash equivalents.

Our net current liabilities position as of March 31, 2020 and 2021 was primarily due to our convertible redeemable preferred shares. Under the shareholder agreement in effect as of March 31, 2020, a holder of such preferred shares may request that the Company redeem the outstanding preferred shares held by such holder if, *inter alia*, no qualified initial public offering occurs by December 31, 2020, or the redemption date. The redemption date was extended to December 31, 2021 pursuant to the amended and restated shareholder agreement dated January 29, 2021. Subsequently, on August 12, 2021, the Shareholders and the Company agreed and executed a legally binding document to modify such redemption date to December 31, 2023. As a result, these outstanding convertible redeemable preferred shares were classified as our current liabilities in an amount of RMB2.5 billion and RMB3.2 billion as of March 31, 2020 and 2021, respectively, as the holders of these preferred shares can demand us to redeem these preferred shares within one year from each date. See “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Right-of-use assets—Net current liabilities” for more detailed analysis.

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In addition, we had net liabilities of RMB1.6 billion, RMB2.0 billion, RMB2.5 billion and RMB2.9 billion as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively, primarily because our convertible redeemable preferred shares were recorded as financial liabilities of RMB2.2 billion (classified as non-current liabilities), RMB2.5 billion, RMB3.2 billion and RMB4.1 billion (classified as non-current liabilities), as of the same dates.

We cannot assure you that we will not experience liquidity problems in the future. If we fail to maintain sufficient cash and financing, we may not have sufficient cash flows to fund our business, operations and capital expenditure and our business and financial position will be adversely affected.

We are subject to credit risk arising from some of our customers and other parties. Failure to collect on trade and other receivables may have a material adverse effect on our business operations and financial condition.

In line with market practice, we may grant certain customers a credit period ranging from 10 to 60 days. As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had trade and other receivables of RMB291.1 million, RMB293.9 million, RMB341.0 million and RMB341.8 million, respectively. As a result, we may be exposed to credit risk. We recorded impairment losses on trade and other receivables of RMB14.8 million, RMB16.7 million, RMB5.5 million and RMB2.1 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020, respectively, and a reversal of impairment loss of RMB4.5 million for the six months ended September 30, 2021. Our customers may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Such adverse financial condition may negatively affect the length of time that it will take us to collect the associated trade receivables or impact the likelihood of ultimate collection, which could result in an adverse effect on our business, financial condition and results of operations.

In addition, we may be subject to credit risk associated with the collection of other receivables during the Track Record Period. As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had (i) loans to employees included in non-current assets of RMB30.0 million, RMB42.6 million, RMB41.9 million and RMB39.5 million, (ii) amounts due from related parties included in current assets of RMB32.1 million, RMB34.0 million, RMB53.2 million and RMB70.2 million, and (iii) loan to an ordinary shareholder of RMB89.3 million, RMB94.0 million, RMB87.2 million and RMB86.0 million, respectively. The loan to an ordinary shareholder of RMB86.0 million as of September 30, 2021 was fully settled in October 2021. In order to minimize the credit risk of other receivables and amounts due from related parties with non-trade nature, we continuously monitor the settlement status and the level of exposure to ensure that follow-up action be taken to recover overdue debts. However, there is no assurance that all outstanding receivables due to us will be settled on time, or at all. Accordingly, we face credit risk associated with the outstanding receivables. If we fail to collect such other receivables in full amounts or in a timely manner, or at all, our liquidity position could be worsened, and our business and financial performance could be adversely affected.

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See “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Trade receivables” and “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Other receivables” for more details on our trade and other receivables.

Any significant decrease in our profitability in the future would have a material adverse effect on our ability to recover our deferred tax assets, which could have a material adverse effect on our results of operations.

We had deferred tax assets of RMB30.8 million, RMB34.3 million, RMB28.6 million and RMB30.0 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. We recognize deferred tax assets to the extent that our management estimates that it is probable that we will generate sufficient taxable profit in the foreseeable future to offset against the deductible losses. Therefore, the recognition of deferred tax assets involves significant judgment and estimates of our management on the timing and level of future taxable profits. When the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and taxation charges in the period in which such estimate is changed, and the carrying amount of deferred tax assets may be reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized. Accordingly, if our profitability in the future is significantly lower than the estimates of our management when our deferred tax assets were recognized, our ability to recover such deferred tax assets would be materially and adversely affected, which could have a material adverse effect on our results of operations.

If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.

As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had current contract liabilities of RMB164.0 million, RMB236.3 million, RMB209.5 million and RMB193.3 million, respectively, which were generally in line with our business growth. Our contract liabilities primarily arose from the advance payments made by patients before the delivery of underlying dental services.

Our contract liabilities are generally not refundable. However, if we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenues as expected, and our customers may even request to cancel their agreements with us, which may lead to customer dissatisfaction or even disputes with us. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future. Any of the circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

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A portion of our revenues was settled through contractual arrangements with corporate customers, and our business may be adversely affected if we fail to maintain our cooperation with them or there is any default or delayed settlement by these corporate customers.

A portion of our customers have commercial health insurance coverage. We also have various contractual arrangements with such commercial insurance institutions on direct billing settlement and packaged services for insured customers. During the Track Record Period, a portion of our revenues was settled through cooperation arrangements with corporate customers, such as insurance institutions and other corporations, which settle dental care payments for their policy holders or employees. We may not be able to maintain or renew cooperation arrangements with the existing corporate customers in the future. Any such event may adversely affect our revenue and cash flows. Any default or delayed settlement by these customers may also materially and adversely affect our financial condition, operation results and business.

There are restrictions in the advertisement and promotion of some of our services.

We are subject to certain PRC laws and regulations related to the advertisement and promotion of our services, including the Advertisement Law of the PRC (2021 Revision). Please refer to the section headed “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC—Regulations on Medical Advertising in the PRC” in this prospectus for further details. In addition, under the Administrative Measures on Medical Advertisement, medical advertisements shall be reviewed by relevant health authorities and shall obtain the Medical Advertisement Review Certificate (醫療廣告審查證明) before they may be released by a medical institution. Further, medical advertisements can only be released within the validity period of the Medical Advertisement Review Certificate and its contents must be within the scope as approved. Such restrictions may hinder our ability to further enhance our brand awareness in the industry. Furthermore, if the content of the published advertisement is tampered from what is approved and documented in the medical advertisement examination certificate, the competent authority may revoke the medical advertisement examination certificate and suspend any application for advertisement examination for one year. In addition, any change in such laws, regulations and professional codes as well as their interpretation may render us in breach of the relevant laws, regulations. We may be subject to substantial liabilities and other legal consequences. All such circumstances may have a material adverse impact on our reputation, business, results of operations and financial condition.

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We have experienced significant increase in the size and capabilities of our Group, and we may experience difficulties in managing our growth.

We experienced increased demand for our services as well as rapid growth in the industry over the Track Record Period. Such growth has posed a serious challenge on our management and administrative abilities. We have recruited and may need to continue to recruit additional managerial, operational, manufacturing, sales and marketing, financial, research and development and other personnel, as well as enhance the productivity and capacities of our employees.

In addition, our future expansion may require significant time commitments from our management, as well as substantial operational, financial and other resources. Such expansion could also result in a diversion of resources from our existing dental hospitals and clinics, which in turn could have an adverse effect on our business operations. We cannot assure you that our growth strategy will be successful or implemented successfully. Any failure to manage our growth strategy effectively may materially and adversely affect our ability to capitalize on new business opportunities, place us at a competitive disadvantage and limit our growth. Such changes which may in turn have a material adverse effect on our business, results of operations and prospects.

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

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

If we are unable to retain the key members of our management, our growth and future success may be impaired and our business, operational results and financial condition could suffer.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team and other key employees, some of whom have been with us since our inception. In particular, we rely on the expertise, experience and leadership of our Executive Director, Chairman of the Board and Chief Executive Officer, Mr. ZOU Qifang. For details of their biographies, please refer to the section headed “Directors and Senior Management” in this prospectus. We do not maintain key person insurance.

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Competition for competent candidates in the industry is intense, while the pool of competent candidates is limited. If one or more of our senior management team were unable to continue in their present positions or were to terminate their employment with us, we might not be able to replace them in a timely manner, at acceptable costs or at all. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. In addition, if any member of our senior management team or key employees joins a competitor or forms a competing business, we may lose know-how, patients and key professionals and staff.

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

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

If we fail to comply with labor related laws and regulations, we may face fines or penalties for non-compliance.

During the Track Record Period, we failed to make payment of social insurance and housing provident fund contributions in full for certain of our employees. Accordingly, we made a provision of RMB2.8 million, RMB3.7 million, RMB2.4 million and RMB2.2 million for the outstanding social insurance and housing provident fund contributions, respectively, for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021.

As advised by our PRC legal advisers, if any of the relevant social insurance authorities is of the view that we failed to make full social insurance contributions for our employees in accordance with the relevant laws and regulations, it may order us to pay outstanding amounts within a prescribed time limit. As a result, we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authority may further impose a fine one to three times the amount of any overdue payment. In addition, if any of the relevant housing reserve fund authorities is of the view that we failed to make full housing reserve fund

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contributions for our employees in accordance with the relevant laws and regulations, it may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement.

Furthermore, we use employment agencies that provide labor dispatch services to us. If we are found not in compliance with relevant laws and regulations, we may face fines or penalties which could adversely affect our business, financial condition and results of operations.

If we are unable to obtain adequate or timely financing on commercially acceptable terms, our ability to grow our business may be limited.

We may require additional capital beyond those generated by the Offering from time to time to grow our business, to better serve our customers, to develop and enhance our services or products, and to improve our operating infrastructure. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders. In addition, any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our ordinary shares. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the dental services industry;
- our future profitability, overall financial condition, results of operations;
- general market conditions for capital raising activities by companies in dental services industry in China, which in turn depends on the prospect of this industry; and
- economic, political and other conditions in China and globally.

We may be unable to obtain additional capital in a timely manner, on acceptable terms, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth could be significantly impaired, and our business and prospects could be adversely affected.

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Our historical business growth, revenues and profitability may not be indicative of future performance.

Historically, our operations have largely depended on our ability to treat patients effectively and leveraging our success and reputation to attract new patients. To maintain our growth and profitability, we must continue to strengthen our reputation, attract quality talent, adopt innovative technologies and treatment processes, increase the awareness of our brand through effective marketing, promotional activities and word-of-mouth, and utilize any growth in demand or shortage of supply in the markets in which we operate or intend to operate. We will also need to successfully expand our footprint into new geographical locations where we have limited experience. We cannot assure you that we will achieve any of the above. In addition, our revenue, cost, expenses, and operating results may vary from period to period as they could be affected by various factors beyond our control. Such factors may include, but are not limited to, changes in the general economic conditions, new trends in the PRC dental services market, and our ability to control costs and operating expenses. As a result, we believe that period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on such comparisons to predict the future performance of our operating results or the Shares.

We may be liable for bribery, corrupt practices, and other illegal or unethical conduct committed by our employees, customers, suppliers or other business partners.

We could be liable for actions taken by our employees, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in the PRC or other countries. We may not have full control over such violations. The government authorities may seize the products involved in any illegal or improper conduct engaged in by our employees or other third parties. We may be subject to claims, fines or suspension of our operations. Our brand and reputation, our sales activities or the price of our Shares could be adversely affected if we are associated with any negative publicity as a result of the illegal or improper actions or allegations of illegal or improper actions, taken by our employees or other third parties.

It is also possible that the PRC government or other government authorities in countries where we may operate our business adopt new or different regulations affecting the way in which medical services are provided to address bribery, corruption or other concerns. Although we are not aware of any such new or different regulations in this regard being adopted in the PRC or any other markets where we may have operations, any such new or different regulations could possibly increase the costs incurred by us. Any of the circumstances could have a material adverse impact on our business, financial condition and results of operations.

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If we are unable to keep abreast of the latest technological developments or market trends in the dental services industry, we will not be able to compete effectively, which may adversely affect our business, financial condition and results of operations.

In order to keep up with the latest developments and trends in the dental services industry and respond to the changing needs and preferences of our patients, we are required to upgrade our existing service devices, invest in new service devices and introduce new services and products from time to time.

If we are unable to anticipate or adapt to the latest technological developments or market trends in the dental services industry, we may not be able to meet the expectations of our patients. The demand for our services may decline. Furthermore, if our competitors are more sensitive to changes in patient preferences or more responsive to emerging technology in the industry, our dental services may become less competitive. We may lose our existing patients and be unable to attract new patients. Such result could have an adverse impact on our business. In addition, there is also no assurance that we will be able to recover the expenditures associated with the purchase of new service devices. Any of these circumstances may adversely affect our results of operations, financial condition and prospects.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

Our business and operations are primarily conducted in the PRC and are governed by applicable PRC laws, rules and regulations. PRC legal system is based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference, but they have limited weight as precedents. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us.

In addition, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to our industry, including the promulgation of new laws, regulations, rules and policies as well as changes to existing laws, regulations, rules and policies or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, any litigation involving us may be protracted and result in substantial costs and diversion of resources and management attention.

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We have been closely monitoring the rule-making process of cybersecurity related laws and regulations. The Cyber Security Law (網絡安全法), which came into effect on June 1, 2017, sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." While the exact scope of "critical information infrastructure operators" under the Cyber Security Law is not defined, Article 31 of the Cyber Security Law provides that "critical information infrastructure" refers to critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people's livelihoods, or the public interest. Specific reference is made to key industries including, but not limited to, public communications and information services, energy, transportation, irrigation, finance, public services and e-government. Since our business does not fall into any of the foregoing industries, we believe that we should not be deemed as an operator of "critical information infrastructure." On December 28, 2021, thirteen government departments including the Cyberspace Administration of China (國家互聯網信息辦公室, the "CAC") jointly issued the Cybersecurity Review Measures (網絡安全審查辦法) (the "**Revision Measures**") which came into effect on February 15, 2022. The Revision Measures provide that, to ensure the security of the supply chain of critical information infrastructure and safeguard national security, a cybersecurity review is required when national security has been or may be affected where critical information infrastructure operators (關鍵信息基礎設施運營者) purchase network product or service and network platform operators (網絡平台運營者) process data. When an operator in possession of personal information of over one million users applies for a listing abroad (國外上市), it must apply to the CAC for a cybersecurity review. On July 30, 2021, State Council promulgated the Security Protection Regulations for Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the "**CII Regulation**"), which became effective on September 1, 2021. Pursuant to the CII Regulation, "critical information infrastructures" refers to important network facilities and information systems of key industries such as, among others, public communications and information services, energy, transportation, irrigation, finance, public services, e-government and science, technology and industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen's livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Such regulation further supports our view that we should not be recognized as an operator of "critical information infrastructure." The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As of the Latest Practicable Date, the responsible authorities had not promulgated any implementation provisions or identification rules, neither had dental services been included in the relevant scope of "critical information infrastructure operators". In addition, as of the Latest Practicable Date, we had not been notified by any authorities of being classified as a critical information infrastructure operator, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions made by the CAC on such basis. Based on the foregoing, we are of the view that we should not be identified as an operator of "critical information infrastructure."

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On November 14, 2021, the CAC released the Network Data Security Management Regulations (Draft for Comments) (the “**Draft Regulations on Data Security**”) (網絡數據安全管理條例(徵求意見稿)). The Draft Regulations on Data Security, among other things, stipulates that data processors seeking a public listing in Hong Kong that influence or may influence national security must apply to the CAC for a cybersecurity review. However, the Draft Regulations on Data Security provides no further explanation or interpretation of “influence or may influence national security”. As advised by our PRC Legal Advisers, the PRC government authorities may have wide discretion in the interpretation of “influence or may influence national security”. The Draft Regulations on Data Security had been released for consultation purposes, and as such there still remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects. Considering the nature of our business, and based on the literal interpretation of the Draft Regulations on Data Security, our Directors and our PRC Legal Advisers are of the view that, if the Draft Regulations on Data Security remains in its current form after its promulgation, the data collected, stored, used and processed during the course of our business operations does not have a bearing on national security and hence it is unlikely that we would be required to undergo a cybersecurity review for the proposed Listing.

We made the listing application with the Stock Exchange on June 30, 2021. Our listing application has been widely covered by media and the draft prospectus in the form of the application proof is publicly accessible. As advised by our PRC Legal Advisers, we are not required to notify the CAC of the proposed Listing under PRC laws as of the Latest Practicable Date. As of the Latest Practicable Date, we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed Listing. Based on the foregoing as well as the confirmation of our PRC Legal Advisers, our Directors and the Joint Sponsors currently do not expect the Cyber Security Law, the Revision Measures, the CII Regulation, the Draft Regulations on Data Security or the other regulations recently released by the CAC will have a material adverse impact on our business, results of operations, or the proposed Listing. Our Directors believe that we are compliant with the regulations and policies in effect issued by the CAC to date. Nevertheless, there remain uncertainties with respect to any future development of the relevant regulatory regime. There can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our Directors and our PRC Legal Advisers above, and it is also possible that the PRC government authorities may require us to apply for the cybersecurity review for other reasons. We will continue to closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Amended Draft is formally promulgated.

Even if we endeavor to comply with relevant laws and regulations, we may not always be able to do so due to a lack of detailed implementation rules by relevant government authorities. In addition, some government authorities (including local government authorities) may not consistently apply regulatory requirements issued by themselves or other PRC government authorities, making strict compliance with all regulatory requirements impractical, or in some circumstances, impossible. These uncertainties may impede our ability to enforce the contracts we have entered into with our distributors, business partners, customers and suppliers.

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In recent years, the PRC government has gradually reduced regulatory hurdles for establishing and investing in non-public hospitals, in particular by private capital, and encouraged development of hospital management groups. Our business operations and future expansion are largely driven by the PRC government's policies, which may change significantly and are beyond our control. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations on healthcare services or foreign investments, or strengthen and tighten supervision and management of medical institutions including hospitals, in particular, non-public hospitals, or implement stricter or more comprehensive regulations on the distribution of pharmaceutical products, medical devices and medical consumables.

Depending on the priorities of the PRC government, the political climate and the regulatory regime with respect to foreign investment control at any given time, and the development of the Chinese dental service system, future regulatory changes may affect public hospital reform, limit private or foreign investments in dental services industry or implement additional price control on pharmaceutical products or medical services. Any of these events could have a material and adverse impact on our business, financial condition, results of operations, prospects and future growth.

Changes in political, social and economic policies in the PRC may materially and adversely affect our business, financial condition, results of operations and prospects.

We conduct substantially all of our business and devote a large amount of resources in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to the economic, political and social conditions in the PRC. The Chinese economy differs from the economies of developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial number of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China's economic, political and social condition and the effect that new government policies will have on our business and prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China's economy, in particular the dental services industry or more broadly the healthcare service industry, could have a negative impact on our business, results of operations and financial condition in a number of ways.

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PRC government control of currency conversion and fluctuation in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and operating costs are denominated in Renminbi. The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. For fiscal 2019 and 2020, we had currency translation losses of RMB107.7 million and RMB101.3 million, respectively. For fiscal 2021 and the six months ended September 30, 2020 and 2021, we had currency translation gains of RMB179.7 million, RMB89.2 million and RMB32.0 million, respectively. Such currency translation differences represent the differences arising from the translation of the financial statements of some of our entities that have a functional currency different from the reporting currency of Renminbi for our financial statements, and are recognized as other comprehensive income/(loss) in our consolidated statements of comprehensive loss. See “Financial Information—Financial Risk Disclosure—Market risk” for more details.

Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, registration with the banks entrusted by SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The PRC government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our Chinese subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of the PRC or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in the PRC’s political and economic conditions. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from this Offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our Shares or for other business purposes appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

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Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under PRC laws.

Circular of the State Administration of Foreign Exchange on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on 4 July 2014, and the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (“Circular 13”), issued on 13 February 2015 requires a PRC individual resident (“PRC Resident”) to register with qualified local banks before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local banks for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

Substantially all of our assets and a substantial portion of the assets of our Directors are located in the PRC. It may not be possible for investors to effect service of process upon us or those persons in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the

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scope of judgments which may be enforced between China and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排) (the “**New Arrangement**”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. The Arrangement continues to apply and, as such, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

On January 9, 2021 MOFCOM promulgated Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (阻斷外國法律與措施不當域外適用辦法) with immediate effect, or Order No. 1, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he or she/it shall truthfully report such matters to MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extra-territorial application of foreign legislation and other measures, MOFCOM shall issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to MOFCOM for an exemption from compliance with such prohibition order. However, since the Order No. 1 is relatively new, the enforcement of it involves uncertainty in practice.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**Bulletin 7**”), an “indirect transfer” of PRC taxable assets, including a transfer of equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consist of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly hold PRC taxable assets have real commercial nature, which is evidenced by their actual function and risk

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exposure; the duration of shareholders, existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be reported on with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange will not be subject to PRC enterprise income tax pursuant to Bulletin 7 where such shares were acquired in a transaction through a public stock exchange.

There are uncertainties as to the application of Bulletin 7. Bulletin 7 may be determined by the tax authorities to be applicable to sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, or the sale of the shares in our offshore subsidiaries or investments. Our Company may be subject to filing obligations or taxes if our Company is the transferor in such transactions, and may be subject to withholding obligations if our Company is the transferee in such transactions, under Bulletin 7. For transfers of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiary may be requested to assist with the filing under Bulletin 7. As a result, we may be required to expend valuable resources to comply with Bulletin 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries or investments, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Bulletin 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Bulletin 7, or under Bulletin on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source (關於非居民企業所得稅源泉扣繳有關問題的公告), our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

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We rely on dividends paid by our subsidiaries for our cash needs, and limitations under the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

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

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

We are a holding company incorporated under the laws of the Cayman Islands and hold interests in our PRC subsidiaries. Pursuant to the EIT Law, effective in January 2008, as amended on February 24, 2017 and December 29, 2018, and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10.0% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The EIT Law and EIT implementation rules also provide that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25.0% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are located mainly within China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and

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shareholder meeting minutes are located or maintained in China; and (4) 50.0% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and last amended on June 15, 2018 to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general.

However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25.0% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC-resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of this Offering to make loans to our PRC subsidiaries, or to make additional capital contributions to our PRC subsidiaries.

We may transfer funds to our PRC subsidiaries or finance our PRC subsidiaries by means of shareholder loans or capital contributions after completion of this offering. Any loans to our PRC subsidiaries, which are foreign-invested enterprises, cannot exceed a statutory limit, and shall be filed with the SAFE or its local counterparts through the online filing system of SAFE after the loan agreement is signed and at least three business days before the borrower withdraws any amount from the foreign loan. In addition, any such loans with a term of at least one year are also subject to filing requirement with the NDRC or its local branches.

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Furthermore, if we provide our PRC subsidiaries with capital contributions, such PRC subsidiaries are required to apply for registrations with the SAMR or its local branches, submit a change report to the MOCOM or its local counterpart through the online enterprise registration system, and complete the exchange registration with qualified banks. We may not be able to obtain these government registrations or approvals, or complete these government filings on a timely basis, if at all. If we fail to receive such registrations or approvals or complete such filings, our ability to provide loans or capital contributions to our PRC subsidiaries in a timely manner may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業資本金結匯管理方式的通知》), or SAFE Circular 19. SAFE Circular 19, however, allows foreign invested enterprises in China to use their registered capital settled in RMB converted from foreign currencies to make equity investments, but the registered capital of a foreign invested company settled in RMB converted from foreign currencies remains not allowed to be used, among other things, for investment in the security markets, or offering entrustment loans, unless otherwise regulated by other laws and regulations. On June 9, 2016, SAFE further issued the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規資本項目結匯管理政策的通知》), or SAFE Circular 16, which, among other things, amended certain provisions of Circular 19. According to SAFE Circular 19 and SAFE Circular 16, the flow and use of the RMB capital converted from foreign currency-denominated registered capital of a foreign invested company is regulated such that Renminbi capital may not be used for purposes beyond its business scope or to provide loans to non-affiliates unless otherwise permitted under its business scope. On October 23, 2019, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting the Facilitation of Cross-Border Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), or SAFE Circular 28, which removes the restrictions on domestic equity investments by non-investment foreign-invested enterprises with their capital funds, provided that certain conditions are met. If our VIE requires financial support from us or our PRC subsidiaries in the future, and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our VIE's operations will be subject to statutory limits and restrictions, including those described above. The applicable foreign exchange circulars and rules may limit our ability to transfer the net proceeds from this offering to our PRC subsidiaries and convert the net proceeds into RMB, which may adversely affect our business, financial condition, and results of operations.

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RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

Foreign ownership of certain business in the PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao Special Administrative Region and Taiwan, foreign investors are not allowed to own 100% of the equity interests in a medical institution. Although foreign investors are allowed to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture, the establishment of equity joint venture or cooperative joint venture shall meet certain requirements and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. The aforementioned requirements and equity percentage and establishment criteria may be relaxed where the foreign-invested medical institution is to be established in Sichuan Province where foreign investors are allowed to hold up to 90% equity interests of medical institution. For further details of the restrictions of foreign investments, please refer to the section headed “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC—Domestic Regulations on Establishment of Foreign Invested Medical Institutions” in this prospectus.

Because we are an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly-owned PRC subsidiary, Beijing Ruier, is a foreign-invested enterprise. On August 20, 2020, a series of contractual arrangements have been entered into by Beijing Ruier, the Registered Shareholder, Shenzhen Ruijian and subsidiaries directly held by Shenzhen Ruijian. For a detailed description of the Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this prospectus. Through our shareholdings and the Contractual Arrangements, Beijing Ruier has acquired effective control over the financial and operational policies of VIE Entities through Shenzhen Ruijian and has become entitled to all the economic benefits from their operations.

As advised by our PRC Legal Advisers, except as otherwise disclosed our Group’s current Contractual Arrangements are legal, valid and binding upon the parties thereto under the current laws and regulations. For more details, please refer to the section headed “Contractual Arrangements—Legality of the Contractual Arrangements.” However, our PRC Legal Advisers have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisers. Accordingly, we cannot assure you that some of the PRC regulatory authorities will not ultimately take a view which is contrary to that of our PRC Legal Advisers. If we are

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found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities may exercise its discretion to deal with such violations, including possibly:

- levying fines on us;
- confiscating our income or the income of our PRC subsidiaries, variable interest entities or their subsidiaries;
- revoking the business and operating licenses held by the VIE Entities;
- ruling the agreements under the Contractual Arrangements as unlawful, invalid or unenforceable;
- imposing economic penalties;
- restricting our right to collect revenues;
- discontinuing or restricting the operations of the VIE Entities or our Group;
- imposing conditions or requirements with which we or the VIE Entities may not be able to comply;
- restricting or prohibiting our Group from this Offering to finance our business and operations in the PRC;
- requiring us or the VIE Entities to restructure our ownership or operations; or
- taking other regulatory or enforcement actions that may be prejudicial to our business.

Any of the above possible actions which may be taken by the PRC regulatory authorities could cause significant disruption to our business operations and severely damage our reputation, which may hamper or even terminate the flow of economic benefits from Shenzhen Ruijian to our Group as stipulated under the Contractual Arrangements. It may result in the diversion of management attention and the incurring of substantial operating and remedial costs which may materially and adversely affect our business, financial condition or results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and Contractual Arrangements.

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

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We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見) (“**Opinions on Securities Activities**”), which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications and detailed rules and regulations, there were still uncertainties regarding the interpretation and implementation of the Opinions on Securities Activities, including China-based companies with a VIE structure.

On December 24, 2021, the CSRC released the Draft Regulations on Listing for public comments, which had a comment period that expired on January 23, 2022. Pursuant to the Draft Regulations on Listing, PRC domestic companies (including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests) that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. There are uncertainties regarding the final form of the Draft Regulations on Listing as well as the interpretation and implementation thereof after promulgation. If the Draft Regulations on Listing become effective in their current form before the Listing is completed, we may be required to go through the filing procedures with the CSRC with respect to the Listing.

At the press conference held for the Draft Regulations on Listing on December 24, 2021, the spokesperson from the CSRC clarified that implementation of the Draft Regulations on Listing will follow the non-retroactive principle. This means that only the initial public offerings by PRC domestic companies and financing by existing overseas listed PRC domestic companies to be conducted after the Draft Regulations on Listing become effective will be required to complete the filing process. See “Regulatory Overview—Laws and Regulations Related to Overseas Listing” for more details. However, the spokesperson of the CSRC did not provide a clear definition of these terms. Therefore, whether our Company, for the purpose of the Listing, is an “existing overseas listed PRC domestic companies” is subject to further explanation by the CSRC. If we are not categorized as an “existing overseas listed PRC domestic companies” or we are required to obtain approvals from the CSRC or other PRC regulatory authorities or accomplish the required filing or other regulatory procedures for this Listing, we may have to incur significant time, costs and resources to comply with these regulatory requirements. Further, even if we are categorized as an “existing overseas listed PRC domestic companies,” we may still face more stringent regulatory requirements as compared to its current status. As such, our business operations may be materially and adversely affected.

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Furthermore, according to Article 6 of the 2021 Negative List, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. See “Regulatory Overview—Laws and Regulations Related to Overseas Listing” and “Contractual Arrangements—PRC Laws and Regulations Related to Overseas Listing” for more details.

As of the date of this prospectus, we had not received any inquiry, notice, warning, or sanctions regarding the proposed Listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime or with respect to the VIE structure. However, we cannot guarantee that new rules or regulations promulgated in the future, including without limitation to the Draft Regulations on Listing, will not impose any additional requirements on us or otherwise tighten the regulations on companies with a VIE structure. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

The shareholder of Shenzhen Ruijian may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

In connection with our operations in the PRC, we rely on the shareholder of Shenzhen Ruijian, to abide by the obligations under the Contractual Arrangements. The Registered Shareholder may potentially have conflict of interest with us and breach any of the Registered Shareholder contracts or undertakings with us if the Registered Shareholder otherwise acts in bad faith, if the Registered Shareholder believes the Contractual Arrangements would adversely affect her own interests. We cannot assure you that when conflict of interest arise between our Company and the Registered Shareholder, the Registered Shareholder will act completely in our interest or that the conflict of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we may have to rely on legal proceedings which may disrupt our business operations and subject us to uncertainties as to the outcome of such legal proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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Our Contractual Arrangements may not be as effective in providing control as direct ownership.

We rely on the Contractual Arrangements to operate our dental medical services in the PRC in which foreign investment is restricted. For a description of these Contractual Arrangements, please refer to the section headed “Contractual Arrangements” in this prospectus. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over Shenzhen Ruijian. If we had direct ownership of Shenzhen Ruijian, we would be able to exercise our rights as an equity holder directly to effect changes in the boards of directors of Shenzhen Ruijian, which could effect changes at the management and operational level. Under the Contractual Arrangements, we may not be able to directly change the members of the boards of directors of Shenzhen Ruijian and would have to rely on Registered Shareholder to perform her obligations in order to exercise our control over Shenzhen Ruijian. If there is any dispute relating to the Contractual Arrangements, we will have to enforce our rights under the Contractual Arrangements through the operations of PRC law and arbitral or judicial agencies, which may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. Consequently, the Contractual Arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership.

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

Pursuant to the Contractual Arrangements, Beijing Ruier or its designated person(s) has the exclusive option to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in Shenzhen Ruijian from the Registered Shareholder, or all or any part of the assets from Shenzhen Ruijian. The transfer price of the relevant equity interest and/or assets shall be the minimum purchase price permitted under PRC law, and the Registered Shareholder and Shenzhen Ruijian undertake that it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interest and/or assets to Beijing Ruier, in the event that Beijing Ruier exercises the options under the Exclusive Option Agreements to acquire the equity interests and/or assets in Shenzhen Ruijian. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. The amount to be received by Beijing Ruier may also be subject to enterprise income tax. Such tax amounts could be substantial and our financial condition may be adversely affected as a result.

Certain terms of our Contractual Arrangements may not be enforceable under PRC laws.

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the Beijing Arbitration Commission (北京仲裁委員會). Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest and property interest and other assets of Shenzhen Ruijian, injunctive relief or order the winding up of Shenzhen Ruijian or our VIE Entities. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong

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Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisers that the abovementioned provisions may not be enforceable. Under PRC laws, a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shenzhen Ruijian or our VIE Entities and in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong, BVI and Cayman Islands may not be recognizable or enforceable in the PRC. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

According to applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to scrutiny by the PRC tax authorities and could result in additional taxes and interest imposed by the tax authorities. We would be subject to adverse tax consequences if the PRC tax authorities were to determine that transactions under the Contractual Arrangements among our Group, Shenzhen Ruijian, and the registered shareholder of Shenzhen Ruijian were not conducted on an arm's length basis, given that the PRC tax authorities have the authority to make special tax adjustments on the tax position of Shenzhen Ruijian. Such adjustments may result in an increase in the tax expenses of Shenzhen Ruijian, which would be subject Shenzhen Ruijian to late payment fees and other penalties for underpayment of taxes. Our consolidated results of operations may be adversely affected if the tax liabilities of Shenzhen Ruijian increase or if it is subject to late payment fees or other penalties.

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares was the result of negotiations between our Company and the Joint Global Coordinators on behalf of the International Underwriters, and the Offer Price may not be indicative of the price at which our Shares will be traded following the Global Offering.

We have applied for the listing of and permission to deal in our Share on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or, if it does develop, that it will be sustained following the Global Offering.

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The market price and trading volume of our Shares may be volatile, which could result in rapid and substantial losses for our Shareholders.

The market price of our Shares may be highly volatile. In addition, the trading volume of our Shares may fluctuate, which may cause significant price variations. Some of the factors that could cause significant fluctuations in the price or trading volume of our shares following the Global Offering include but do not limit to the following:

- actual or anticipated variations in our operating and financial results, such as revenue, earnings, and cash flow;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in estimates of our financial performance by analysts;
- changes in perception of our Company by investors and the investment environment;
- news regarding recruitment or departure of key personnel in our Company;
- regulatory developments, and our inability to obtain or renew necessary licenses and permits;
- material litigation or regulatory investigations affecting us or our senior management; and
- general political, financial, social and economic conditions.

There will be a time gap before trading of our Shares commences. The market price of the Shares after trading begins could be lower than the Offer Price.

The Offer Price of our Offer Shares is determined at HK\$14.62, and trading of our Shares on the Hong Kong Stock Exchange will only commence when are delivered, which is expected to be several business days after the date of this prospectus. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, holders of our Offer Shares are subject to the risk that the price of our Offer Shares after trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse development that may occur between the time of sale and the time trading begins.

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Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share in the Global Offering that substantially exceeds the per Share value of our net tangible assets as of September 30, 2021. Therefore, purchasers of our Shares in the Global Offering will experience immediate dilution based on our pro forma net tangible assets per Share as of September 30, 2021. See “Appendix II—Unaudited Pro Forma Financial Information.” In addition, holders of our Shares may experience a further dilution of their interest if the Joint Global Coordinators (on behalf of the International Underwriters) exercise the Over-Allotment Option.

Future issuances or sales, or perceived issuances or sales, of substantial amounts of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our ability to raise capital in the future.

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

Control by our Controlling Shareholders of a substantial percentage of our Company’s share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the Global Offering, Mr. Zou will be interested in approximately 31.55% of our total issued share capital, assuming that the Over-allotment Option is not exercised. Mr. Zou, who will remain as the Controlling Shareholder upon completion of the Global Offering, will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between the interests of our Controlling Shareholders and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the price of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

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

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

You may face difficulties in protecting your interests because we were incorporated under Cayman Islands laws, and the laws of the Cayman Islands for the protection of minority shareholders may be different from those under the laws of Hong Kong or other jurisdictions.

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

You will have limited ability to access our corporate records.

Shareholders of Cayman Islands exempted companies, such as our Company, have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders of these companies except accounts that we are required to make available to our Shareholders periodically as a listed company. Save with respect to our Company’s register of members, which, in accordance with our Articles of Association, will be made available to our Shareholders for inspection, our Directors have discretion under our Articles of Association to determine whether, and under what conditions, our accounts and books may be inspected by our Shareholders, and are not obligated to make them available to our Shareholders. This may make it more difficult for Shareholders to obtain the information needed to establish any facts necessary for a shareholder motion or derivative action.

RISK FACTORS

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This prospectus contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this prospectus is subject to certain risk and uncertainties. Whether we implement those plans, or whether we can achieve the objectives described in this prospectus, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the dental care industry.

In this prospectus, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of PRC Government agencies or industry associations, or an industry report prepared by Frost & Sullivan and commissioned by us. We believe that the sources of the information are appropriate for such information and have taken reasonable care in extracting those facts, forecasts and statistics. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully how much weight you should place on those facts, forecasts and statistics.

Investors should read the entire prospectus carefully and should not place any reliance on any information contained in press articles or other media in making their investment decision.

Prior or subsequent to the publication of this prospectus, there may have been press and media coverage regarding us and the Global Offering, which includes certain information about us that does not appear in, or is different from what is contained in, this prospectus. We have not authorized the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the prospectus or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Investors should rely only on the information contained in this prospectus in making investment decisions.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with certain requirements of the Listing Rules from the Stock Exchange.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability. Our headquarters, senior management, business operations and assets are primarily located, managed and conducted in the PRC, it would be practically difficult and commercially unfeasible for us to either relocate two of our executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between our Company and the Stock Exchange by adopting the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Ms. Qin Jessie XIN, our executive Director, and Mr. WONG Keith Shing Cheung, our company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Mr. WONG Keith Shing Cheung is an ordinarily resident in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable timeframe upon the request of the Stock Exchange and will be readily contactable by by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. The authorized representatives are authorized to communicate on our behalf with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Mr. WONG Keith Shing Cheung has been authorized to accept service of legal process and notice in Hong Kong on behalf of our Company;
- (b) each of our Company's authorized representatives has means to contact all members of our Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and our Directors, we will implement a number of policies whereby (i) each Director shall provide his/her mobile phone numbers, office phone numbers, fax numbers and email addresses to the authorized representatives; (ii) in the event that such Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorized representatives; and (iii) all our Directors and

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

authorized representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange. We shall promptly inform the Stock Exchange of any changes to the contact details of the authorized representatives of our Company and our Directors;

- (c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;
- (d) we have retained the services of a compliance adviser, being First Shanghai Capital Limited (the “**Compliance Adviser**”), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Adviser will serve as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing continuing compliance obligations with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company’s authorized representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties. The Compliance Adviser will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules. Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Adviser, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Adviser in accordance with the Listing Rules; and
- (e) our Company will also appoint other professional advisers (including its legal advisers in Hong Kong) after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to certain partially-exempt and non-exempt continuing connected transactions. Details of such continuing connected transactions and the respective waivers sought are set out in the sections headed “Contractual Arrangements” and “Connected Transactions—Continuing Connected Transactions” in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER FROM STRICT COMPLIANCE WITH RULE 10.04 OF THE LISTING RULES AND WRITTEN CONSENT UNDER PARAGRAPH 5(2) OF APPENDIX 6 TO THE LISTING RULES IN RELATION TO ALLOCATION TO EXISTING MINORITY SHAREHOLDERS AND/OR THEIR CLOSE ASSOCIATE

Rule 10.04 of the Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled.

The conditions in Rules 10.03(1) and (2) of the Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Listing Rules provides that, without the prior written consent of the Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their close associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Certain existing minority shareholders of the Company, being Worldwide Healthcare Trust PLC and OrbiMed Genesis Master Fund, L.P., will be allocated Offer Shares in the Global Offering as a cornerstone investor, and MA Chen, a close associate of the Company's existing shareholder SHI Yaping will be allocated Offer Shares in the Global Offering as a placee (Worldwide Healthcare Trust PLC, OrbiMed Genesis Master Fund, L.P. and SHI Yaping, collectively, the "**Existing Minority Shareholders**").

We have applied to the Stock Exchange for a waiver from strict compliance with Rule 10.04 of the Listing Rules and sought a written consent from the Stock Exchange under paragraph 5(2) of Appendix 6 to the Listing Rules, and the Stock Exchange has granted us such waiver and consent to permit us to allocate the Offer Shares to the Existing Minority Shareholders and/or their close associate as cornerstone investors or a placee, on the following grounds which are consistent with the conditions as set out in the Stock Exchange Guidance Letter 85-16 (HKEX-GL85-16):

- (a) **Less than 5%:** Each Existing Minority Shareholder holds less than 5% of the Company's voting rights prior to the completion of the Global Offering.
- (b) **Not core connected persons:** The Existing Minority Shareholders and their close associate are not, and will not be, core connected persons (as defined under the Listing Rules) of the Company or any close associate (as defined under the Listing Rules) of any such core connected person immediately prior to or following the Global Offering.
- (c) **No right to appoint Directors:** The Existing Minority Shareholders have no power to appoint Directors of the Company (other than as a Shareholder of the Company) and do not have other special rights.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) **No impact on public float:** As neither the Existing Minority Shareholders nor their close associate is a connected person to the Company, the Offer Shares to be held by the Existing Minority Shareholders and/or their close associate would be part of the public. Thus, allocation to the Existing Minority Shareholders and/or their close associate for which this submission is sought will not affect the Company's ability to satisfy the public float requirement under Rule 8.08 of the Listing Rules.
- (e) **Disclosure:** The relevant information in respect of the allocation to such Existing Minority Shareholders and/or their close associate will be disclosed in this prospectus and the allotment results announcement.

Where the Existing Minority Shareholders participate in the Global Offering as a cornerstone investor

- (f) The Offer Shares to be subscribed by and allocated to the Existing Minority Shareholders under the Global Offering will be at the same Offer Price and on substantially the same terms as other cornerstone investors (including being subject to a six-month lock-up arrangement following Listing).
- (g) The Joint Sponsors (based on their discussions with the Company and the Joint Bookrunners and the confirmation from the Company in paragraph (h) below, and to their best knowledge and belief) have confirmed to the Stock Exchange in writing that they have no reason to believe that the Existing Minority Shareholders have received any preferential treatment in the allocation as cornerstone investors by virtue of their relationships with the Company other than the preferential treatment of assured entitlement under a cornerstone investment agreement following the principles set out in Guidance Letter HKEX-GL51-13 (“**GL51-13**”).
- (h) The Company has confirmed to the Stock Exchange in writing that (a) no preferential treatment has been, or will be, given to the Existing Minority Shareholders who are cornerstone investors by virtue of their relationships with the Company other than the preferential treatment of assured entitlement under a cornerstone investment agreement following the principles set out in GL51-13; and (b) the cornerstone investment agreement entered into between the Company and the Existing Minority Shareholders who are cornerstone investors do not contain any material terms which are more favorable to the Existing Minority Shareholder who are cornerstone investors than those in other cornerstone investment agreements.

Where the close associate of an Existing Minority Shareholder participate in the Global Offering as a placee

- (i) The Joint Sponsors, the Company and the Joint Bookrunners have confirmed to the Stock Exchange that the close associate of the Existing Minority Shareholders will not receive any preferential treatment in the allocation as a placee under the Global Offering.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

WAIVER IN RESPECT OF THE ACQUISITION AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountants' report to be included in this prospectus must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of this prospectus.

Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. (珠海橫琴瑞爾泰醫院投資有限公司), a subsidiary of our Company, as purchaser proposed to enter into an investment agreement with Shenzhen Baocheng Dental Hospital (深圳寶城口腔醫院) (the “**Target Company**”) and its existing shareholders, to (i) acquire 6.7% and 3.3% equity interest in the Target Company from Shenzhen Wangyang Dental Management Co., Ltd. (深圳市汪洋齒科管理有限公司) and Shenzhen Sanjiang Chunyuan Trading Co., Ltd. (深圳市三江春源貿易有限公司), as the existing shareholders of the Target Company, at a consideration of RMB10.72 million and RMB5.28 million, respectively, and (ii) subscribe for RMB8.93 million representing 4.4% of the increased registered capital of the Target Company, for the purpose of future business development of our Company (the “**Acquisition**”). Upon completion of the Acquisition, Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. will hold 14.4% equity interest in the Target Company in total. For details of the Acquisition, see “History, Reorganization and Corporate Structure–Post-Track Record Period Investment” in this prospectus.

The proposed Acquisition is in the ordinary and usual course of business of our Company. Our Directors are of the view that (a) the Acquisition, as a key investment project in our expansion plan in Southern China, is aligned with the synergic development of our Company's dental services business and our growth strategy. The Target Company is a Class II dental specialist hospitals located in Shenzhen. Its medical resources, experienced management team and business performance helped built a solid basis of cooperation between us; and (b) the proposed terms of the Acquisition are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 4.04(2) and 4.04(4)(a) of the Listing Rules in respect of the Acquisition on the following grounds:

(a) **Immateriality of the Acquisition**

The applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules for the Acquisition are all less than 5% by reference to the most recent financial year or period in the Track Record Period.

In addition, it is expected that the Target Company will not constitute a subsidiary of our Company upon completion of the Acquisition. Accordingly, our Company believes that the Acquisition will not result in any significant changes to our financial position since September

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

30, 2021, and all information that is reasonably necessary for potential investors to make an informed assessment of its activities or financial position has been included in this prospectus. As such, our Company considers that a waiver from compliance with the requirements under Rules 4.04(2) and 4.04(4)(a) of the Listing Rules would not prejudice the interests of the investors.

(b) Unduly burdensome

The Acquisition has not been completed as of the Latest Practicable Date, and remains subject to negotiation between parties and certain conditions, including but not limited to satisfactory due diligence results, entry into a definitive subscription agreement, internal and external approval and/or filing procedure (if applicable). As such, our Company does not have full access to the relevant financial records for purposes of audit by our reporting accountants. In addition, it would require considerable time and resources for our Company and our reporting accountants to fully familiarize ourselves with the management accounting policies of the Target Company and compile the necessary financial information and supporting documents for disclosure in this Prospectus.

Having considered the Acquisition to be immaterial and the time and resources required to obtain, complete and audit such historical information in conformity with our Company's accounting policies, our Company believes that it would not be meaningful and would be unduly burdensome for us to prepare and include the financial information of the Target Company during the Track Record Period in this Prospectus.

(c) Disclosure of necessary information in the prospectus

With a view to allowing the potential investors to understand the Acquisition in greater detail, our Company has included in this prospectus the relevant information in relation to the Target Company and the Acquisition, which is comparable to the information that is required to be included in the announcement of a discloseable transaction under Chapter 14 of the Listing Rules, including: (a) general description of the scope of principal business activities of the Target Company and the counterparty of the Acquisition; (b) confirmation that the counterparties and the ultimate beneficial owners of the counterparties are third parties independent of our Company and our connected persons; (c) the consideration of the Acquisition; (d) the basis on which the consideration is determined; (e) reasons for and benefits of the Acquisition; and (f) a statement that our Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of our Company and Shareholders as a whole.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors (including any proposed Directors who are named as such in this Prospectus) collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering which forms part of the Global Offering. The Global Offering comprises the International Offering of initially 41,874,500 Offer Shares and the Hong Kong Public Offering of initially 4,653,000 Offer Shares, each subject to reallocation on the basis as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus and without taking into account the Over-allotment Option. For applicants under the Hong Kong Public Offering, this prospectus and the **GREEN** Application Form contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Joint Sponsors. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the **GREEN** Application Form and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information or to make any representation not contained in this prospectus and the **GREEN** Application Form, and any information or

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters and any of their respective directors, officers, employees, agents or representatives or advisors or any other persons involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering”, and the procedures for applying for our Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and in the **GREEN** Application Form.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed “Underwriting” in this prospectus

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold directly or indirectly in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in our Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future. All the Offer Shares will be registered on the branch register of our Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

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

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus.

PROCEDURE FOR APPLICATION OF HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus and on the **GREEN** Application Form.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

COMMENCEMENT OF DEALINGS IN SHARES

Dealings in the Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Tuesday, March 22, 2022. Shares will be traded in board lots of 500 Shares each.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Harneys Fiduciary (Cayman) Limited, in the Cayman Islands, and our Hong Kong register will be maintained by Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.13% on the higher of the consideration for or the market value of the Shares and it is charged to the purchaser on every purchase and to the seller on every sale of the Shares. In other words, a total of 0.26% is currently payable on a typical sale and purchase transaction of the Shares. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasized that none of us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, officers, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in the English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

EXCHANGE RATE

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise specified, this prospectus contains certain translations for the convenience purposes at the following rates: Renminbi into Hong Kong dollars at the rate of HK\$1.00 to RMB0.8065, Renminbi into U.S. dollars at the rate of US\$1.00 to RMB6.3014 and Hong Kong dollars into U.S. dollars at the rate of US\$1.00 to HK\$7.8133 . The RMB to HK\$ and US\$ to RMB exchange rates are quoted by the PBOC for foreign exchange transactions prevailing on March 1, 2022.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
Executive Directors		
Mr. ZOU Qifang (鄒其芳)	501 Eurovilla, Houshayu Shunyi District Beijing, the PRC	Chinese (Hong Kong)
Ms. Qin Jessie XIN	Room 902, Unit 5 Bldg. 9, Cuidieyuan Century Town Haidian District Beijing, the PRC	Canadian
Mr. ZHANG Jincai (章錦才)	13-3, Huayuan Meilin Apartment Wenyi Community, Wuchang Street Yuhang District, Hangzhou Zhejiang Province, the PRC	Chinese
Mr. ZOU Jianlong (鄒劍龍)	12F, Block 11, Jindi Tennis Garden Antuo Mountain 9th Road Xiang'an Community Futian District, Shenzhen Guangdong Province, the PRC	Chinese
Independent non-executive Directors		
Ms. LIU Xiaomei Michelle	C-2166, No. 4 Yuyang Road Shunyi District, Beijing, the PRC	American
Mr. SUN Jian (孫健)	Flat 2202, Block 6 Lane 99 Pu Cheng Road Shanghai, the PRC	Chinese (Hong Kong)
Mr. ZHANG Bang (張磅)	16D2, No. 5 888 Shaanxi South Road Xuhui District Shanghai, the PRC	Chinese

Please see the section headed “Directors and Senior Management” in this prospectus for further details of our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

UBS Securities Hong Kong Limited

52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

Joint Global Coordinators

Morgan Stanley Asia Limited

46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

UBS AG Hong Kong Branch

52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Morgan Stanley Asia Limited

(in relation to the Hong Kong Public
Offering only)
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Morgan Stanley & Co. International plc
(in relation to the International Offering
only)
25 Cabot Square, Canary Wharf
London E14 4QA
United Kingdom

UBS AG Hong Kong Branch
52/F, Two International Finance Centre
8 Finance Street
Central, Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

**Haitong International Securities Company
Limited**
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

**The Hongkong and Shanghai Banking
Corporation Limited**
1 Queen's Road Central
Hong Kong

**Futu Securities International (Hong
Kong) Limited**
Unit C1-2 13/F, United Centre
No.95 Queensway
Admiralty
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisers to our Company

As to Hong Kong and United States laws:

Kirkland & Ellis

26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices

12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Chaoyang District
Beijing, the PRC

As to Cayman Islands laws:

Harney Westwood & Riegels

3501 The Center
99 Queen's Road Central
Hong Kong

Legal advisers to the Underwriters

As to Hong Kong and United States laws:

Clifford Chance

27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC laws:

Tian Yuan Law Firm

10/F, Tower B, China Pacific
Insurance Plaza
28 Fengsheng Hutong
Xicheng District
Beijing, the PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Auditor and Reporting Accountant**PricewaterhouseCoopers**

*Certified Public Accountants and
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Company's Website	<u>www.arrailgroup.com</u> <i>(information on this website does not form part of this prospectus)</i>
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Audit Committee	Mr. ZHANG Bang (<i>Chairman</i>) Ms. LIU Xiaomei Michelle Mr. SUN Jian

CORPORATE INFORMATION

Remuneration Committee	Mr. SUN Jian (<i>Chairman</i>) Ms. LIU Xiaomei Michelle Mr. ZHANG Bang
Nomination Committee	Mr. SUN Jian (<i>Chairman</i>) Ms. LIU Xiaomei Michelle Mr. ZHANG Bang
Compliance Adviser	First Shanghai Capital Limited 19/F, Wing On House 71 Des Voeux Road Central Hong Kong
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INDUSTRY OVERVIEW

The information and statistics set out in this section and other sections of this prospectus 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 Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, except Frost and Sullivan, and no representation is given as to its accuracy. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

In connection with the Global Offering, we have commissioned Frost & Sullivan, an independent third party, to conduct an analysis of, and to report on, the PRC dental services market. The report we commissioned, or the Frost & Sullivan Report, has been prepared by Frost & Sullivan independent of our influence. The fee charged by Frost & Sullivan for preparing the Frost & Sullivan Report is RMB600,000, which we consider reflects market rates for similar services. Founded in 1961, Frost & Sullivan has 48 global offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists. It offers industry research and market strategies and provides growth consulting and corporate training. Frost & Sullivan has been covering the PRC market from its offices in the PRC since the 1990s.

The Frost & Sullivan Report includes information on the PRC dental services market as well as other data on industries, macroeconomics and demographics, which have been quoted in this prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the designated market. Primary research consists of in-depth interviews with leading industry participants and industry experts. Secondary research consists of reviewing reports of market participants, independent research reports and data of the Frost & Sullivan's own research database. Projected data were obtained from extrapolation of historical and macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government and other publications. When carrying out the market research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, a basis for the plausible reasoning of the report.

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

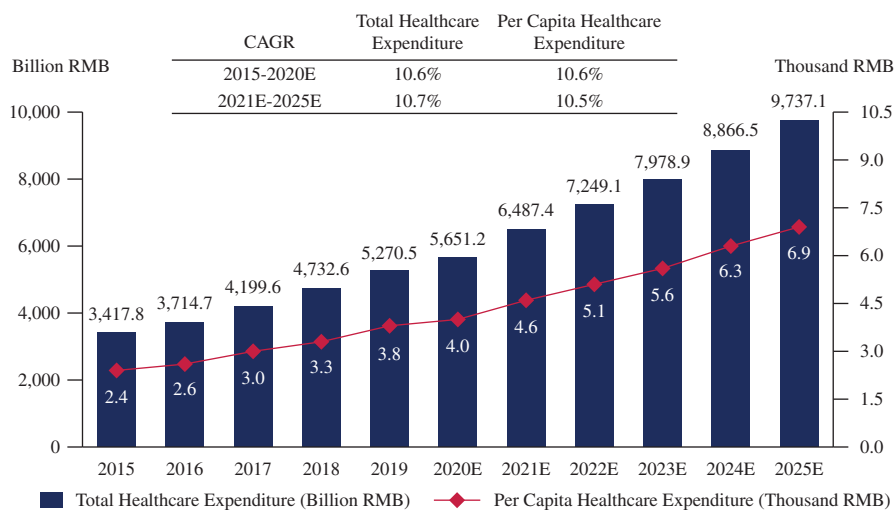
THE HEALTHCARE SERVICES MARKET IN CHINA

Overview

With increasing purchasing power and increasing health and wellness consciousness of the Chinese households, the healthcare services industry in China has witnessed rapid development in recent past. The total healthcare expenditure and per capita healthcare expenditure in China has increased by CAGR of approximately 10.6% from 2015 to 2020, reaching RMB5,651.2 billion and RMB4,000 by the end of 2020, respectively. Such trend is expected to further accelerate in the coming years. According to the Frost & Sullivan Report, total healthcare expenditure and per capita healthcare expenditure in China are projected to reach RMB9,737.1 billion and RMB6,900 by 2025, representing CAGRs of approximately 10.7% and 10.6% from 2021 to 2025, respectively. Total healthcare expenditure comprises (i) government healthcare spending, (ii) public medical insurance expenditure, and (iii) out-of-pocket healthcare payment made by individual consumers. Per capita healthcare expenditure is calculated as total healthcare expenditure divided by the total population in China. In particular, per capita expenditure on dental services in China was estimated to account for approximately 6% of the per capita healthcare expenditure in 2020, according to the Frost & Sullivan Report.

The chart below sets forth, for the years indicated, the total actual and estimated healthcare expenditure in China:

Total Healthcare Expenditure and Per Capita Healthcare Expenditure in China, 2015-2025E



Source: WHO, NHC, Frost & Sullivan analysis. Latest data available in 2019.

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Key Growth Drivers for the Healthcare Services Market in China

The growth of China's healthcare services market is expected to be driven by the following factors, according to the Forest & Sullivan Report:

Rising per capita disposable income

With the continuous economic growth and rapid urbanization, the per capita disposable income in China has increased steadily from RMB22,000 in 2015 to RMB32,200 in 2020, representing a CAGR of approximately 7.9%. The rising disposable income and improving purchasing power of Chinese households is expected to further boost demands for healthcare services. It is expected that per capita disposable income in China will rise at a CAGR of approximately 7.0% from RMB34,800 in 2021 to RMB45,100 in 2025.

Increasing per capita consumption expenditure on healthcare services

The market size of healthcare services in China expanded at a CAGR of 11.5% from RMB2,954 billion in 2015 to RMB5,099 billion in 2020, and is projected to continuously grow at a CAGR of 7.8% from RMB5,563 billion in 2021 to RMB7,520 billion in 2025. Driven by rising disposable income of a more health conscious population, the per capita consumption expenditure on healthcare services in China rose from RMB1,200 in 2015 to RMB1,800 in 2020, representing a CAGR of approximately 9.6%. The slight decrease from RMB1,900 in 2019 to RMB1,800 in 2020 was largely due to the suspension of economic activities and consumption in the first quarter of 2020 caused by the outbreak of COVID-19. With the effective containment of COVID-19 and the speedy recovery of China's domestic economic activities, it is projected that per capita consumption expenditure on healthcare services will continuously grow to reach RMB2,900 in 2025, representing a CAGR of approximately 9.4% from 2021 to 2025. Total consumption expenditure on healthcare services refers to expenditure on healthcare services directly purchased by individual consumers for daily consumption purposes, which is a subset of the total healthcare expenditure. Per capita consumption expenditure on healthcare services is calculated as total consumption expenditure on healthcare services divided by the total population in China. In particular, per capita consumption expenditure on dental services in China accounted for approximately 3% of the per capita consumption expenditure on healthcare services in 2020, according to the Frost & Sullivan Report.

Aging of the Chinese population

The past "one child policy" and increasing life expectancy of China's population has shifted the demographics of the country with over 184.0 million persons aged 65 and above in 2020, representing a CAGR of approximately 5.0% from 2015 to 2020. By the end of 2020, the population aged 65 and above accounted for approximately 13.1% of China's the total population. According to the Frost & Sullivan Report, the aging trend is expected to maintain and the population aged 65 and above is estimated to reach 224.2 million by the end of 2025, resulting in increased demands for healthcare services in China.

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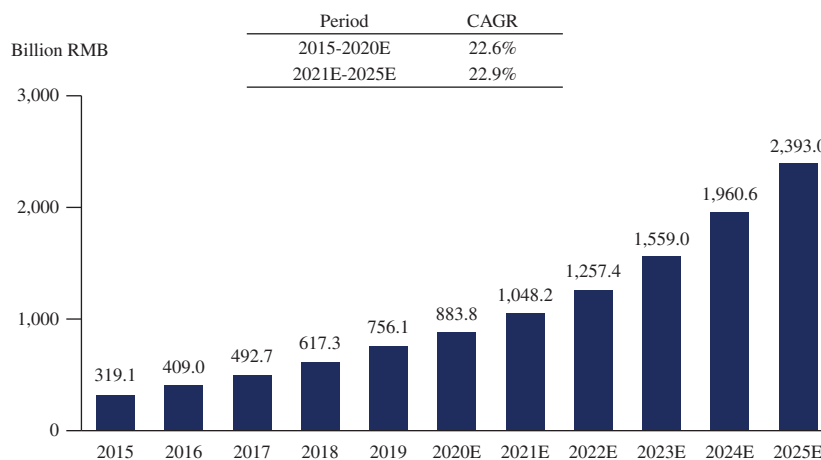
Expanding middle and upper market consumers

Strong economic growth and mass urbanization supported the expansion of middle and upper market consumers in China. Accordingly, the number of population with annual disposable income of more than RMB120,000 increased from 324.1 million in 2015 to 372.5 million in 2020, representing a CAGR of approximately 2.8%. Middle and upper market consumers are generally well-educated and more receptive to a healthy lifestyle. They tend to prefer quality over prices, and are more willing to invest in private healthcare services. When selecting healthcare services, they value a more patient-centric approach and higher medical standards, better service facilities, more privacy and convenience, and shorter waiting time. It is projected that the population of middle and upper market consumers in China will continue to expand at a CAGR of approximately 2.0% from 2020 to 2025, reaching 413.5 million by the end of 2025.

Consumer Healthcare Services in China

The rising disposable income and improving health consciousness has shifted the healthcare market from a disease-driven market, where treatments are prescribed to ailing persons, to a health-driven market, where healthcare services are provided to proactively improve the well-being of Chinese consumers. According to the Frost & Sullivan Report, the total market size of consumer healthcare services in China expanded from RMB319.1 billion in 2015 to RMB883.8 billion in 2020, representing a CAGR of 22.6%. The growth is expected to accelerate at a CAGR of 22.9% from 2021 to 2025, reaching RMB2,393.0 billion by the end of 2025.

Market Size of Consumer Healthcare Services in China, 2015-2025E



Source: Frost & Sullivan analysis

With more advanced facilities, broader range of healthcare treatments and an emphasis on patient experience, Chinese consumers have been more attracted to private healthcare providers. Recognizing this shifting trend of consumer preference and the extended benefits derived from the growing consumer healthcare services industry, the Chinese government has released a series of favorable policies towards private healthcare providers, driving increased private investments into private sector. With the increased injection of private capital into this sector, consumer healthcare services providers are able to further enhance patient experience.

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THE DENTAL SERVICES MARKET IN CHINA

Overview of Dental Services

Dental services cover primarily three specialties including (i) general dentistry, (ii) orthodontics, and (iii) implantology. A brief introduction of these three specialties is set forth below:

- *General dentistry.* General dentistry provides preventive services such as tooth cleaning, checking soft tissue, and screening for dental diseases and other potential problems, along with a range of basic restorative treatments. The services include teeth filling, root canal treatment and repairing damage teeth by dental crown and removable denture.
- *Orthodontics.* Orthodontics dentistry provides treatment for malocclusions which may be caused by irregularity and disproportionate jaw relationships. The services include improving biting efficiency, speech, oral hygiene and aesthetics.
- *Implantology.* Implantology dentistry provides permanent implantation of artificial teeth in the jaw when it is determined that a natural tooth must be extracted. The services provide a more durable option for patients needing tooth replacements.

Dental services can be generally categorized into (i) premium dental services, (ii) middle-end dental services, and (iii) affordable dental services. Middle-end and premium dental services providers are differentiated by their services quality and pricing. In particular, premium dental services refer to comprehensive and highly customized dental services targeting the upper market with a focus on patient care and experience, with listed prices at least 25% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals. In contrast, middle-end dental services refer to comprehensive dental services usually provided by dental services chains with high level of consistency tailored to the middle and upper markets, with listed prices approximately 10% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals. According to Frost & Sullivan, Class III Grade A hospitals, as the highest-quality public hospitals, capture and fulfill a significant portion of the typical consumer demand for common dental treatments. Accordingly, their listed prices are typically used as a benchmark for pricing of dental services in China.

With the expansion of middle and upper market consumers and growing commercial health insurance covering a wider variety of medical needs, patients are increasingly demanding high-end dental services with greater customization and privacy. Greater customization available in high-end dental services usually requires higher level of flexibility and personalization in customer services, as compared to the relatively standardized dental services provided by affordable dental services providers, bringing highly personalized treatment planning with satisfactory treatment quality and improved patient experience. The supply-and-demand gap in middle-end and premium dental services is expected to be widened

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as the Chinese government has proposed to restrict the supply of premium “VIP” services within public healthcare establishments to ensure that the basic needs of patients are met. Therefore, it is expected that middle-end and premium dental services will continue to expand, fostering rapid growth for private dental services providers.

Comparison of Premium, Middle-End and Affordable Dental Services

	Premium Dental Services	Middle-end Dental Service	Affordable Dental Services
Target Patients	Upper market consumers	Middle and upper market consumers	Mass population
Geographic Distribution	CBD and residential areas mostly in Tier-1 cities	CBD and residential areas in Tier-1 and Tier-2 cities	Residential areas in both rural and urban areas
Customer Service	A comprehensive and customised service system that focuses on patient care. The system enables more flexible, professional, and personalized customer services	A comprehensive customer service system with higher level of consistency between chained stores and patients	A relatively standardized customer services system
Service Scope	Comprehensive dental diseases; more cosmetic and chronic care program; and comprehensive services ranging from pre-treatment consultation, treatment and follow-up visits	Common dental diseases, some cosmetic and chronic care programs	Common dental diseases, and comprehensive dental diseases
Insurance Coverage	Out-of-pocket payments; commercial insurance	Out-of-pocket payments; commercial insurance; public insurance in some dental groups	Out-of-pocket payments; public insurance

Source: Frost & Sullivan analysis

Note: According to Frost & Sullivan, premium dental services refer to comprehensive and highly customized dental services targeting the upper market with listed prices at least 25% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals, while middle-end dental services refer to comprehensive dental services tailored to the middle and upper markets with listed prices approximately 10% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals.

As consumers are increasingly willing to pay a premium for high quality dental services, delivering customized and quality services will enable dental services providers to charge a premium price. According to the Frost & Sullivan Report, chain dental services providers has attracted more investments in middle and premium dental services sector.

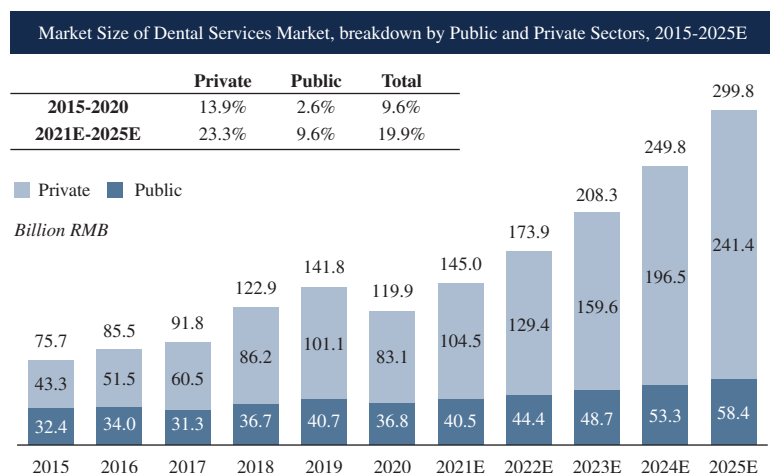
Overview of Dental Services Market in China

The dental services market in China was dominated by public healthcare establishments before the 1990s. However, the growing demand for dental services from the general public has outpaced the number of public healthcare establishments available. This resulted in the increase of private healthcare establishments and the growth in market size of the private dental services sector.

Since the 1990s, private dental services providers, including the Arrail Group, have been instrumental in raising public awareness of dental health and bolstering the consumption needs for dental services. The number of dental clinics across different regions of China increased rapidly. As the larger private dental services providers reached sufficient scale, the chain business model was developed to allow broader geographical coverage.

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In recent years, the aging population and rising public awareness for dental health has led to growing demand for dental services in China. Together with the increasing healthcare expenditure of citizens and the improving medical insurance services, the dental services market in China has been expanding. According to the Frost & Sullivan Report, the market size of dental services market in China increased from RMB75.7 billion in 2015 to RMB119.9 billion in 2020, representing a CAGR of 9.6%. Whilst there is a slight drop in 2020 market size due to COVID-19, the market size is expected to continue to grow at a CAGR of 19.9% during the forecast period, reaching RMB299.8 billion by 2025. The growth is expected to concentrate in the private sector, the market size of which is expected to reach RMB241.4 billion by 2025, according to the Frost & Sullivan Report.



Source: Frost & Sullivan analysis

China's market has more dental establishments operated by private services providers. This is because the private sector mainly comprises dental clinics which have less operational, regulatory and capital requirements, resulting in broader geographic coverage. As a subset of dental clinics, private dental clinics are broadly distributed geographically, with various business models corresponding to different market positioning. In addition to common dental diseases, private dental clinics also provide cosmetic and chronic care programs, pre-treatment consultation and other personalized customer services. The public sector mainly consists of dental hospitals, which primarily offer comprehensive and diverse dental treatments to customers in Tier-1 and Tier-2 cities, and general hospitals with dental departments, which are typically located in both urban and rural areas catering to common dental treatment demands of mass population. The number of dental establishments had been growing at a CAGR of 6.5% from 64,100 in 2015 to 87,700 in 2020. The number of dental establishments is expected to reach 144,500 in 2025 with a CAGR of 10.4%. In particular, private dental clinics accounted for 51.9% of the total dental services market in China in 2020, while dental hospitals and general hospitals with dental departments in aggregate accounted for 48.1% of the total market share.

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According to the Frost & Sullivan Report, the market size of private dental services grew from RMB43.3 billion in 2015 to RMB83.1 billion in 2020 with a CAGR of 13.9%, and is expected to reach RMB241.4 billion by 2025, representing a CAGR of 23.3% during the forecast period. Additionally, the number of private dental services providers in China increased from 58,000 in 2015 to 79,800 in 2020, representing a CAGR of 6.6%, and is expected to reach 133,000 by 2025 with a CAGR of 10.6% during the forecast period.

Overview of the Premium Private Dental Services Market in China

Premium private dental services providers in China generally offer quality dental solutions with premium pricing to target upper market consumers who possess high purchasing power. According to the Frost & Sullivan Report, the premium dental services providers typically charge listed prices at least 25% higher than those charged by the Class III Grade A hospitals for their dental services, such as implantation and orthodontic dentistry. These premium dental groups usually set up their establishments at prime locations in Tier-1 cities in China, making their services more accessible to their target consumers. They also generally operate with higher medical standards, better service facilities and more privacy to meet the expectations of sophisticated consumers. Premium dental groups are more likely to recruit competent medical professionals due to good reputation and competitive remuneration structures. As such, premium dental services providers usually have stronger brand awareness among the general public and are more attractive to middle and upper market consumers. As premium dental services providers target middle and upper market consumers, they own a relatively small portion of the overall dental services market in China.

Size of the Premium Private Dental Services Market in China

According to the Frost & Sullivan Report, the market size of premium private dental services market grew from RMB1.29 billion in 2015 to RMB2.62 billion in 2020, representing a CAGR of 15.2%, and is expected to reach RMB7.49 billion by 2025, with a CAGR of 19.7%.



Source: Frost & Sullivan analysis

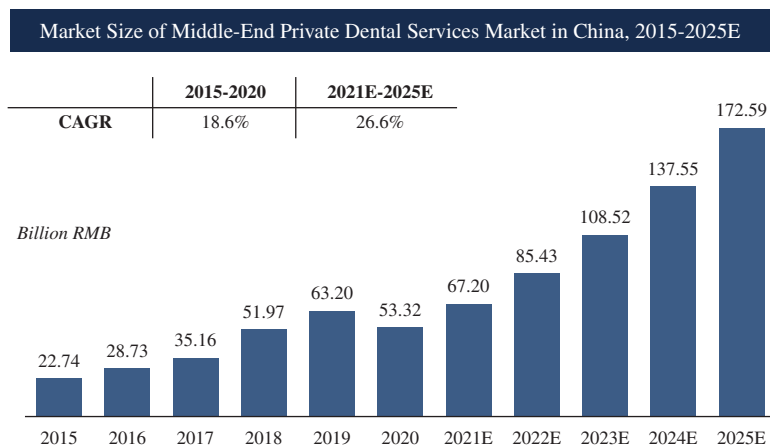
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Overview of the Middle-End Private Dental Services Market in China

Middle-end private dental services providers in China target middle and upper market consumers, offering a range of dental services at relatively higher prices compared to affordable dental services. Generally with presence in Tier-1 and Tier-2 cities and usually in the form of dental services chains, they provide comprehensive dental services with high level of consistency in quality and strong reproducibility among their dental chains. Middle-end private dental services providers charge approximately 10% higher listed price than the Class III Grade A hospitals for their dental services, and certain such dental establishments are designated hospitals or clinics under governmental medical insurance programs. As such, middle-end private dental services are relatively more affordable and cater to a relatively wider range of consumers compared to premium dental services. It is projected that consumption upgrade of the Chinese households and the rapid expansion of chain dental services providers will continue to drive the growth of the middle-end private dental services market.

Size of the Middle-End Private Dental Services Market in China

According to the Frost & Sullivan Report, the market size of middle-end private dental services market grew from RMB22.74 billion in 2015 to RMB53.32 billion in 2020, representing a CAGR of 18.6%, and is expected to reach RMB172.59 billion by 2025, with a CAGR of 26.6%.



Source: Frost & Sullivan analysis

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Entry Barriers of the Dental Services Market in China

According to the Frost & Sullivan Report, the main entry barriers of the dental services market in China as set forth below:

- *Dentists.* Dentists are the core asset for dental services providers and are the key variable in determining service quality and customer experience. Due to patient preference for experienced and skillful dentists, well-established dental services providers are actively seeking to collaborate with educational and research institutions to develop their talent pool.
- *Reputation and brand awareness.* Given the large differences in service quality, the reputation of dental services providers is critical to consumers when selecting their dental services providers. If customers are satisfied with their dental services providers, they would tend to repeatedly frequent the same institutions. As a result, once dental services providers have already built their customer base and reputation, a high barrier is set.
- *Business qualification.* Operating a dental services institution in China requires obtaining certain government licenses and satisfying certain requirements on medical equipment and staff qualification to pass the examination of health administrative departments.

Key Growth Drivers for the Dental Services Market in China

Beyond the aforementioned factors driving the rapid growth in China's healthcare services market, the growth of China's dental services market is also expected to be driven by the following factors, according to the Frost & Sullivan Report.

Consumption upgrade and rising awareness of dental care

With the increasing disposable income and wealth accumulation, there is a scalable base of middle and upper market consumers in China willing to pay a premium for quality dental services. The strong demand to improve their dental health and aesthetics has led to increased willingness by consumers to purchase certain expensive dental services such as tooth whitening, dental implanting and orthodontics. In addition, parents and educational institutions are paying increasing attention to children's dental health, raising dental care awareness from an early age.

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Increased cases of dental diseases

Growing consumption of food and beverages that are high in sugar, tobacco and alcohol has led to increased cases of dental diseases. From 2015 to 2019, the number of patients with dental diseases in China has increased from 470.7 million to 664.1 million people, representing a CAGR of approximately 9.0%. The majority of dental diseases are tooth decay, periodontal diseases, oral cancers, oral manifestations of HIV, oro-dental trauma, cleft lip and palate, and noma (a severe gangrenous disease mostly affecting children). Together with an aging population, the increased cases of dental diseases indicate stronger demand for dental services in China.

Favorable regulatory policies

In the past few years, the Chinese government has issued favorable policies to support the development of private dental establishments and actively advocated for the development of specialist medical groups. In March 2016, the National Health and Family Planning Commission released the “Measures for the Administration of Medical Practice Registration,” allowing employed doctors to practice across multiple sites and establish private clinics. In January 2017, the State Council announced the “2017-2025 medium- and long-term plan for prevention of chronic disease,” strengthening dental care education in kindergartens and primary schools to prevent periodontal disease and tooth decay. In February 2020, the National Health Commission announced the “Healthy Oral Action Plan 2020-2025,” striving to increase the awareness of dental health among Chinese households, improve overall dental service quality, and reducing the prevalence of oral diseases.

In addition, the Chinese government has adopted healthcare reforms to increase the accessibility and affordability of healthcare services, investing significantly to construct and upgrade healthcare infrastructure and expand medical insurance coverage. In 2019, a medical insurance system encompassing the Urban and Rural Residents Basic Medical Insurance Scheme and the Urban Employee Basic Medical Insurance Scheme has covered nearly 96.7% of the population.

Future Trends of Dental Services in China

According to the Frost & Sullivan Report, it is projected that the future trends of dental services in China will share the following characteristics:

- *Private dental services providers will play an increasingly important part.* Private dental services industry has grown rapidly in recent years with some private dental hospitals being covered by the national healthcare insurance. These private dental services hospitals have highly qualified professionals and more advanced medical equipment, providing better customer experience.

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- *Rapid chain expansion.* According to the Frost & Sullivan Report, the average annual disposable income in Tier-1 and Tier-2 cities has experienced rapid growth in recent years, enabling increased expenditure on dental services and creating expansion opportunities for chain dental services providers. It is expected that chain dental services providers will continuously deepen their penetration in Tier-1 cities, key Tier-2 cities and beyond, expanding their nationwide footprint through organic growth and strategic acquisitions.
- *Increasing focus on advanced digitalization.* Dental services providers in China are expected to increasingly focus on enhancing their services and operations through advanced digitalization such as software as a service, computer-aided design and manufacturing. The greater access to funds, medical technologies and resources allows increased specialization in medical practices, streamlined service delivery and improved operational efficiency. This enables dental services providers to provide higher quality services to more patients and cultivate an increasingly recognizable and professional brand image.

Bottleneck of Dental Services Market in China

Scarce resources of dentists

In line with the growing demands for dental services, the number of dentistry graduates in China increased from 23,800 in 2015 to 35,800 in 2019, representing a CAGR of approximately 10.8%. In 2019, the number of dental practitioners in China was 245,000, representing an increase of over 28,000 practitioners compared to the previous year. However, the total number of licensed dentists still fall short to the demands from both public and private dental services institutions, causing market participants to compete heavily for qualified dentists.

The number of dentists per million of population in China is 175 in 2020, far lower than such number in other developed or moderately developed nations. For example, developed or moderately developed countries in Europe have approximately 810 dentists per million of population in 2020, while the United States has approximately 608 dentists per million of population. The number of dentists per million of population in Brazil, a developing country, has reached 1,200 in 2020. Evidently, the resources of dentists in China are still limited.

Limited clinical trainings for dentists

The lack of teaching materials and resources in China's dental industry has made it difficult for dentists to continuously acquire new knowledge and skills throughout their careers. Systematic and standardized clinical training remains much needed, creating a major challenge for the development of dental services.

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Limited dental health awareness

Compared to developed markets, the current population in China has limited dental health awareness with the focus remaining on diagnosis and treatment of dental caries and periodontitis, paying little attention to dental healthcare and cosmetology such as oral restoration, orthodontics and whitening. Dental health education is therefore needed for Chinese households to promote dental health awareness and improve overall well-being.

Competitive Advantages of Private Dental Services Providers

The rapid expansion of private dental services chains grabs market share

Medical resources remain scarce in China's underdeveloped areas. With the growing demand for convenient and high-quality diagnosis and treatment, it remains difficult for patients in underdeveloped areas to get effective and efficient diagnosis and dental care treatment. This creates an opportunity for private dental services providers to seize market shares in underdeveloped areas through chain expansion, relying on the network effect to compete effectively.

Capturing the changing consumption pattern of middle and upper market consumers

The complexity of dental diagnosis and treatment requires the use of expensive, advanced equipment. Public hospitals typically undergo a more tedious procurement process, while private hospitals and clinics can procure advanced equipment at their own discretion. Advanced dental equipment can assist dentists in providing better treatment, allowing private dental services providers to attract more customers and capture the changing consumption trend for quality dental services.

The combination of comprehensive online systems and personable services improves customer experience and increases customer loyalty

Private dental services providers are better positioned to digitalize their service offerings. By adopting online platforms and integrating their membership and appointment systems, private dental services providers are able to deliver personalized services, family oriented service plans, customized dental health guidance and other member services. The online platforms can effectively improve customer satisfaction and loyalty by enhancing patient experience.

Challenges and opportunities for the premium and middle-end private dental services markets

Due to the highly similar target consumer pool and business nature, the challenges and opportunities faced by the premium and middle-end private dental services providers are largely the same.

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Challenges of the premium and middle-end private dental services markets

In addition to the aforementioned barriers and bottleneck with respect to the overall dental services market in China, challenges specific to the premium and middle-end private dental services markets include:

- *Requirement for significant capital resources.* The quality of premium and middle-end private dental services differs from that of affordable dental services, resulting in greater operational and administrative costs to maintain a higher service standard. In addition, premium and middle-end private dental services providers are likely to require significant investment to support their business expansion and maintain consistency in service quality. As a result, investment costs would be one of the primary challenges faced by participants in the premium and middle-end private dental services markets.
- *Limited target consumer pool.* The premium and middle-end private dental services providers cater to middle and upper market consumers with greater affordability of healthcare services consumption. Despite the steady growth of middle and upper market consumers in China, the expansion of the premium and middle-end private dental services markets could still be constrained by the limited pool of target population across the country.

Opportunities for the premium and middle-end private dental services markets

Beyond the aforementioned key growth drivers for the overall dental services market in China, the premium and middle-end private dental services markets specifically share the following opportunities:

- *Affluent consumers and willingness to pay for high-end dental services.* As disposable income rises in China, a growing percentage of consumers can afford out-of-pocket payments associated with dental treatments, and are willing to spend more on high-end dental services with their increasing purchasing power as they value service quality over price. These factors lead to immense business opportunities for the premium and middle-end private dental services markets.
- *Rising awareness of dental care.* Consumers in China increasingly value the importance of dental health and aesthetics, which they increasingly associate with their self-esteem and social standing. Strong consumer demands for better treatment outcome and experience prompt them to choose premium and middle-end private dental services providers that have comprehensive service offerings, deliver higher service quality and offer more personalized treatment planning.

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COMPETITIVE LANDSCAPE OF THE DENTAL SERVICES MARKET IN CHINA

Overview

The Chinese dental market is still relatively underpenetrated and fragmented compared to developed nations. According to the Frost & Sullivan report, the top five players in the private dental services market in 2020 only accounted for an aggregate of 8.5% of the total market share in terms of revenues. With the growing dental services market, dental services providers continue to compete for market share. The dental services market can be segmented into three categories: small dental services providers, regional chain dental services providers, and national chain dental services providers. According to the Frost & Sullivan report, small dental services providers operate a single dental clinic in a specific location; regional chain dental services providers operate multiple dental clinics across a single region; and national chain dental services providers operate multiple clinics across multiple regions.

With greater access to funds and talent, chain dental services providers are generally better positioned to compete and obtain additional market shares by leveraging economy of scale. In particular, national chain dental services providers tend to possess more competitive advantages, including advanced digitalization, talent acquisition on a national scale, extensive knowledge sharing and precise capturing of regional consumers through organic growth and strategic acquisitions. These advantages allow national providers to adapt to changing market conditions through catering to more patients and providing higher quality services.

Due to the differences in demographic profiles and gap in spending power between various regions in China, market fragmentation is expected to remain the norm in the near future, creating extensive penetration potential for national chain dental services providers.

Top five private dental services providers in China in 2020

The competitive landscape of the private dental services market in China is principally analyzed from three aspects, namely revenues, the number of dental establishments across regions and the number of dental chairs of market participants, which indicate their business strength, operating capabilities and customer acquisition capacity, respectively. According to the Frost & Sullivan Report, as of December 31, 2020, there were five private dental services providers that lead the market by a great margin. In the aggregate, the top five players accounted for only a small portion of the private dental services market in China.

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The following table sets out the top five dental services providers in terms of revenues, dental chairs and dental establishments in 2020 and as of December 31, 2020, as applicable, according to the Frost & Sullivan Report:

	Ranking by 2020 Revenue (Billion RMB)			Ranking by No. of Dental Chairs		Ranking by No. of Institutions	
1	TC Medical ⁽¹⁾	2.00	2.4%	BYBO Dental ⁽²⁾	2,100	BYBO Dental ⁽²⁾	176
2	BYBO Dental ⁽²⁾	1.96	2.4%	TC Medical ⁽¹⁾	1,986	MEIWEI Dental ⁽³⁾	150
3	ARRAIL Group	1.24	1.5%	MEIWEI Dental ⁽³⁾	1,500	ARRAIL Group	108⁽⁷⁾
4	MEIWEI Dental ⁽³⁾	1.20	1.4%	ARRAIL Group	1,271⁽⁶⁾	JIAMEI Dental ⁽⁵⁾	55
5	Enjoy Dental ⁽⁴⁾	0.67	0.8%	Enjoy Dental ⁽⁴⁾	800	TC Medical ⁽¹⁾	49
	TOP 5	7.07	8.5%	TOP 5	7,657	TOP 5	538

Source: Company website, annual reports, Frost & Sullivan analysis

Notes:

- (1) TC Medical is a public company founded in 1995. Headquartered in Hangzhou, TC Medical has a deep penetration in Zhejiang region and is expanding progressively by establishing more dental hospitals.
- (2) BYBO Dental is a private dental group founded in 1993. Headquartered in Zhuhai, BYBO Dental implements vigorous expansion strategy in terms of the number of institutions, dental chairs and operating regions across China. It has established approximately 180 dental institutions in total.
- (3) MEIWEI Dental is a private dental group founded in 2015. Headquartered in Shanghai, Meiwei Dental is expanding progressively through acquisition of different dental brands in China.
- (4) Enjoy Dental was founded in 2007 in Beijing. Enjoy Dental aims at improving dental treatment outcome and service quality by leveraging new technology.
- (5) JIAMEI Dental is a chain dental services provider founded in 1993 in Beijing. It has stores in Beijing, Shanghai, Dalian, Shenzhen, Hangzhou, and Chengdu, etc.
- (6) including 1,168 actual dental chairs and 103 additional registered dental chair capacity. The number of registered dental chairs refers to the maximum number of dental chairs that a given hospital or clinic is permitted to install by the local health administrative authority, while the number of actual dental chairs refers to the number of dental chairs that have been installed at a given hospital or clinic.
- (7) including four clinics in Changsha operated under exclusive consultation and service agreements whose financial results are not consolidated into our consolidated financial statements in accordance with IFRSs. For more details on such agreements, please refer to “Business—Our Services—Our Hospitals and Clinics.”

INDUSTRY OVERVIEW

Competitive landscape of premium private dental services market in China

Premium private dental services providers that have relatively higher listed prices discretionary for dental service offerings distinguish themselves from their competitors by delivering high-quality, value-added and individualized dental treatments to meet the demands of upper market consumers. Due to the limited target consumer pool and expectation for superior service quality, there are substantially fewer participants in the premium private dental services market than the middle-end and affordable private dental services markets. In terms of geographical distribution, premium private dental services providers are mostly concentrated in Tier-1 cities.

According to the Frost & Sullivan report, Arrail Dental was the lead in the premium private dental services segment in terms of total revenues, or revenues generated from dental departments in the case of general healthcare centers, generated in 2020. Arrail Dental accounted for 24.1% of the premium private dental services market in terms of revenues in 2020.

The following table sets out the top three premium private dental services providers in terms of revenues in 2020, according to the Frost & Sullivan Report:

Ranking	Company (Premium Segment)	2020 Revenue (Million RMB)	Market Share	Type of Institution	Geographical Coverage (Dental Service)	No. of Institutions
1	ARRAIL Dental	630	24.1%	Dental Clinics	7 cities (Beijing, Tianjin, Shanghai, Hangzhou, Shenzhen, Xiamen, Guangzhou)	50 Clinics
2	MALO CLINIC	180	6.9%	Dental Clinics	13 cities (Beijing, Shanghai, Guangzhou, Zhengzhou, Qingdao, etc.)	24 Clinics
3	United Family Healthcare	101	3.9%	General Healthcare Centers	5 cities (Beijing, Shanghai, Tianjin, Guangzhou, Qingdao)	7 Clinics, 7 General hospitals

Source: Company website, annual reports, Frost & Sullivan analysis

Note: Revenue based on calendar year 2020.

- (1) MALO CLINIC is an international dental group founded in 1995. Headquarter in Portugal, MALO CLINIC has strategically focused on global business expansion and application of innovative technologies.
- (2) United Family Healthcare is an international hospital and clinic operator offering private premium healthcare services. United Family Healthcare provides comprehensive healthcare services including dental services.

INDUSTRY OVERVIEW

Competitive landscape of middle-end private dental services market in China

Middle-end private dental services market is relatively more fragmented compared to the premium private dental services market. In 2020, none of the middle-end private dental services providers accounted for more than 4% of the total market share in terms of revenues, according to the Frost & Sullivan report. Large-scale dental hospitals and chain dental clinics are major participants in the middle-end private dental services market. Leveraging their scale and resources, they can deliver high-quality, professional services. Middle-end private dental services target middle and upper market consumers offering quality dental services at relatively more affordable prices compared to premium private dental services.

According to the Frost & Sullivan report, Rytime Dental ranked as the fifth largest middle-end private dental services provider in China in terms of total revenues generated in 2020. Rytime Dental accounted for 1.1% of the middle-end private dental services market in terms of revenues in 2020.

The following table sets out the top five middle-end private dental services providers in terms of revenues in 2020, according to the Frost & Sullivan Report:

Ranking	Company (Middle-end Segment)	2020 Revenue (Billion RMB)	Market Share
1	TC Medical	2.00	3.8%
2	BYBO Dental	1.96	3.7%
3	MEIWEI Dental	1.20	2.3%
4	Enjoy Dental	0.67	1.3%
5	RYTIME Dental	0.61	1.1%

Source: Company website, annual reports, Frost & Sullivan analysis

Note: Revenue based on calendar year 2020.

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APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN THE PRC

Regulations on the Reform of Medical Institutions

Opinions on Deepening the Reform of the Medical and Healthcare System

The Opinions of the Central Committee of the Communist Party of China and the State Council on Deepening the Reform of the Medical and Healthcare System (中共中央、國務院關於深化醫藥衛生體制改革的意見) promulgated on 17 March 2009 encourage social capital to invest in the medical institutions (including investments by the foreign investors), and promote the development of private medical institutions and the reform of public medical institutions (including those established by state-owned enterprises) through social capital investment.

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

The Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission, the Ministry of Health and Other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (國務院辦公廳轉發發展改革委衛生部等部門關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知), which was promulgated by the General Office of the State Council on 26 November 2010, stipulates that the PRC government encourages and supports investments by private investors in medical institutions of various types. Private investors are permitted to apply to establish for-profit or not-for-profit medical institutions. Private healthcare institutions are encouraged to engage or authorize domestic or overseas medical institutions with professional experience to participate in the management of hospitals to improve their efficiencies.

Several Opinions on Promoting the Development of Healthcare Service Industry

The Several Opinions on Promoting the Development of Healthcare Service Industry (國務院關於促進健康服務業發展的若干意見), which was promulgated by the State Council on 28 September 2013, encourage the private sector to invest in the healthcare service industry by various means including new establishment and participation in restructuring and propose the idea of the relaxation of the requirements for Sino-foreign equity joint or cooperative joint medical institutions and gradually expand eligibility in the pilot program for wholly foreign-invested medical institutions.

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital

The Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), which was promulgated on 30 December 2013 by the National Health and Family Planning Commission (the “NHFPC”) and the State Administration of Traditional Chinese Medicine (the “SATCM”), stipulate the policies that

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support the development of private-invested medical institutions, including but not limited to the (i) gradual relaxation of investment in medical institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015-2020).

The Notice on Printing and Distributing the Outline of the National Medical and Healthcare Service System Plan (2015-2020) (關於印發全國醫療衛生服務體系規劃綱要(2015-2020年)的通知), which was promulgated by the General Office of the State Council on 6 March 2015, stipulates that private medical institutions are significant and integral parts of the medical and healthcare service system as well as an effective approach to fulfilling people's multi-level and diversified medical and healthcare service needs. Private medical institutions may provide high-end services to fulfil extra needs which are beyond basic needs. The pilot scheme of establishment of medical institutions solely invested by qualified overseas capitals shall be expanded step by step. The restrictions on service scope shall also be reduced and the social capitals shall be allowed to invest in areas not explicitly prohibited by the laws and regulations.

Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Social Capital

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

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025)

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025) (國家衛生健康委員會關於印發醫療機構設置規劃指導原則(2021-2025年)的通知), which was promulgated by the NHC on 22 January 2022, encourages the establishment of medical institutions by social capital and stipulates no planning restrictions on the total number and space for establishment of medical institution with social capital.

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Regulations on the Administration and Categorization of Medical Institutions

Administrative Measures on Medical Institutions and its Implementation Measures

The Administrative Measures on Medical Institutions (醫療機構管理條例), which was promulgated on 26 February 1994 by the State Council and came into effect on 1 September 1994 and amended on 6 February 2016, and the Implementation Measures of the Administrative Measures on Medical Institutions (醫療機構管理條例實施細則), promulgated by the Ministry of Health of the PRC (the “**MOH**”) on 29 August 1994 and came into effect on 1 September 1994 and last amended on 21 February 2017 by NHFPC, stipulate that any entity or individual that intends to establish a medical institution must comply with the relevant application and approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證).

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

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (醫療機構校驗管理辦法(試行)) (the “**Administrative Measures for Examination**”), which was promulgated by the MOH and came into effect on 15 June 2009, stipulate that a medical institution’s Medical Institution Practicing License (醫療機構執業許可證) is subject to periodic examinations and verifications by the registration authorities, and will be cancelled if such medical institution fails to pass the examination.

Opinions on Implementing Categorization Administration of Urban Medical Institutions

The Opinions on Implementing Categorization Administration of Urban Medical Institutions (關於城鎮醫療機構分類管理的實施意見), jointly promulgated by the MOH, SATCM, Ministry of Finance (the “**MOF**”) and National Development and Reform Commission (the “**NDRC**”) on 18 July 2000 and came into effect on 1 September 2000, provides that medical institutions in the PRC are mainly identified as for-profit medical institutions (the “**PMIs**”) and not-for-profit medical institutions (the “**NMIs**”). NMIs and PMIs shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate for-profit medical institutions. On the other hand, NMIs must comply with the pricing guidance for medical service stipulated by governments from time to time, and the rules and policies issued by the National Health Commission of the PRC (the “**NHC**”) and the MOF including Hospital Finance System (醫院財務制度) and Hospital Accounting System (醫院會計制度). PMIs can distribute the profits to their investors as economic returns. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services. In establishing internal control system, PMIs can apply the finance and accounting system and other policies suitable for corporate enterprise. The not-for-profit/for-profit status of a medical institution is decided based on the source of its investment and the nature of its business by the health administration and other relevant government authorities and such status is recorded in the registration files of such medical institution.

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

Pursuant to the Law on the Promotion of Basic Medical Care, Hygiene and Health (基本醫療衛生與健康促進法), which was released by the SCNPC on 28 December 2019 and came into effect on 1 June 2020, lawful registration and classified management for not-for-profit and for-profit medical institutions shall be implemented. Government-run medical institution shall not set up non-independent legal person medical institution with other organizations, or cooperate with social capital to establish for-profit medical institutions. It also provides that the government will take measures to encourage and guide social resources to set up medical institution, and such institution will enjoy similar benefits as government-run institution, in certain areas including basic medical insurance coverage, research and teaching, access to specific medical technologies, and title assessment of medical staff, etc.

Administrative Measures for the Clinical Application of Medical Technologies

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

Provisions on the Administration of Radiological Diagnosis and Treatment

According to the Provisions on the Administration of Radiological Diagnosis and Treatment (放射診療管理規定), which were promulgated by the NHFPC on 24 January 2006, came into effect on 1 March 2006 and amended on 19 January 2016, medical institutions engaged in the radio diagnosis and radiotherapy shall be equipped with the conditions required for conducting radio diagnosis and radiotherapy, and apply for the Radiation Treatment License (放射診療許可證) issued by the competent health administrative authorities. After obtaining the Radiation Treatment License, medical institution shall undertake registration of the relevant diagnosis and treatment subject with health administrative authorities, which issued the Medical Institution Practicing License. Medical institutions shall not conduct radio diagnosis and radiotherapy if failing in obtaining License for radiotherapy or not registering the diagnosis and treatment subject. During the course of radiotherapy, medical institutions shall take protective measures in accordance with the relevant laws and regulations. Where a medical institution provides any services in relation to radiological diagnosis and treatment without obtaining a Radiation Treatment License, the relevant health administrative

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departments at or above the county level may issue a warning to the medical institution in violation and order the medical institution to take corrective measures within a prescribed time limit, and may impose a fine not exceeding RMB3,000 depending on the circumstances. If the violation is serious, the relevant health administrative authorities have the power to revoke the medical institution's Medical Institution Practicing License.

Regulations on the Safety and Protection of Radioisotopes and Radiation Devices and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment

According to Regulations on the Safety and Protection of Radioisotopes and Radiation Devices (放射性同位素與射線裝置安全和防護條例), which were promulgated by the State Council on 14 September 2005, came into effect on 1 December 2005 and revised on 29 July 2014 and 2 March 2019, respectively, and Measures for Administration of the safety Licensing of Radioactive Isotopes and Radioactive Equipment (放射性同位素與射線裝置安全許可管理辦法), which were promulgated by Ministry of Environmental Protection on 18 January 2006 and latest revised on 4 January 2021 stipulate that any entity engaging in the production, sale or use of radioisotopes or radiation devices of different categories shall obtain a Radiation Safety License (輻射安全許可證). If any entity is engaged in the production, sale or use of radioisotopes or radiation devices without a Radiation Safety License, the relevant department of ecology and environment at or above the county level may order such entity to stop the violation and take corrective measures within a prescribed time limit. If the entity fails to take any corrective actions within the prescribed time limit, the entity may be ordered to suspend production or business operation. Further, if any income had been generated from such violation, such income shall be confiscated, and if such income amounts to RMB100,000 or above, a fine of one to five times of the amount of such income may be imposed; if no such income had been generated or such income is less than RMB100,000, a fine of RMB10,000 to RMB100,000 may be imposed.

Regulations on the Supervision over Pharmaceuticals and Medical Equipment in Healthcare Institutions

Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation)

The Measures for the Supervision and Administration of Pharmaceuticals in Medical Institutions (for Trial Implementation) (醫療機構藥品監督管理辦法(試行)), promulgated by China Food and Drug Administration (the "CFDA") and came into effect on 11 October 2011, stipulate that medical institutions must purchase pharmaceuticals from enterprises qualified for the production or distribution of pharmaceuticals and comply with certain standards in respect of the storage, dispensation and use of such pharmaceuticals. Pharmaceutical preparation dispensed by a medical institution must only be used by and for that medical institution. Medical institutions are prohibited from selling prescription pharmaceuticals to the public by such means as post, online transaction and open-shelf selection.

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Prescription Management

According to the Administrative Measures for Prescriptions (處方管理辦法), which was promulgated by the MOH on 14 February 2007 and came into effect on 1 May 2007, a registered medical practitioner is entitled to issue prescriptions at his registered practice location. The Measures for the Classification and Administration of Prescription Pharmaceuticals and Non-prescription Pharmaceuticals (For Trial Implementation) (處方藥與非處方藥分類管理辦法(試行)), which were promulgated by CFDA on 18 June 1999 and came into effect on 1 January 2000, set forth different systems for the control of prescription and non-prescription drugs. Medical institutions can decide or recommend the use of non-prescription pharmaceuticals with regard to medical necessary.

Laws and Regulations on Medical Personnel of Medical Institutions

Law on Medical Practitioners of the PRC

The Law on Medical Practitioners of the PRC (中華人民共和國執業醫師法), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 26 June 1998 and came into effect on 1 May 1999 and amended on 27 August 2009, provides that physicians in the PRC must obtain qualification licenses for their medical profession. Qualified physicians and qualified assistant physicians must register with the relevant public health administrative authorities at or above the county level. After registration, physicians may work at medical institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration. On 28 February 2017, the NHFPC promulgated the Administrative Measures for the Registration of Medical Practitioners (醫師執業註冊管理辦法) (the "**Medical Practitioners Registration Measures**"), which became effective on 1 April 2017, further stipulate that medical practitioners shall obtain the Practicing Certificate to practice upon registration and provide in detail the requirements and procedures for the registration and the modifications to be made to such registration upon occurrence of certain prescribed circumstances.

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

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), promulgated on 30 December 2013 by the NHFPC and the SATCM, specifically stipulate that multi-institution practices of medical practitioners shall be permitted and relevant authorities should permit the orderly movements of the medical personnel among medical institutions of various sponsorships. The Several Opinions on Promoting and Standardizing Multi-Institution Practice of Medical Practitioners (關於印發推進和規範醫師多點執業的若干意見的通知), jointly issued by the NHFPC, the NDRC, the Ministry of Human Resources and Social Security, the SATCM and the China Insurance Regulatory Commission on 5 November 2014, stipulate that the clinical, dental and

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traditional Chinese medicine practitioners are allowed to practice in multiple places. According to the Medical Practitioners Registration Measures, for any other institution in which the medical practitioner intends to practice, such medical practitioner shall apply to the health administrative authority for approval on the practice of such institution for separate registration, in which the name of such institution shall be indicated.

Administrative Provisions for Short-term Medical Practice of Doctors in the PRC

According to the Interim Administrative Measures on Foreign physicians' Short-term Medical Practice in China (外國醫師來華短期行醫暫行管理辦法), promulgated by the MOH on 7 October, 1992, became effective on 1 January 1993 and amended on 28 November 2003 and revised by the NHFPC on 19 January 2016, foreign doctors practicing medicine in China must be registered and obtain the Temporary License for Foreign Physician to Practice Medicine in PRC (外國醫師短期行醫許可證).

Regulations on Nurses

The Regulations on Nurses (護士條例), promulgated by the State Council on 31 January 2008 and came into effect on 12 May 2008 and amended on 27 March 2020, provide that a nurse must obtain a Nurse's Practicing Certificate (護士執業證書), which is valid for five years. The number of nurses on duty at a medical institution shall not be less than the standard number as prescribed by the public health administrative authority of the State Council.

Administrative Measures for the Registration of Practising Nurses

Pursuant to the Administrative Measures for the Registration of Practising Nurses (護士執業註冊管理辦法) promulgated by the NHFPC on 6 May 2008 and became effective on May 12, 2008 and amended on January 8, 2021, nurses must register and obtain the Nurse Practicing Certificate (護士執業證書) before they practise nursing at the registered practicing place. Those who are not registered or have not obtained the Nurse Practising Certificate are not allowed to engage in nursing activities regulated by medical treatment standards.

Laws and Regulations on Medical Malpractice

Civil Code of the People's Republic of China

The Civil Code of the People's Republic of China (中華人民共和國民法典) promulgated on 5 May 2020 and effective from January 1, 2021, requires tortfeasor to assume the responsibilities of infringement if the civil interests of any people has been infringed. If a medical institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. A medical institution shall be presumed to be at fault under (i) violating laws, administrative regulations, rules or other relevant provisions on diagnosis and treatment practices, (ii) concealing or refusing to provide medical records relating to the dispute; or (iii) losing, forging, tampering with or illegally destroying medical records. If the medical personnel fail

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to perform diagnosis and treatment obligations corresponding to the prevailing medical standards in diagnosis and treatment activities and cause a patient suffer damage, the medical institution shall bear compensation liability. Medical institutions and their medical personnel should protect the privacy of their patients and will be liable for the damage caused by divulging the patients' private or medical records without consent.

Regulations on Handling Medical Malpractice

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

Regulations on Medical Advertising in the PRC

Advertisement Law of the PRC

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

Interim Measures for the Administration of Internet Advertisement

The Interim Measures for the Administration of Internet Advertisement (互聯網廣告管理暫行辦法), which was promulgated by the State Administration of Industry and Commerce (the “**SAIC**”) on 4 July 2016 and came into effect on 1 September 2016, provides that Internet advertisement shall be identifiable and clearly identified as an “advertisement” so that consumers will identify it is as such. Paid search advertisements shall be clearly distinguished from natural search results. It is prohibited to publish advertisements for prescription drugs and tobaccos via the Internet. No advertisement of any medical treatment, medicines, foods for special medical purpose, medical apparatuses, pesticides, veterinary medicines, dietary supplement or other special commodities or services which are subject to review by advertisement examination authorities as stipulated by laws and regulations shall be released unless it has passed such examination.

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Administrative Measures on Medical Advertisement

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

Regulations on Environmental Protection related to Medical Institutions

Administrative Measures for Pollutant Discharge Licensing

Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (For Trial Implementation) (排污許可管理辦法(試行)), which was promulgated by the Ministry of Environmental Protection (repealed) on 10 January 2018, and amended on 22 August 2019, stipulate that the enterprises, public institutions and other production operators (hereinafter referred to as the “**pollutant discharge entities**”) included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources shall apply for and obtain a pollutant discharge permit as per the prescribed time limit; and those are not included in the catalog are not required to do so for the time of being.

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

Regulations on the Management of Medical Waste and its Implementation Measures

The Regulations on the Management of Medical Waste (醫療廢物管理條例), promulgated by the State Council on 16 June 2003 and came into effect on the same day and further amended and came into effect on 8 January 2011, and the Implementation Measures for the Management of Medical Waste of Medical and Health Institutions (醫療衛生機構醫療廢物管理辦法), promulgated by the MOH on 15 October 2003 and came into effect on the same day, stipulate that medical institutions must categorise the medical waste in accordance with the Classified Catalogue of Medical Waste (醫療廢物分類目錄) for management purpose and timely deliver medical waste to a medical waste disposal entity approved by the environmental protection administrative department at or above the county level for centralized disposal.

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Regulations on Urban Drainage and Sewage Treatment

The Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), which were promulgated by the State Council on 2 October 2013 and came into effect on 1 January 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules.

Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

Law of the People's Republic of China on Prevention and Control of Water Pollution

Pursuant to the Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法) promulgated by the Standing Committee of the National People's Congress on 11 May 1984 and became effective on November 1 1984, amended on 15 May 1996 and came into effective on the same day, amended on February 28, 2008 and became effective on 1 June 2008, amended on 27 June 2017 and became effective on 1 January 2018, the production and operation units must discharge water pollutants in accordance with national and local standards. If the amount of discharged water pollutants exceeds the national or local standards, the production and operation units will be imposed a fine equivalent to an amount between RMB100,000 and RMB1,000,000. In addition, the environmental protection authority is empowered to order the relevant production and operation units to restrict their production, or stop production for rectification, and in serious circumstances, the case will be reported to the competent government with approval authority to impose an order to suspend or shut-down its operation.

Laws and Regulations Related to Intellectual Property Rights

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) which became effective on 1 March 1983, and was amended on 30 August 2013 and 23 April 2019 and took effect on 1 November 2019, and the Regulation for the Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) which became effective on 15 September 2002 and was amended on 29 April 2014 and took effect on 1 May 2014, the Trademark Office of the administrative department for industry and commerce under the State Council is responsible for the registration and administration of trademarks in the PRC. A trademark registrant enjoys an exclusive right to the trademark. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish the same. An unrecorded license may not be used as a defence against a third party in good faith.

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Domain Names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology (the “MIIT”) on August 24, 2017 and became effective on November 1, 2017, the MIIT is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of “first apply, first register”. A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

Laws and Regulations Related to Data Security, Data Privacy and Cyber Security

Data Security

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法), which took effect in September 2021. The Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. Violation of Data Security Law may subject the relevant entities or individuals to warnings, fines, suspension of operations, revocation of permits or business licenses, or even criminal liabilities.

Data Privacy

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法), which became effective on November 1, 2021. The Personal Information Protection Law stipulates certain important concepts with respect to personal information processing: (a) “personal information” refers to all kinds of information relating to identified or identifiable natural persons recorded by electronic or other channel and methods, excluding the information processed anonymously; (b) “processing of personal information” includes the collection, storage, use, processing, transmission, provision, disclosure and deletion, etc. of personal information; and (c) “personal information processor” refers to an organization or individual that independently determines the purpose and method of the processing in the processing of personal information.

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Except as otherwise provided in the Personal Information Protection Law, a personal information processor may only process personal information under the circumstances where the relevant individuals' consents have been obtained or where certain contractual arrangements, employment relationships, public emergencies, performance of statutory duties or obligations or publishing of press release for public interests require so.

Cyber Security

The Cyber Security Law, which was promulgated on November 7, 2016 and came into effect on June 1, 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data.

The Cyber Security Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure". According to the Cyber Security Law, "critical information infrastructure" refers to critical information infrastructure that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, national economy and people's livelihood, or public interest. Specific reference is made to key industries including, but not limited to, public communications and information services, energy, transportation, irrigation, finance, public services and e-government.

The Cyber Security Law emphasizes that any individuals and organizations that use networks should not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. Network operators or providers of network products or services may be subject to rectifications, warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of qualifications, closedown of websites or even criminal liabilities for violations of the provisions and requirements under the Cyber Security Law.

The Revision Measures, which came into effect on February 15, 2022, provide that, to ensure the security of the supply chain of critical information infrastructure and safeguard national security, a cybersecurity review is required when national security has been or may be affected where critical information infrastructure operators (關鍵信息基礎設施運營者) purchase network product or service and network platform operators (網絡平台運營者) process data. When an operator in possession of personal information of over one million users applies for a listing abroad (國外上市), it must apply to the CAC for a cybersecurity review.

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On July 30, 2021, State Council promulgated the CII Regulation, which became effective on September 1, 2021. Pursuant to the CII Regulation, “critical information infrastructures” refers to important network facilities and information systems of key industries such as, among others, public communications and information services, energy, transportation, irrigation, finance, public services, e-government and science, technology and industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen’s livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Such regulation further supports our view that we should not be recognized as an operator of “critical information infrastructure.” The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner.

On November 14, 2021, the CAC released the Draft Regulations on Data Security, which among other things, stipulates that data processors seeking a public listing in Hong Kong that influence or may influence national security must apply to the CAC for a cybersecurity review. However, the Draft Regulations on Data Security provides no further explanation or interpretation of “influence or may influence national security”.

Laws and Regulations Related to Foreign Investment in the PRC

Company Law of the PRC

The Company Law of the PRC (中華人民共和國公司法) (the “**Company Law**”), which was promulgated by the SCNPC on 29 December 1993 and came into effect on 1 July 1994, last amended on 26 October 2018, provides that companies established in the PRC may take form of company of limited liability or company limited by shares. Each company has the status of a legal person and owns its assets itself. Assets of a company may be used in full for the company’s liability. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Laws and Regulations in Relation to Sino-Foreign Joint Ventures

The Law on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法) (the “**EJV Law**”) was promulgated and implemented on 8 July 1979. It was subsequently amended on 4 April 1990, 15 March 2001 and 3 September 2016. The Implementation Rules for the Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法實施條例) (the “**EJV Rules**”) were promulgated by the State Council on 20 September 1983, and last amended on 2 March 2019. The EJV Law and its implementation rules state the establishment and approval procedures, requirements on registered capital, restrictions on foreign exchange, accounting practices, taxation, labour requirements and other issues applicable to Sino-foreign equity joint ventures. On 1 January 2020, the EJV Law was terminated and replaced by the Foreign Investment Law of the PRC (中華人民共和國外商投資法).

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

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

The Measures for the Reporting of Foreign Investment Information

The Measures for the Reporting of Foreign Investment Information (外商投資信息報告辦法), which was promulgated by the MOFCOM and the State Administration for Market Regulation (the “SAMR”) on December 30 2019 and came into effect on January 1, 2020, stipulates that a foreign investor who establishes a foreign-invested enterprise within China shall submit an initial report through the enterprise registration system when undergoing formation registration of the foreign-funded enterprise, a foreign investor that acquires a domestic non-foreign-invested enterprise by equity merger shall submit an initial report through the enterprise registration system when undergoing modification registration of the acquired enterprise.

Interim Provisions on Investment Made by Foreign-Invested Enterprises in China

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), jointly promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC and the SAIC on 25 July 2000 and amended on 28 October 2015, stipulates that a foreign-invested enterprise (the “FIE”) are not permitted to invest in any sector prohibited to foreign investment. Where the FIE makes investment in a restricted sector, the FIE must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the PRC (中華人民共和國公司登記管理條例), decide whether or not to approve the registration. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation “Invested by a Foreign-Invested Enterprise.” The FIE is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

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Domestic Regulations on Establishment of Foreign Invested Medical Institutions

The Catalogue for the Guidance of Foreign Investment Industries and The Special Administrative Measures (Negative List) for the Access of Foreign Investment

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the “**Catalogue**”), which was first issued in 1995 and amended from time to time. The Catalogue promulgated by the MOFCOM and the NDRC on 28 June 2017 and became effective on 28 July 2017 (the “**2017 Catalogue**”), contains specific provisions guiding market access of foreign capital and stipulates in detail the areas of entry pertaining to the categories of encouraged foreign investment industries, restricted foreign investment industries and prohibited foreign investment industries. The latter two categories are included in the negative list, which was first introduced into the 2017 Catalogue, and listed, in a unified manner, the restrictive measures for the entry of foreign investment.

According to the 2021 Negative List, which was issued on December 27, 2021 and came into effect on January 1, 2022, medical institutions are limited to the form of joint ventures.

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

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

Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province

The Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province (《四川省中外合資、合作醫療機構管理辦法》), which was promulgated by the Sichuan Ministry of Health and Sichuan Ministry of Commerce on March 15, 2012, became effective on April 15, 2012 and amended on January 16, 2015, stipulates that equity ratio or interests attributable to the joint venture and Chinese party of Sino-Foreign joint ventures and cooperative medical institutions shall not be less than 10%.

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Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (關於外國投資者併購境內企業的規定), jointly promulgated by the MOFCOM, State-owned Asset Supervision and Administration Commission of the State Council, SAT, SAIC, CSRC and the SAFE on 8 August 2006, came into effect on 8 September 2006 and subsequently amended by the MOFCOM on 22 June 2009, require the domestic companies, enterprises or natural persons, when merging or acquiring domestic companies associated with them in the name of the companies in foreign countries legally established or controlled by them, shall report to the Ministry of Commerce for approval.

Laws and Regulations Related to Overseas Listing

On December 24, 2021, the CSRC released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively the “**Draft Regulations on Listing**”) for public comments. Pursuant to the Draft Regulations on Listing, PRC domestic companies (including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests) that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings (i) that are prohibited by specific laws and regulations, (ii) that constitute threat to or endanger national security as reviewed and determined by competent authorities, (iii) that involve material ownership disputes, (iv) where the PRC domestic companies, their controlling shareholder or actual controller are involved in certain criminal offence, or directors, supervisors and senior management of the issuer involved in certain criminal offence or administrative penalties (together the “**Forbidden Circumstances**”), among other circumstances, are explicitly forbidden. Our PRC Legal Advisers have conducted public searches against our PRC-incorporated subsidiaries, Mr. Zou, as well as our other directors and senior management, and did not find any of them having been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas offering and listing under the Draft Regulations on Listing. To our best knowledge and after our PRC Legal Advisers’ due inquiry, we believe that we do not fall within any of the Forbidden Circumstances which would prohibit us from conducting overseas offering and listing under the Draft Regulations on Listing. Therefore, if the Draft Regulations on Listing become effective in their current form, subject to the specific filing procedures expected to be detailed in implementation rules subsequently, our Directors do not foresee any impediment for us to comply with the Draft Regulations on Listing in any material aspects.

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At the press conference held for the Draft Regulations on Listing on December 24, 2021, the spokesperson from the CSRC clarified that implementation of the Draft Regulations on Listing will follow the non-retroactive principle. This means that only the initial public offerings by PRC domestic companies and financing by existing overseas listed PRC domestic companies to be conducted after the Draft Regulations on Listing become effective will be required to complete the filing process. In addition, the Draft Regulations on Listing will grant a proper transition period for existing overseas listed companies that do not have subsequent financing activities to comply with the filing requirement. As such, our PRC Legal Advisers are of the view that if the Draft Regulations on Listing come into effect after our proposed Listing, it will not apply retrospectively requiring us to complete the CSRC filing procedures for an initial public offering overseas. Further, the officials from the CSRC confirmed during the press conference that companies with VIE structure which comply with applicable PRC laws and regulations may conduct overseas offering and listing.

Furthermore, according to Article 6 of the 2021 Negative List, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities of the; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.

Our PRC Legal Advisers are of the view that, (i) given the Draft Regulations on Listing are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to the Listing as of the date of this prospectus, and (ii) according to the 2021 Negative List, medical institutions like us do not fall within the prohibited areas provided in the 2021 Negative List, and the requirements stipulated in Article 6 of the 2021 Negative List are not applicable to us. Further, as of the date of this prospectus, there are no laws, regulations or regulatory documents cited by either the CSRC or other relevant industry authorities in effect that would explicitly require the Company to comply with any approval, verification or filing procedures for the proposed Listing, and we had not received any inquiry, notice, warning, or sanctions regarding the proposed Listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime or with respect to the VIE structure. Based on the foregoing as well as the confirmation of our PRC Legal Advisers, our Directors do not foresee the Draft Regulations on Listing would have any material adverse impact on the Listing, our business operations, our VIE structure or our ability to operate our business through the VIE structure, and nothing has come to the attention of the Joint Sponsors that would reasonably cause the Joint Sponsors to disagree with the Directors' view above.

REGULATORY OVERVIEW

Regulations on the Management of Lease Housing

Administrative Measures on Leasing of Commodity Housing

Pursuant to (i) the Law on Administration of Urban Real Estate of the PRC (中華人民共和國城市房地產管理法), promulgated by the SCNPC on 5 July 1994 and was amended on 27 August 2009 and 26 August 2019 and took effect on January 1, 2020, and (ii) the Administrative Measures on Leasing of Commodity Housing (商品房屋租賃管理辦法), promulgated by the Ministry of Housing and Urban-Rural Development on 1 December 2010 and came into effect on 1 February 2011, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and the lessee shall complete property leasing registration and filing formalities within 30 days from the execution of the property lease contract with the real estate administration department where the leased property is located. If the lessor and lessee fail to go through the registration and filing procedures, both lessor and lessee may be subject to fines.

Laws and Regulations Related to Labour Protection

According to the (i) Labour Law of the PRC (中華人民共和國勞動法) effected on 1 January 1995 and amended on 29 December 2018, (ii) the Labour Contract Law (中華人民共和國勞動合同法) effected on 1 January 2008 and amended on 28 December 2012 and took effect on 1 July 2013, and (iii) the Regulations on the Implementation of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) issued and became effective on 18 September 2008, an employer must enter into a written labour contract with any employees and the wage or salary must not be lower than the local minimum wage or salary. In addition, an employer must establish a system related to occupation health and safety, provide job training for employees to avoid occupational hazards and protect the rights of employees. When an employer recruits any employees, such employer must inform the employees of the work content, work conditions, work place, occupational hazards, safety conditions and labour compensations.

According to (i) the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was implemented on 1 July 2011 and amended on 29 December 2018, (ii) the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), issued and effected on 22 January 1999 and revised on 24 March 2019, (iii) the Provisional Measures on Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法), issued on 14 December 1994 and effected 1 January 1995, (iv) the Regulations on Unemployment Insurance (失業保險條例), issued and effective on 22 January 1999, and (v) the Regulations on Work Related Injuries (工傷保險條例), effected on 1 January 2004 and amended on 20 December 2010 and took effect on 1 January 2011, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing

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Provident Fund (住房公積金管理條例), effected on 3 April 1999 and last amended on 24 March 2019, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

Laws and Regulations Related to Taxation

Enterprise Income Tax

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

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

The Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “**SAT Circular 7**”) was issued by the SAT on 3 February 2015 and last amended on 29 December 2017, provides comprehensive guidelines heightening the PRC tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets, including assets of organizations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises. On 17 October 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident

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Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告), which took effect on 1 December 2017 and amended on 15 June 2018, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income.

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

Tax Treaties

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

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

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

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Value-Added Tax

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

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

Furthermore, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), all business tax payers in consumer service industry shall pay value-added tax in lieu of business tax from 1 May 2016 and the medical service provided by the medical institution could be the exempted from value-added tax.

Laws and Regulations over Foreign Exchange

The Regulations on the Control of Foreign Exchange of the PRC (中華人民共和國外匯管理條例), which was promulgated by the State Council on 29 January 1996, became effective on 1 April 1996 and was last amended on 5 August 2008, set out that foreign exchange receipts of domestic institutions or individuals may be remitted back to the PRC or deposited abroad and that SAFE shall specify the conditions relating to the requirements, time periods and other aspects of such remittance and deposits in accordance with the international receipts, payments status and requirements of foreign exchange administration. Domestic institutions or individuals that make direct investments abroad or are engaged in the distribution or sale of valuable securities or derivative products overseas shall register according to SAFE regulations. Such institutions or individuals subject to prior approval or record-filing with other competent authority shall complete the required approval or record-filing prior to foreign exchange registration. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

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

REGULATORY OVERVIEW

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

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

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

Laws and Regulations Related to Dividend Distribution

The principal laws and regulations governing distribution of dividends of FIEs include the Company Law, the EJV Law, and the EJV Rules. FIEs in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, FIEs are required to draw certain proportion of their respective accumulated profits after tax each year, if any, to fund certain reserve funds.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

Our Group can be traced back to April 1999, when Mr. ZOU Qifang (鄒其芳) (“Mr. Zou”), our founder, founded “Arrail Dental”, the first domestic high-end dental clinic in Beijing. With our persistent efforts over the past two decades, we have become the largest dental services provider in the premium private dental service market in China in terms of total revenues in 2020, according to Frost & Sullivan, and also the third largest dental services provider in the overall private dental services market in China in terms of revenues during the same period. We operate our network of dental clinics and hospitals under a dual-brand strategy through “Arrail Dental” and “Rytime Dental” brands to provide a wide spectrum of general and specialty dental services. For further details of the background and relevant experience of our founder, see “Directors and Senior Management.”

Our Company was incorporated in the BVI on May 23, 2001 as a company limited by shares and was registered by way of continuation as an exempted company with limited liability in the Cayman Islands on November 16, 2020. Prior to the Global Offering, we conducted a series of Pre-IPO Investments and completed the Reorganization. For details of our historical financing and corporate restructuring, see “—Pre-IPO Investments” and “—Reorganization” in this section.

BUSINESS MILESTONES

The following table summarizes various key milestones in our development:

<u>Month/Year</u>	<u>Milestone</u>
April 1999	We established our first dental clinic in Beijing under the brand name “Arrail Dental” (瑞爾齒科).
September 2001	Shenzhen Diwang Clinic was opened, which demonstrates Arrail Dental’s entering into Shenzhen market.
April 2002	Shanghai New World Clinic was opened, which demonstrates Arrail Dental’s entering into Shanghai market.
April 2007	We officially launched our self-developed clinical information system.
April 2010	We completed the Series A round of financing, which was led by KPCB China.
February 2011	Xiamen International Plaza Clinic was opened, which demonstrates Arrail Dental’s expansion into Xiamen market.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Month/Year</u>	<u>Milestone</u>
September 2011	We completed the Series B round of financing, which was led by GL Capital, an investment firm founded in 2010 that focuses on buyout and growth opportunities in the healthcare industry in China.
January 2012	Guangzhou Gaode Clinic was opened, which demonstrates Arrail Dental's expansion into Guangzhou market.
March 2012	Our sub-brand "Rytime Dental" (瑞泰口腔) was established.
November 2012	Hangzhou European-American Center Clinic was opened, which demonstrates Arrail Dental's expansion into Hangzhou market.
February 2014	Tianjin International Building Clinic was opened, which demonstrates Arrail Dental's entering into Tianjin market.
April 2014	We completed the Series C round of financing, which was led by New Horizon Capital.
November 2014	Chengdu Wuhou Ruitai started its business, which demonstrates Rytime Dental's entering into Chengdu market.
July 2015	Rytime Dental entered into Chongqing market.
July 2015	Rytime Dental entered into Xi'an market.
March 2016	Rytime Dental entered into Qingdao market.
March to June 2017	Rytime Dental entered into Changsha and Wuxi market, consecutively.
December 2017	We completed the Series D round of financing, which was led by Goldman Sachs, Hillhouse and CITIC.
May 2018	Rytime Dental entered into Dalian market.
June 2019	The pilot run of our self-developed SaaS system "5i5ya" (吾愛吾牙) was launched at Shanghai Raffles City Clinic.
November 2019	Rytime Dental Shanghai Qiantan Flagship Clinic was opened.
April 2021	We completed the Series E round of financing, which was led by Temasek.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR GROUP

Our Company

Our Company was incorporated in the BVI on May 23, 2001 as a company limited by shares. On November 16, 2020, our Company discontinued as a company incorporated under BVI Business Companies Act 2004 (as amended) and was registered by way of continuation as an exempted company limited by shares under the Cayman Companies Act.

At the time of incorporation, the authorized share capital of our Company was US\$5,000,000 divided into 10,000,000 Shares with a par value of US\$0.50 each. Along with the several rounds of Pre-IPO Investments, the share capital of the Company has comprised both Preferred Shares and Ordinary Shares. Please see “Share Capital” for details of our share capital as at the date of this prospectus and upon completion of the Global Offering.

Our Major Subsidiaries

The corporate information of our major subsidiaries that made a material contribution to our results of operations or played an important role in our management over operating entities during the Track Record Period is set forth below.

<u>Company</u>	<u>Principal business</u>	<u>Date of establishment</u>	<u>Place of Establishment</u>
Beijing Shengbin	Provision of dental treatment and other	December 17, 1997	Beijing, the PRC
Beijing Ruicheng	Provision of dental treatment and other	July 23, 2009	Beijing, the PRC
Shanghai Shengbin	Provision of technical services relating to professional dental materials and other	September 26, 2001	Shanghai, the PRC
Chongqing Ruisheng	Provision of dental treatment and other	March 10, 2004	Chongqing, the PRC
Chongqing Jiuyue	Provision of dental treatment and other	November 27, 2013	Chongqing, the PRC

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Company	Principal business	Date of establishment	Place of Establishment
Beijing Ruier	WFOE, provision of management consultant services and operation of medical devices	March 25, 1999	Beijing, the PRC
Chengdu Wuhou Ruitai	Holding platform of onshore entities, provision of dental treatment and other	October 16, 2014	Sichuan, the PRC
Shenzhen Ruijian	Management platform of VIE Entities*	October 11, 2005	Guangdong, the PRC
Beijing Ruisheng	Regional management platform in Beijing	February 17, 2015	Beijing, the PRC
Shanghai Ruicheng	Regional management platform in Shanghai	November 11, 2018	Shanghai, the PRC
Shenzhen Ruier	Regional management platform in Guangdong	December 21, 2006	Guangdong, the PRC
Chongqing Ruijing	Regional management platform in Sichuan and Chongqing	January 25, 2021	Chongqing, the PRC

* *Shenzhen Ruijian is a consolidated affiliated entity of us controlled through the Contractual Arrangements.*

For detailed information of shareholding changes of our Company and our major subsidiaries, see “—Pre-IPO Investments” and “—Reorganization” in this section and “Appendix IV—Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—2. Changes in share capital of our Company” and “—3. Changes in maximum number of authorised shares or share capital of our subsidiaries.”

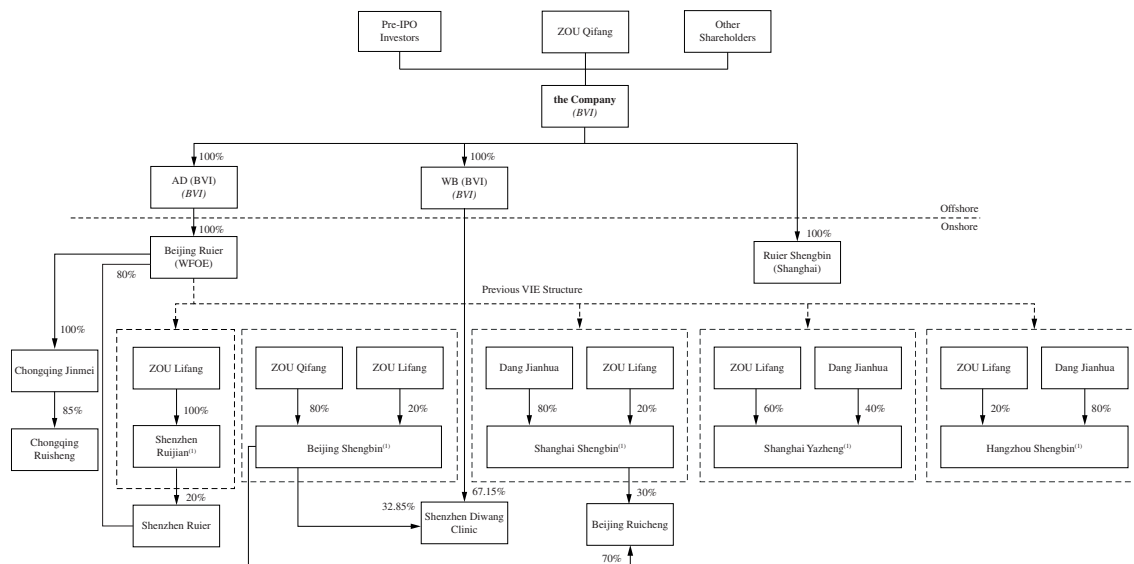
REORGANIZATION

Background Relating to the Previous VIE Structure

Most of our onshore operating entities are primarily engaged in the dental healthcare business. As advised by our PRC Legal Advisers, medical institutions fall within the “restricted” investment category on the Negative List, and therefore may not be wholly owned by foreign investors, and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. Prior to the Reorganization, we operated our business mainly through five sets of contractual arrangements, namely (1) the contractual arrangements among Beijing Ruier, ZOU Lifang, DANG Jianhua (黨建華), who is an Independent Third Party, and Shanghai Yazheng, under which Shanghai Yazheng was the holding company of several operating clinics in Shanghai; (2) the contractual arrangements among Beijing Ruier, DANG Jianhua, ZOU Lifang and Shanghai Shengbin, under which Shanghai Shengbin was the holding company of several operating entities and clinics in Shanghai; (3) the contractual arrangements among Beijing Ruier, ZOU Qifang, ZOU Lifang and Beijing Shengbin, under which Beijing Shengbin was the holding company of several operating entities and clinics mainly in Beijing; (4) the contractual arrangements among Beijing Ruier, DANG Jianhua, ZOU Lifang and Hangzhou Shengbin, under which Hangzhou Shengbin was the holding company of several operating entities and clinics in Hangzhou; and (5) the contractual arrangements among Beijing Ruier, ZOU Lifang and Shenzhen Ruijian, under which Shenzhen Ruijian was the holding company of several operating entities and clinics mainly in Shenzhen, Sichuan and Chongqing (collectively, the “**Previous VIE Structure**”). Each set of the previous contractual arrangements consists of the following agreements: (a) an exclusive business cooperation agreement, pursuant to which the relevant wholly-owned subsidiary of the company (“**Previous WFOE**”) agreed to provide exclusive services to the relevant VIE entities mainly in areas of technology, business operation and employee trainings; (b) an exclusive option agreement, pursuant to which Previous WFOE was granted an irrevocable and exclusive right to purchase all or any part of the equity interests in the relevant VIE entities; (c) a share pledge agreement, pursuant to which the relevant registered shareholders agreed to pledge all of his or her equity interest in the VIE entities to the relevant Previous WFOE; and (d) a proxy agreement, pursuant to which the registered shareholders agreed to appoint Previous WFOE as their respective attorney who shall have the authorization to act on behalf of registers shareholders with respect to all his or her rights at shareholders’ meetings. We had operated our business under the Previous VIE Structure since August 25, 2011, in light of the proposed Listing on the Stock Exchange and to better comply with the requirements under the Listing Rules, we entered into the new set of Contractual Arrangements on August 20, 2020 and managed to hold the maximum equity interests in all of our operating entities to the extent possible under the prevailing PRC laws and regulations and the requirements under the Listing Rules. In June 2021, given the Contractual Arrangements have been taken effect, the relevant parties over the Previous VIE Structure entered into a termination agreement and dismantled the previous contractual arrangements.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following chart sets forth our Group's simplified corporate and shareholding structure immediately prior to our Reorganization:



Note:

- (1) Each of Shenzhen Ruijian, Beijing Shengbin, Shanghai Shengbin, Shanghai Yazheng and Hangzhou Shengbin held a number of operating entities or clinical branches in the PRC.

In preparation for the Listing and to streamline our corporate structure, we underwent the following steps for the Reorganization.

(I) Offshore Reorganization

(i) Re-domicile of Our Company from BVI to Cayman Islands

Our Company was originally incorporated in the BVI on May 23, 2001 as a company limited by shares. On November 16, 2020, our Company discontinued as a company incorporated under BVI Business Companies Act 2004 (as amended) and was registered by way of continuation as an exempted company limited by shares under the Cayman Companies Act.

Following the re-domicile, in April 2021, we completed the series E round of financing and all of our existing shareholders entered into a shareholders agreement which set out the shareholders' rights and obligations in light of the proposed Listing.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(ii) *Incorporation or Acquisition of Our Offshore Subsidiaries*

Orthodontics Asia (Hong Kong) Limited (“OA (HK)”)

On September 7, 2020, OA (HK) was established as a limited company in Hong Kong and wholly owned by Wisdom Base Investments Ltd. (“WB (BVI)”), which is a BVI company with limited liability and in turn directly wholly owned by our Company. WB (BVI) has no substantive business since its incorporation.

Arrail Institute of Advanced Dentistry (AIAD) Limited (瑞爾口腔醫學院有限公司) (“AIAD (HK)”)

On October 30, 2020, Mr. ZOU Qifang transferred all of his equity interest in AIAD (HK), a company incorporated under the laws of Hong Kong and previously wholly owned by him, to Arrail Dental Limited (“AD (BVI)”), which is a BVI company with limited liability and in turn directly wholly owned by the Company. AIAD (HK) has become a wholly-owned subsidiary of us since then. The consideration for such acquisition was in a nominal value of HK\$1.0, since AIAD(HK) has no substantive business since its incorporation.

Orthodontics Asia Limited (“OA (BVI)”)

On November 2, 2020, Mr. ZOU Qifang transferred all of his equity interest in OA (BVI), a BVI business company with limited liability and previously wholly owned by him, to our Company for a nominal consideration of US\$1.0 and OA (BVI) has been directly wholly owned by our Company since then. OA (BVI) has no substantive business since its incorporation.

(II) **Onshore Reorganization**

(i) *Optimization of Operating Structure*

Prior to the Reorganization, we had more than 60 subsidiaries operated in the PRC. In order to optimize our business operations, we underwent a series of reorganizations within the Group to consolidate our operating entities mainly in Sichuan and Chongqing, Beijing, Shanghai, Guangzhou and Shenzhen as well as some other areas.

We are advised by our PRC Legal Advisers that considering the business nature of our operating entities, we are not allowed to hold, either directly or indirectly, more than 70% equity interest in each of our medical institutions in the PRC (other than medical institutions in Sichuan Province, where we are allowed to hold up to 90% equity interest in each of the medical institutions). In light of such regulatory restrictions and taking into account the interest held by other minority shareholders in some of our subsidiaries, we sorted out the maximum equity interest we can hold in each of our operating entities, conducted a number of equity transfers of our subsidiaries inside the Group as a step of the internal restructuring and put them under the respective regional management platforms. Upon completion of such structure optimization, most of our onshore operating entities have been reorganized into four groups based on their locations, namely (1) the Sichuan and Chongqing group, of which Chongqing Ruijing is the management platform,

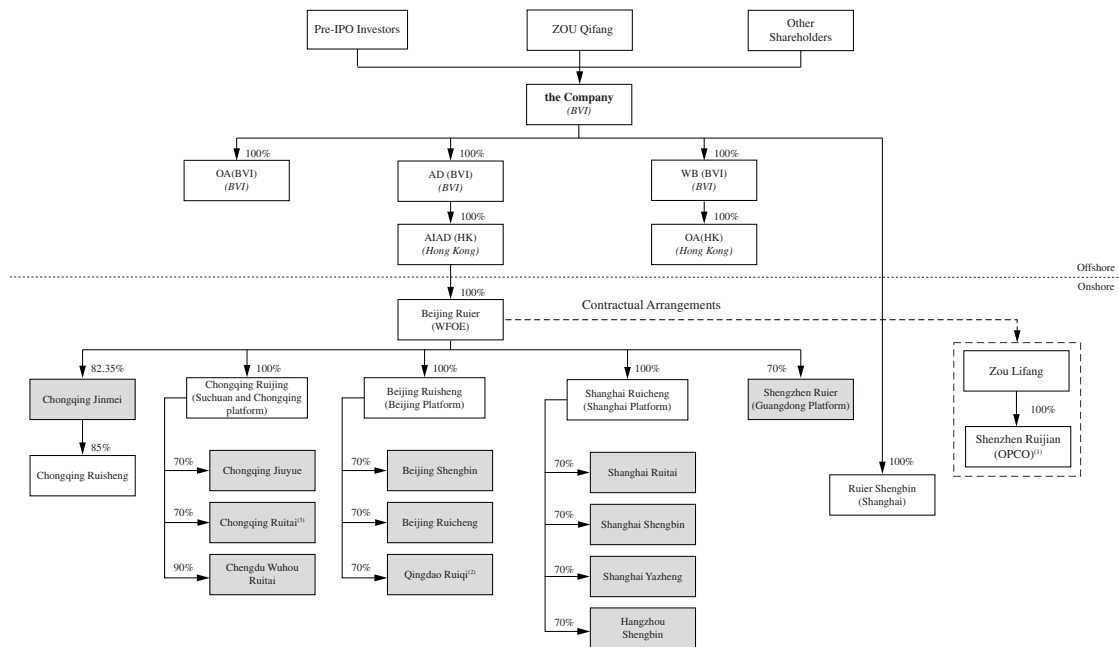
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(2) the Beijing group, of which Beijing Ruisheng is the management platform, (3) the Shanghai group, of which Shanghai Ruicheng is the management platform, and (4) the Guangdong group, of which Shenzhen Ruier is the management platform.


(ii) Entering into the Contractual Arrangements

As advised by our PRC Legal Advisers, considering the business conducted by our onshore entities are regulated as “restricted” business pursuant to the Negative List and for the purpose of consolidating our interest in such operating entities, we effected a series of Contractual Arrangements among Beijing Ruier (as the WFOE), Shenzhen Ruijian (as the OPCO), ZOU Lifang (as the Registered Shareholder) and each of the subsidiaries whose minority interest are directly held by Shenzhen Ruijian of our VIE Entities on August 20, 2020. For details of the Contractual Arrangements, please see “Contractual Arrangements” in this prospectus.

Our simplified corporate and shareholding structure after the abovementioned reorganization steps is as follows:



Notes:

- (1)  denotes the VIE Entities which Shenzhen Ruijian has direct minority interest in. For VIE Entities in which Shenzhen Ruijian has indirect minority interest, please refer to the chart in “Corporate Structure Immediately Prior to the Global Offering” below.
- (2) Qingdao Ruiqi is indirectly held by WFOE as to 70% and by Shenzhen Ruijian as to 10%. The remaining 20% interest of which is held by Chengdu Ruibowen Hospital Management LLP (成都瑞勃文醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. QU Bo and Mr. HU Yunfan, who are senior management of the Company.
- (3) Chongqing Ruitai is indirectly held by WFOE as to 70% and by Shenzhen Ruijian as to 18%. The remaining 12% interest is held by Chongqing Ruibang Xingtai Hospital Management Center LLP (重慶瑞邦興泰醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. HU Xing, who is our senior management.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

POST-TRACK RECORD PERIOD INVESTMENT

Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. (珠海橫琴瑞爾泰醫院投資有限公司), a subsidiary of our Company, as purchaser proposed to enter into an investment agreement with Shenzhen Baocheng Dental Hospital (深圳寶城口腔醫院) (the “**Target Company**”) and its existing shareholders, to (i) acquire 6.7% and 3.3% equity interest in the Target Company from Shenzhen Wangyang Dental Management Co., Ltd. (深圳市汪洋齒科管理有限公司) and Shenzhen Sanjiang Chunyuan Trading Co., Ltd. (深圳市三江春源貿易有限公司), as the existing shareholders of the Target Company, at a consideration of RMB10.72 million and RMB5.28 million, respectively, and (ii) subscribe for RMB8.93 million representing 4.4% of the increased registered capital of the Target Company, for the purpose of future business development of our Company (the “**Acquisition**”). Upon completion of the Acquisition, Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. will hold 14.4% equity interest in the Target Company in total. The consideration was determined based on arm’s length negotiation between the parties taking into account of comprehensive assessment of the dental service team, location advantage and business performance of the Target Company. The transfer of the 10% equity interest from the existing shareholders of the Target Company and subscription of the 4.4% enlarged registered capital in the Target Company is expected to be completed in April 2022. The Target Company will not be accounted for as a subsidiary of our Company upon completion of the Acquisition.

The principal business activities of the Target Company is provision of comprehensive dental services, including general dentistry, orthodontics, implantology and periodontology. It is a Class II dental specialist hospital located in Baoan District, Shenzhen, Guangdong Province, the PRC. According to the management accounts provided by the Target Company, as of December 31, 2020 (being the most recent financial year of the track record period of the Target Company), the total revenue of the Target Company was approximately RMB33.0 million, and it recorded a loss before tax of approximately RMB1.2 million. The total assets of the Target Company as of September 30, 2021 were approximately RMB35.0 million. To the best of our Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Target Company, Shenzhen Wangyang Dental Management Co., Ltd. (深圳市汪洋齒科管理有限公司) and Shenzhen Sanjiang Chunyuan Trading Co., Ltd. (深圳市三江春源貿易有限公司) is a third party independent of the Company and its connected persons.

The proposed Acquisition is in our ordinary and usual course of business. Our Directors are of the view that (a) the Acquisition, as a key investment project in our expansion plan in Southern China, is aligned with the synergic development of our Company’s dental services business and our growth strategy. The Target Company is a Class II dental specialist hospitals located in Shenzhen. Its medical resources, experienced management team and business performance helped build a solid basis of cooperation between us; and (b) the proposed terms of the Acquisition are fair and reasonable and in the interests of our Company and Shareholders as a whole.

MAJOR ACQUISITIONS AND DISPOSALS

Save as disclosed above in this section, throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

EMPLOYEE INCENTIVE PLAN

On June 25, 2021, the Board has approved to set up a platform in the BVI to hold the incentive shares in a total amount of 4,798,904 Shares (or 119,972,600 Ordinary Shares assuming the completion of the Share Subdivision), representing approximately 22.42% of the total issued share capital of the Company immediately before the Global Offering, for the participants under an RSU Scheme adopted by the Company on August 3, 2021. The purpose of RSU Scheme is to attract, retain and motivate our Directors, employees and such other participants, and to provide a means of compensating them through the grant of awards for their contribution to the growth and profits of the Group, and to allow such Directors, employees and other persons to participate in the growth and profitability of the Group. The Company trust that their employees will be motivated particularly in view of the significant amount of underlying Shares reserved for the employee incentive plan. The number of underlying shares to be granted (i.e. 4,798,904) under the proposed RSU Scheme is the aggregate amount of incentive shares reserved based on resolutions in the previous rounds of Pre-IPO Investments passed in 2010, 2011, 2014, 2017 and 2020 and agreed by the relevant Shareholders. Such incentive shares have not been granted to any employees in the previous rounds of Pre-IPO Investments. The ESOP BVI is managed by an independent trustee entrusted by the Company. We believe the RSU Scheme will align the interests of the eligible persons with those of our Group through ownership of Shares to encourage and retain them to make contributions to the long-term growth and profits of our Group. In order to maintain a stable ownership of the Company as well as the dynamics between our founder and the Pre-IPO Investors, a deed of voting proxy was executed by the ESOP BVI on October 1, 2021, who irrevocably and unconditionally appointed Mr. Zou as its true and lawful attorney and proxy with respect to all the Shares of the ESOP BVI at the Company's shareholders' meetings. For further details of the RSU Scheme, see "Appendix IV—Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—6. RSU Scheme."

On October 1, 2021, 616 employees (of which, (i) 8 of them are Directors and senior management with a total of 1,076,799 underlying shares granted, representing 29.35% of the total underlying shares granted, (ii) 272 of them are dentists with a total of 1,476,033 underlying shares granted, representing 40.23% of the total underlying shares granted, (iii) 100 of them are nurses with a total of 108,660 underlying shares granted, representing 2.96% of the total underlying shares granted, and (iv) the remaining 236 grantees are other supporting staff with a total of 1,007,449 underlying shares granted, representing 27.46% of the total underlying shares granted) were approved by the Board to be grantees under the RSU Scheme with a total of 3,668,941 underlying Shares (or 91,723,525 underlying Shares assuming the completion of the Share Subdivision), representing approximately 76% of the underlying Shares to be granted under the proposed RSU Scheme. None of such grantees has interest in the underlying Shares of more than 2% of our total issued share capital upon completion of the Global Offering. For details of the awards granted to Directors and senior management, please refer to "Appendix IV Statutory and General Information—A. Further Information About Our Company and Our Subsidiaries—6. RSU Scheme—Awards Granted under the RSU Scheme." Despite the grant of approximately 76% of the underlying shares to Directors, senior management and employees on October 1, 2021, the RSU Scheme may still incentivize their Directors, senior management and employees as the granted RSUs will only become realizable in four equal installments after each of the sixth months starting from the Listing Date, provided that the respective grantee holding such RSUs passes the annual performance review

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

administered by the Board for each of the immediately preceding calendar years. Currently, we do not have plans on granting RSUs in the near future. If the Company has plan to allocate the remaining incentive shares, the allocation among the Directors/senior management and the employees will be in similar proportion as those granted on October 1, 2021. Such allocation plan will effectively incentivize employees and also retain talents who held different positions in the Group including dentists, nurses and other supporting staff with sufficient amount of underlying Shares as incentive awards.

Taking into account the Shares held by the ESOP BVI, Mr. Zou will be interested in approximately 34.29% of the total share capital of the Company, and therefore he will become a controlling shareholder (as defined under the Listing Rules) as at the date of this prospectus. Following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zou will be interested in an aggregate of approximately 31.55% of the total issued share capital of our Company. Irrespective of the composition of the shareholding of ESOP BVI, as long as the deed of voting proxy conferring the voting power of ESOP BVI upon Mr. Zou is still in effect and the underlying Shares are still held in escrow, it will not affect Mr. Zou's controlling stake in the Company.

Share-based compensation expenses relating to the RSUs granted under the RSU Scheme amounted to not less than RMB90 million, RMB120 million and RMB30 million will be recognised in profit or loss in the financial years of 2022, 2023 and 2024 respectively.

FAMILY TRUST OF THE FOUNDER

On June 10, 2021, Mr. Zou transferred 1 share of Rise Day Holdings Limited, being the total share capital of it, to United Culture Assets Limited, which is a BVI company wholly owned by an independent trustee entrusted by Mr. Zou. A family trust was established over United Culture Assets Limited for the benefits of Mr. Zou and his family members accordingly, of which Mr. Zou acts as the protector and settlor.

SHARE SUBDIVISION

We expect to conduct the Share Subdivision immediately before the Listing, pursuant to which each Ordinary Share and Preferred Share with par value US\$0.50 in our issued and unissued share capital was subdivided into 25 Shares with par value US\$0.02 each, following which our issued share capital consisted of (i) 160,064,300 Class 1 Ordinary Shares with par value of US\$0.02 each, (ii) 29,729,575 Class 2 Ordinary Shares with par value of US\$0.02 each, (iii) 24,343,925 Series A-1 Preferred Shares with par value of US\$0.02 each, (iv) 17,834,725 Series A-2 Preferred Shares with par value of US\$0.02 each, (v) 18,794,550 Series B Preferred Shares with par value of US\$0.02 each, (vi) 87,577,250 Series C Preferred Shares with par value of US\$0.02 each, (vii) 37,395,900 Series D-1 Preferred Shares with par value of US\$0.02 each, (viii) 19,132,800 Series D-2 Preferred Shares with par value of US\$0.02 each, (ix) 31,412,525 Series D-3 Preferred Shares with par value of US\$0.02 each and (x) 108,778,900 Series E Preferred Shares with par value of US\$0.02 each. All the Class 1 and Class 2 Ordinary Shares and the Preferred Shares will be converted into Shares on a one to one basis by way of re-designation to Shares on the Listing Date.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

To fund our rapid business expansion and to diversify our shareholder base, we have conducted eight rounds of Pre-IPO Investments, particulars of which are as follows:

Principal terms of the Pre-IPO Investments

	Series A	Series B	Series C	Series D-1	Series D-2	Series D-3	Series E
Date of initial relevant agreement with the Pre-IPO Investors	January 23, 2010 and April 9, 2010	July 29, 2011	March 5, 2014	July 14, 2017 and July 23, 2017	July 14, 2017, July 24, 2017, December 13, 2017 and January 31, 2018	December 22, 2017	January 8, 2021, March 1, 2021, March 5, 2021, March 8, 2021 and March 22, 2021
Date of settlement	April 10, 2010, April 27, 2010 and April 28, 2010	August 30, 2011, September 1, 2011 and September 23, 2011	April 3, 2014, April 4, 2014 and April 7, 2014	July 29, 2017 and July 31, 2017	February 8, 2018 and February 9, 2018	December 29, 2017 and January 9, 2018	February 1, 2021, March 4, 2021, April 7, 2021, April 8, 2021, April 22, 2021 and April 30, 2021
Total amount of Pre-IPO Investments	US\$16,811,278.63	US\$20,000,007.46	US\$68,500,000.00	US\$45,000,014.00	US\$30,000,000.00	US\$55,264,349.00 ⁽⁴⁾	US\$188,740,119.00 ⁽⁶⁾
Total number of Preferred Shares/ Shares under the Pre-IPO Investments	3,024,614 Series A-1 Preferred Shares 853,321 Series A-2 Preferred Shares	1,975,245 Series B Preferred Shares	4,323,633 Series C Preferred Shares	1,495,836 Series D-1 Preferred Shares	765,312 Series D-2 Preferred Shares	1,256,501 Series D-3 Preferred Shares 396,827 Class 1 Ordinary Shares ⁽⁵⁾	4,351,156 Series E Preferred Shares ⁽⁷⁾
Cost per Preferred Share/Share ⁽¹⁾	US\$0.17	US\$0.41	US\$0.63	US\$1.20	US\$1.57	US\$1.34	US\$1.74
Post valuation of our Group at the time of the Pre-IPO Investments ⁽²⁾	US\$29.98 million	US\$87.88 million	US\$208.50 million	US\$494.94 million	US\$735.00 million	US\$601.16 million	US\$980.21 million
Discount to the Offer Price ⁽³⁾	90.91%	78.09%	66.33%	35.87%	16.10%	28.39%	7.01%

Basis of Considerations

The consideration for the Pre-IPO Investments were determined based on arm's length negotiation among our Company and the Pre-IPO Investors after taking into consideration of, among others, (1) the timing of investments, (2) the status and prospect of our business at the time of investment, and (3) the business resources, strategic cooperation opportunities and benefits that the Pre-IPO Investors could bring to our Company.

Use of Proceeds from the Pre-IPO Investments

The proceeds from the Pre-IPO Investment were to fund the Company's expansion of its business, capital expenditure, operations, sales and working capital needs. As of the Latest Practicable Date, approximately US\$93.8 million of the net proceeds received by us from the Pre-IPO Investments had not yet been utilized, among which approximately 80% of the net proceeds is expected to be used to repay commercial loans, termination fee of the Warrants, new hospitals and clinics opening expenses, research and development expenses, listing expenses and acquisition expenses and approximately 20% will be used to fund the Company's daily operations and working capital needs.

Lock-up

Except for ZHANG Yi Kevin, the Shares held by Pre-IPO Investors will be subject to lock-up for a period ending on, and including, the date that is six months from the Listing Date, subject to the respective lock-up undertaking entered into by the Pre-IPO Investors before the date of this prospectus.

Special rights⁽⁸⁾

Certain rights were granted to the Pre-IPO Investors, including, but not limited to, information rights, appointment of Directors, right of first refusal, veto rights, tag-along rights and redemption rights. No special rights granted to our Pre-IPO Investors will survive upon consummation of the Listing⁽⁸⁾.

Strategic benefits of the Pre-IPO Investors

Our Directors are of the view that our Company can benefit from the Pre-IPO Investors' commitment to our Company, and their investments demonstrate their confidence in the operation of our Group and serve as an endorsement of our Company's performance, strengths and prospects. Our Company also benefited from the knowledge and experience of certain Pre-IPO Investors.

Notes:

- (1) Equals the total equity value at the time of the investment divided by the number of Shares in issue upon completion of the Share Subdivision and the Global Offering and assuming the Over-allotment Option is not exercised.
- (2) The corresponding valuation is calculated based on the proposed post-money capitalization of our Company at the time of investment (on an as-converted and non-diluted basis).
- (3) The discount to the Offer Price is calculated based on the Offer Price of HK\$14.62 per Share, based on the number of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering and assuming the Over-allotment Option is not exercised.
- (4) Including purchase price of US\$42,000,000 and US\$13,264,349 paid to selling shareholders for re-designated Series D-3 Preferred Shares and Class 1 Ordinary Shares, respectively.
- (5) Including 1,256,501 Shares acquired from certain selling shareholders and re-designated as Series D-3 Preferred Shares and 396,827 Shares acquired from certain selling shareholders and re-designated as Class 1 Ordinary Shares.
- (6) Including purchase price of US\$71,098,032 paid to certain selling shareholders for re-designated Series E Preferred Shares and US\$117,642,087 for issuance of new Series E Preferred Shares, respectively.
- (7) Including 1,819,497 ordinary and preferred shares acquired from certain selling shareholders and re-designated as Series E Preferred Shares and issuance of 2,531,659 new Series E Preferred Shares.
- (8) Under the amended and restated shareholders' agreement dated January 29, 2021, the holder of Preferred Shares may request that the Company redeem the outstanding preferred shares held by such holder if there is any material breach of transactional documents or no qualified IPO occurs by December 31, 2021 ("Redemption Date"). A qualified IPO means an IPO acceptable to the majority of Shareholders with a pre-money market capitalization no less than US\$1 billion. A shareholders' resolution to extend the Redemption Date to December 31, 2023 was executed on August 12, 2021. Notwithstanding the foregoing, pursuant to the shareholders agreement dated January 29, 2021, such redemption right shall cease to be exercisable immediately upon the Company's listing application with the Stock Exchange.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series A Pre-IPO Investment

On January 23, 2010, KPCB China Fund, L.P. (“**KPCB CF**”), KPCB China Founders Fund, L.P. (“**KPCB CFF**”, together with KPCB CF, collectively, the “**KPCB Investors**”), Rise Day Holdings Limited (“**Rise Day**”), ZOU Qifang, Mingda International Limited (“**Mingda**”) entered into a bond subscription agreement (the “**BSA**”). On April 9, 2010, KPCB Investors, East Venture, Ltd. (a company established under the laws of the Cayman Islands), Rise Day, ZOU Qifang, Mingda, Qiming Venture Partners II, L.P. (“**QVP**”), Qiming Venture Partners II-C, L.P. (“**QVPC**”), Qiming Managing Directors Fund II, L.P. (“**QMDF**”, together with QVP and QVPC, the “**Qiming Parties**”) entered into a supplemental and amendment deed to the BSA (“**BSA Amendment Deed**”). Under the BSA and the BSA Amendment Deed, an aggregate of 3,024,614 Series A-1 Preferred Shares were subscribed, details of which are as follow:

<u>Name of Investor</u>	<u>Number of Preferred Shares</u>	<u>Consideration (US\$)</u>
QVP, QVPC and QMDF	946,836	4,500,000.00 ⁽¹⁾
KPCB CF, KPCB CFF and East Venture, Ltd. ⁽²⁾ (First Issuance)	526,020	2,500,000.00
KPCB CF and KPCB CFF (Second Issuance)	1,551,758	6,250,000.00 ⁽³⁾
Total	3,024,614	13,250,000.00

Notes:

- (1) The consideration includes US\$3.5 million in cash and assignment to the Company a US\$1 million loan.
- (2) East Venture, Ltd. and KPCB China Management Fund, L.P. are investment vehicles under common control of Tina Lin-chi Ju, the shares held by East Venture in the Company was transferred to KPCB China Management Fund, L.P. at cost on June 22, 2011.
- (3) The consideration includes the transfer to the Company 1,551,758 Class 2 Ordinary Shares by Rise Day.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Under the BSA Amendment Deed, ZHANG Xiaoming was issued the 64,291 Series A-2 Preferred Shares by the Company in exchange for the 64,291 Class 2 Ordinary Shares held by him. In addition, the Company repurchased from Rise Day 2,034,284 Class 2 Ordinary Shares in consideration for: (a) allotting and issuing to Rise Day and/or Robert Zou an aggregate of 1,455,662 Class 1 Ordinary Shares and 789,030 Series A-2 Preferred Shares and (b) paying to Rise Day US\$1,500,000 in cash. Rise Day then had the Company issue the aforementioned 789,030 Series A-2 Preferred Shares directly to the third party investors, details of which are as follow:

<u>Name of Investor</u>	<u>Number of Preferred Shares</u>	<u>Consideration (US\$)</u>
ZHANG Xiaoming	64,291	261,278.63
CSP Venture Holdings Ltd.	95,640	400,000.00
Grand Sunshine Holdings Limited	95,640	400,000.00
MA Chen ⁽¹⁾	95,640	400,000.00
DANG Xinhua ⁽¹⁾	95,640	400,000.00
CAI, Patrick	95,640	400,000.00
ZHANG Yi Kevin	95,640	400,000.00
HUNG Yin ⁽¹⁾	95,640	400,000.00
GUAN Yinjie ⁽¹⁾	119,550	500,000.00
Total	853,321	3,561,278.63

Note:

- (1) Each of MA Chen and DANG Xinhua is an individual investor who was introduced to our Group by Mr. Zou's acquaintances. Hung Yin and GUAN Yinjie are individual investors who were Mr. Zou's alumni in Wharton School of University of Pennsylvania. The shares held by DANG Xinhua was transferred to LI Yanming on June 22, 2018. On December 29, 2017, HUNG Yin transferred 20,079, 20,079, 2,008 and 13,316 shares of the Company to HH AGL Holdings Limited, Infinite Benefits Limited, CEC Healthcare Fund L.P. and Beier Holdings Limited, respectively. The remaining 40,158 shares of the Company held by HUNG Yin was repurchased by the Company on the same date. The shares held by GUAN Yinjie was transferred to JC International Company Limited on August 23, 2012.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

During this round of financing, an aggregate of up to 210,408 ordinary Shares (followed by subsequent adjustment to 107,308), were approved by the shareholders to be issued as incentive shares for the benefits of our employees, which have been counted into the total number of ordinary Shares to be issued to the ESOP BVI.

Series B Pre-IPO Investment

On July 29, 2011, GL CP Life Investment Limited (“**GL Capital**”), KPCB Investors, Qiming Parties agreed to invest in our Company as Pre-IPO Investors by executing a share subscription agreement to subscribe a total of 1,975,245 Series B Preferred Shares for a total consideration of approximately US\$20 million, details of which are as follow:

<u>Name of Investor</u>	<u>Number of Preferred Shares</u>	<u>Consideration (US\$)</u>
GL Capital	987,622	9,999,998.67
KPCB CF	631,098	6,390,075.51
KPCB CFF	47,356	479,495.13
QVP	280,523	2,840,387.95
QVPC	24,564	248,718.61
QMDF	4,082	41,331.60
Total	<u>1,975,245</u>	<u>20,000,007.46</u>

During this round of financing, an aggregate of up to 441,831 ordinary Shares were approved by the shareholders to be issued as incentive shares for the benefits of our employees, which have been counted into the total number of ordinary Shares to be issued to the ESOP BVI.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series C Pre-IPO Investment

On March 5, 2014, Qiming Parties, KPCB Investors, Total Success Investment Ltd. (“**Total Success**”), Commonfund Capital Venture Partners X, L.P. (“**CVP 10**”), Commonfund Capital Emerging Markets 2013, L.P. (“**CEM 2013**”, and together with CVP 10, collectively, “**Commonfund**”), Prometheus Capital (International) Co., Ltd. (“**Prometheus**”, an investment company founded in 2012 that focuses on early to growth-stage investment opportunities within the TMT and consumer sectors) and Elite Capital Limited (“**Elite Capital**”) agreed to invest in our Company as Pre-IPO Investors by executing a share subscription agreement to subscribe a total of 4,323,633 Series C Preferred Shares for a total consideration of approximately US\$68.5 million, details of which are as follow:

<u>Name of Investor</u>	<u>Number of Preferred Shares</u>	<u>Consideration (US\$)</u>
QVP	400,893	6,351,412.64
QVPC	35,104	556,158.35
QMDF	5,834	92,429.01
KPCB CF	791,004	12,531,993.41
KPCB CFF	29,540	468,006.59
Total Success	2,209,156	35,000,000.00
CVP 10	189,356	3,000,003.17
CEM 2013	126,237	1,999,996.83
Prometheus	220,916	3,500,000.00
Elite Capital	315,593	5,000,000.00
Total	<u>4,323,633</u>	<u>68,500,000.00</u>

During this round of financing, an aggregate of up to 990,557 ordinary Shares were approved by the shareholders to be issued as incentive shares for the benefits of our employees, which have been counted into the total number of ordinary Shares to be issued to the ESOP BVI.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series D-1 Pre-IPO Investment

On July 14, 2017, Broad Street Investments Holding (Singapore) Pte. Ltd. (“**Broad Street**”) and Stonebridge 2017 (Singapore) Pte. Ltd. (“**Stonebridge**”), and on July 23, 2017, HH AGL Holdings Limited (“**HH AGL**”) agreed to invest in our Company as pre-IPO Investors by executing share subscription agreements to subscribe a total of 1,495,836 Series D-1 Preferred Shares for a total consideration of approximately US\$45.0 million, details of which are as follow:

<u>Name of Investor</u>	<u>Number of Preferred Shares</u>	<u>Consideration (US\$)</u>
Broad Street	831,020	25,000,011.70
Stonebridge	166,204	5,000,002.30
HH AGL	498,612	15,000,000.00
Total	<u>1,495,836</u>	<u>45,000,014.00</u>

Series D-2 Pre-IPO Investment

Under the share subscription agreement dated July 14, 2017 in relation to Series D-1 investment of Broad Street and Stonebridge and its deed of amendment dated January 31, 2018, Broad Street and Stonebridge were granted an option to subscribe for a total of 765,312 Series D-2 Preferred Shares for a total consideration of approximately US\$30.0 million, details of which are as follow:

<u>Name of Investor</u>	<u>Number of Preferred Shares</u>	<u>Consideration (US\$)</u>
Broad Street	637,760	25,000,000
Stonebridge	127,552	5,000,000
Total	<u>765,312</u>	<u>30,000,000</u>

During this round of financing, an aggregate of up to 1,530,622 ordinary Shares were approved by the shareholders to be issued as incentive shares for the benefits of our employees, which have been counted into the total number of ordinary Shares to be issued to the ESOP BVI.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Series D-3 Pre-IPO Investment

On December 22, 2017, HH AGL, CEC Healthcare Fund L.P., Infinite Benefits Limited and Beier Holdings Limited agreed to purchase sale shares from certain then existing shareholders of our Company, which were re-designated by our Company at the completion as Series D-3 Preferred Shares or Class 1 Ordinary Shares (as applicable). The selling shareholders were Rise Day, ZHANG Xiaoming, KPCB Investors, GL Capital, HUNG Yin, Commonfund, Prometheus and HU Xiaofei, and details of the acquired and re-designated shares are as follow:

Name of Investor	Number of Preferred Shares/ Ordinary Shares	Purchase Price Paid to Sellers (US\$)	Class of Shares Immediately upon Re-designation
HH AGL	598,334	20,000,000	Series D-3 Preferred Shares
CEC Healthcare Fund L.P.	59,833	2,000,000	Series D-3 Preferred Shares
Infinite Benefits Limited	598,334	20,000,000	Series D-3 Preferred Shares
Beier Holdings Limited	396,827	13,264,349	Class 1 Ordinary Shares
Total	1,653,328	55,264,349	–

Note:

- (1) As Mr. Zou was very confident in the prospects and long term goal of the Company, he decided to take up the remaining shares to be disposed of by the existing shareholders in Series D-3 round financing through Beier Holdings Limited (the “**Borrower**”) by obtaining loans from the Company to finance such acquisition. As (i) Mr. Zou’s acquisition of interests in the Company shows support and commitment to the Company; (ii) the Company will receive interest for the loans; and (iii) there is no substantial negative impact to the Company’s operation and financial performance for granting the loans, the Company is willing to grant the loans to the Borrower to finance the acquisition.

Pursuant to a loan agreement originally dated December 22, 2017 (as amended by an amendment agreement dated January 29, 2021) and entered into between the Company as lender and the Borrower as borrower, the Company granted to the Borrower a US\$ term loan facility (the “**Original Facility**”) in the aggregate principal amount of US\$12 million to finance the Borrower’s acquisition of 359,000 Class 1 Ordinary Shares. The Original Facility was utilised in full on December 29, 2017.

On June 28, 2021, the Company and the Borrower executed a loan agreement to confirm the terms of an additional US\$ term loan facility (the “**Second Facility**”) in the aggregate principal amount of US\$1,264,349, which was granted by the Company to the Borrower on December 29, 2017 to finance the Borrower’s purchase of the additional 37,827 Class 1 Ordinary Shares. Such Second Facility was utilized in full on December 29, 2017. For details, please refer to “Relationship with our Controlling Shareholders – Independence from Controlling Shareholders – Financial Independence.”

The Company’s legal advisors as to the Cayman Islands laws confirmed that the granting of such loans to the Borrower did not violate, conflict with or result in a breach of any law applicable to the Company in the Cayman Islands currently in force.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In December 2017, our Company redeemed Class 1 Ordinary Shares, Class 2 Ordinary Shares, Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B Preferred Shares and Series C Preferred Shares in an aggregate of 1,196,668 shares from certain selling shareholders with a total consideration of US\$40.0 million (“**Repurchased Shares**”). The Repurchased Shares have been cancelled by the Company simultaneously.

Series E Pre-IPO Investment

On January 8, 2021, Elbrus Investments Pte. Ltd. agreed to invest in our Company as Pre-IPO Investors by executing share subscription agreement to subscribe a total of 510,010 Series E Preferred Shares for a consideration of approximately US\$23.7 million, and purchased Class 1 Ordinary Shares, Class 2 Ordinary Shares, Series A-1 Preferred Shares, Series B Preferred Shares and Series C Preferred Shares in an aggregate of 1,819,497 shares from certain selling shareholders with a total consideration of US\$71,098,032 which were re-designated as Series E Preferred Shares.

On March 1, March 5, March 8 and March 22, 2021, certain Series E Pre-IPO Investors agreed to invest in our Company as Pre-IPO Investors by executing share subscription agreement to subscribe a total of 2,021,649 Series E Preferred Shares for a consideration of approximately US\$93.9 million. Details of the new Series E Preferred Shares are as follow:

Name of Investor	Number of Preferred Shares	Consideration (US\$)
Elbrus Investments Pte. Ltd.	510,010	23,699,344
WF Asian Reconnaissance Fund Limited	430,400	20,000,000
Worldwide Healthcare Trust PLC	451,921	21,000,020
OrbiMed Genesis Master Fund, L.P.	86,080	3,999,995
OrbiMed New Horizons Master Fund, L.P.	107,600	4,999,994
MIRAE ASSET NEW ECONOMY FUND L.P.	215,200	9,999,987
Grand Sunshine Holdings Limited	33,200	1,542,749
SHI Yaping	8,608	400,000
CAI, Patrick	21,520	999,999
JC International Company Limited	21,520	999,999
Hina Group Fund VII, L.P.	231,555	10,760,000
Hina Growth Opportunities Fund, L.P. ⁽¹⁾	215,200	10,000,000
Shanghai Xing Tou Han Rui Corporate Management Centre (Limited Partnership) 上海興投漢睿企業管理中心(有限合夥)	165,475	7,689,350
Shenzhen HanNeng New Economy Equity Investment Fund Corporation (Limited Partnership) 深圳漢能新經濟股權投資基金合夥企業(有限合夥)	33,370	1,550,650
Total	2,531,659	117,642,087

Note:

(1) Formerly known as Hina New Economic Fund, L.P.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

On March 20, 2021, CHU Sze Pun acquired 95,640 Series A-2 Preferred Shares from CSP Venture Holdings Ltd., a company wholly owned by CHU Sze Pun, at nil consideration and on April 22, 2021, SHI Yaping acquired 95,640 Series A-2 Preferred Shares from MA Chen, husband of SHI Yaping, at nil consideration.

During this round of financing, an aggregate of up to 187,501 ordinary Shares were approved by the shareholders to be issued as incentive shares for the benefits of our employees, which have been counted into the total number of ordinary Shares to be issued to the ESOP BVI.

Pre-IPO Bond Financing

On March 16, 2020, Shenzhen Boquan Enterprise Management Center (Limited Partnership) (深圳博泉企業管理中心(有限合夥)) (the “**Bond Investor**”) as the investor, Beijing Ruier as the issuer, the Company and AASPCF3 Project Arrail Ltd, entered into a bond investment agreement (the “**Original Bond Investment Agreement**”), pursuant to which the Bond Investor granted a loan in the amount of RMB200 million (the “**Bond**”) to Beijing Ruier. On June 29, 2021, the same parties entered into a new bond investment agreement in the same amount (the “**New Bond Investment Agreement**”) to supersede the terms of the Original Bond Investment Agreement. The Bond (as amended by the New Bond Investment Agreement) will become mature on the fourth anniversary of the issuance date (i.e. April 9, 2020). If a qualified IPO occurs before December 31, 2022, the Bond Investor is entitled to request Beijing Ruier to repay the loan and the accrued interests within 15 days from the date of such listing. As of the Latest Practicable Date, the proceeds has been fully utilized for the procurement of assets and repayment of bank loans.

The Bond Investor is a limited partnership established under the laws of the PRC on 4 November 2019. whose general partner is Panshi Investment Consultant (Suzhou Industry Park) Co., Ltd (盤實投資顧問(蘇州工業園區)有限公司), a limited liability company established under the laws of the PRC and is wholly-owned by Abax Global Capital (Hong Kong) Limited. Abax Global Capital (Hong Kong) Limited and its affiliates advise and manage a number of private equity funds, including a Cayman Islands domiciled exempted limited partnership named Abax Asian Structured Private Credit Fund III, LP. Shenzhen Boquan is an onshore investment platform of Abax Asian Structured Private Credit Fund III, LP. Abax Global Capital (Hong Kong) Limited is an alternative investment manager founded in February 2007. It is licensed with the Hong Kong Securities and Futures Commission to conduct type 9 regulated activities. It currently has a firm asset under management of approximately US\$700 million and has 20 employees including 13 investment professionals based mainly in Hong Kong, Shanghai and Beijing. It manages and/or advises a number of private funds, most of which adopted a structured private credit strategy, aiming to provide growth capital in the form of structured private credit to profitable and growing middle-market companies in developing Asian countries, especially those with key operating exposure to China. These funds seek to invest in a diversified and actively-managed portfolio, typically consisting of fixed income instruments such as convertible debt, or loans or notes combined with equity options or

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

warrants, and other equity-linked credit instruments. These funds have invested in a broad spectrum of industries such as the consumer, pharmaceutical and healthcare, urbanization, education, industrial, telecommunications and renewable energy sectors.

For details of the Pre-IPO bond financing, please refer to “Financial Information—Indebtedness, Contingent Liabilities and Off-Balance Sheet Commitments and Arrangements—Bond” and “Financial Information—Indebtedness, Contingent Liabilities and Off-Balance Sheet Commitments and Arrangements—Warrants.”

Information Regarding the Pre-IPO Investors

KPCB China Fund, L.P. (“KPCB CF”), KPCB China Founders Fund, L.P. (KPCB CFF) and KPCB China Management Fund, L.P.

KPCB CF and KPCB CFF are exempted limited partnerships established under the laws of Cayman Islands and are venture capital funds. The general partner of KPCB CF and KPCB CFF is KPCB China Associates, Ltd., which is a Cayman Islands exempted company. The voting and investment power of shares held by KPCB CF and KPCB CFF is exercised by the board of KPCB China Associates, Ltd. (“**KPCB China**”), which consists of Tina Lin-chi Ju, Theodore Schlein, Brook Byers, L. John Doerr and Raymon Lane.

KPCB CF and KPCB CFF were founded in 2007 with the goal of building a dialog between outstanding entrepreneurs and investors in the PRC, with a focus on identifying and promoting innovation and supporting entrepreneurs and portfolio companies for long-term, sustained growth and success.

KPCB China Management Fund, L.P. is an exempted limited partnership established under the laws of Cayman Islands in 2010 whose general partner is KPCB China Holdings, Ltd. Tina Lin-chi Ju is the sole director of KPCB China Holdings, Ltd.

The beneficial owners of KPCB CF include 74 limited partners, which are mainly university endowment funds and fund of funds (“**FoF**”) in the United States. None of the investors of KPCB CF is a core connected person of the Company or other Pre-IPO Investors, except for the seven FoFs, representing 6.81% of the limited partnership, managed by Commonfund Capital, who is a Series C investor. The beneficial owners of KPCB CFF and KPCB China Management Fund, L.P. are the general partners of KPCB CF.

Qiming Venture Partners II, L.P. (“QVP”), Qiming Venture Partners II-C, L.P. (“QVPC”), and Qiming Managing Directors Fund II, L.P. (“QMDF”)

QVP, QVPC and QMDF (collectively the “**Qiming Funds**”) are venture capital funds which are operated under Qiming Venture Partners and registered as exempted limited partnerships in the Cayman Islands, focusing on investments in companies in the telecommunication, media and technology (TMT) and healthcare sectors across China. Qiming

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

GP II, L.P. is the general partner of both QVP and QVPC, whereas Qiming Corporate GP II, Ltd. is the general partner of both Qiming GP II, L.P. and QMDF. The voting and investment power of shares held by the Qiming Funds is exercised by Qiming Corporate GP II, Ltd..

QVP has 51 limited partners which comprised reputable U.S. university endowment funds, U.S. pension funds, U.S. family trusts, U.S. limited liability companies, U.S. and U.K. fund-of-fund professional investment companies. No single limited partner owns 30% or more in equity interests of QVP. QVPC has one limited partner which is an investment company established in the U.K.. QMDF has 23 limited partners which comprised U.S. and Hong Kong citizens, U.S. limited liability companies and U.S. family trusts. No single limited partner owns 30% or more in equity interests of QMDF. The limited partners of QVP, QVPC and QMDF are independent from the Group.

Qiming Venture Partners is a leading China venture capital firm with over US\$5.9 billion of assets under management, and its portfolio companies include some influential brands in their respective sectors, such as Xiaomi Corporation (stock code: 1810 (HKSE)), Meituan Dianping (stock code: 3690 (HKSE)), Beijing Roborock Technology Co., Ltd. (stock code: 688169 (SHSE)), Bilibili Inc. (stock code: BILI (NASDAQ), 9626 (HKSE)), Gan & Lee Pharmaceuticals (stock code: 603087 (SHSE)), Venus Medtech (Hangzhou) Inc. (stock code: 2500 (HKSE)), Hangzhou Tigermed Consulting Co., Ltd. (stock code: 300347 (SZSE), 3347 (HKSE)), Zai Lab Limited (stock code: ZLAB (NASDAQ), 9688 (HKSE)), Shanghai Sanyou Medical Co., Ltd. (stock code: 688085 (SHSE)) and Amoy Diagnostics Co., Ltd. (stock code: 300685 (SZSE)).

OrbiMed New Horizons Master Fund, L.P. (“ONH”), OrbiMed Genesis Master Fund, L.P. (“Genesis”) and Worldwide Healthcare Trust PLC (“WWH”)

WWH is a publicly listed trust organized under the laws of England. OrbiMed Capital LLC is the portfolio manager of WWH. ONH and Genesis are each exempted limited partnership established under the laws of Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Capital LLC and OrbiMed Advisors LLC exercise voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho and W. Carter Neild, each of whom has beneficial ownership of the Shares held by WWH, OGF and ONH and is independent from the Company.

Elbrus Investments Pte. Ltd.

Elbrus Investments is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited (“**Temasek**”). Temasek is wholly owned by the Singapore Minister for Finance. Under the Singapore Minister for Finance (Incorporation) Act (Chapter 183), the Minister for Finance is a body corporate. As a commercial investment company, Temasek has its own Board of Directors and professional management team. Temasek owns and manages its portfolio with full commercial discretion and flexibility under the guidance of its Board. The Singapore Government is not involved in Temasek’s investment, divestment, or any other business or operational decisions.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Total Success Investment Ltd.

Total Success Investment Ltd. is an investment holding company incorporated in the Cayman Islands and is wholly owned by 19 Growth Capital Fund LP, a limited partnership registered in the State of Delaware with 19 Growth Capital Fund GP Inc. acting as the general partner and Empire Choice International Limited acting as the limited partner. 19 Growth Capital Fund GP Inc. is held by John Buckley and Zheng Zhang, both of whom are members of investment committee of 19 Growth Capital Fund LP, as to 60% and 40%, respectively. Empire Choice International Limited is wholly owned by Young Roger K C, an experienced investor with years of experience in developing strong investment portfolios. All of such beneficial owners are independent from the Company. 19 Growth Capital Fund LP is a growth-stage private equity fund with strong track record. Leveraging its rich experience investing into growth-stage companies in North America, Asia and Australia, the fund specializes in investment sectors such as consumer services, consumer goods, advanced manufacturing, technology and innovation and healthcare.

Broad Street Investments Holding (Singapore) Pte. Ltd. (“Broad Street”) and Stonebridge 2017 (Singapore) Pte. Ltd. (“Stonebridge”)

Broad Street is a company incorporated under the laws of the Republic of Singapore and is ultimately owned by The Goldman Sachs Group, Inc, a company incorporated under the laws of Delaware and whose shares are listed on the NYSE (stock code: GS).

Stonebridge is a company incorporated under the laws of the Republic of Singapore. Stonebridge is held by multiple employee funds of The Goldman Sachs Group, Inc., among which, the general partner of the funds is a wholly-owned subsidiary of The Goldman Sachs Group, Inc..

WF Asian Reconnaissance Fund Limited

WF Asian Reconnaissance Fund Limited is managed by Ward Ferry Management (BVI) Limited (“**Ward Ferry**”), a boutique investment management firm founded in 2000. Based in Hong Kong, Ward Ferry manages long-only equity funds that invest across Asia for global institutional investors. Ward Ferry’s fundamentals-driven investment strategy follows a “private equity” approach to public markets investing by performing intensive on-the-ground primary research and targeting a multi-year investment horizon. WF Asian Reconnaissance Fund Limited is incorporated under the laws of the Cayman Islands with 75 registered shareholders, the largest investor is a university public pension and endowment fund in the US, representing 42% of the assets under management. There is no other shareholders holding more than one third of the assets in WF Asian Reconnaissance Fund Limited. It is independent from the Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

HH AGL Holdings Limited

HH AGL Holdings Limited (“**HH AGL**”) is an exempted company with limited liability incorporated under the laws of Cayman Islands and is engaged in investment holding. HH AGL is ultimately managed and controlled by Hillhouse Capital Management, Ltd. (“**Hillhouse**”), an exempted company incorporated under the laws of Cayman Islands. Founded in 2005, Hillhouse is a global firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to Hillhouse’s investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on enacting innovation and technological transformation. Hillhouse invests in the healthcare, consumer, telecommunications, media, technology (TMT), consumer technology, financial and business services sectors in companies across all equity stages. Hillhouse and its group members manage assets on behalf of global institutional clients.

Infinite Benefits Limited

Infinite Benefits Limited is an investment company incorporated in the Cayman Islands. Infinite Benefits Limited is controlled by CITIC Capital Holdings Limited (“**CCHL**”) which is a global alternative investment management and advisory company whose core businesses include private equity, real estate, structured investment and finance, special situations, and asset management. Its assets under management comes from institutional investors in North America, Europe, Asia and the Middle East.

Elite Capital Limited

Elite Capital Limited is an exempted company with limited liability registered in the Cayman Islands. Elite Capital Limited has 12 shareholders, among which, Liang Bin, Gong Huimin, Wang Weiwei and Fu Quansheng each holding over 10% of the equity interest therein. No single shareholder owns 30% or more of the equity interest in Elite Capital Limited. Elite Capital Limited primarily invests in early to growth stage companies in Greater China. It is independent from the Group.

Hina Growth Opportunities Fund, L.P. and Hina Group Fund VII, L.P.

Hina Growth Opportunities Fund, L.P., formerly known as Hina New Economic Fund, L.P., is an exempted limited partnership registered in the Cayman Islands, whose general partner is The Hina Group Holdings. The limited partners of Hina Growth Opportunities Fund, L.P. include New Hope International (Hong Kong) Limited, Risun Holding Limited, Lynn Ya-lin Liu and Blue Pool Capital Limited. Hina Growth Opportunities Fund, L.P. is a private equity fund with a focus on investment in growth to late-stage new economy companies in Greater China.

Hina Group Fund VII, L.P. is an exempted limited partnership registered in the Cayman Islands, whose general partner is The Hina Group Holdings, which is affiliated with Hina Growth Opportunities Fund, L.P.. The limited partners of Hina Group Fund VII, L.P. include MARBLE CAPITAL PTE. LTD., Dong Xianshun, Chen Chuxin and Zhang Wei.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Mirae Asset New Economy Fund L.P.

Mirae Asset New Economy Fund L.P. is an exempted limited partnership registered in the Cayman Islands whose general partner is Mirae Asset General Partners. Mirae Asset Securities (HK) Limited holds 30% or more limited partnership interests in Mirae Asset New Economy Fund L.P. The shareholder of Mirae Asset Securities (HK) Limited is Mirae Asset Securities Co Ltd. which is a company listed on the Korea Exchange (stock code 006800). Mirae Asset New Economy Fund L.P. mainly invests in growth stage companies in healthcare, consumer, telecommunications, media and technology (TMT) sectors in Greater China.

Shanghai Xing Tou Han Rui Corporate Management Centre (Limited Partnership) (上海興投漢睿企業管理中心(有限合夥))

Shanghai Xing Tou Han Rui Corporate Management Centre (Limited Partnership) is a limited partnership established in March 2021 in the PRC with Zhuhai Hanrui Investment Management Limited Liability Company (珠海漢睿投資管理有限責任公司) and Xing Tou (Beijing) Capital Management Limited Company (興投(北京)資本管理有限公司) and Fuzhou Economic Technology Development Area Xingrui Hesheng Equity Investment Partnership (Limited Partnership) (福州經濟技術開發區興睿和盛股權投資合夥企業(有限合夥)) acting as the limited partner, and Zhuhai Hanrui Investment Management Limited Liability Company as the managing partner.

Shenzhen HanNeng New Economy Equity Investment Fund Corporation (Limited Partnership) (深圳漢能新經濟股權投資基金合夥企業(有限合夥))

Shenzhen HanNeng New Economy Equity Investment Fund Corporation (Limited Partnership) is a limited partnership established in October 2018 in the PRC with Shenzhen Qianhai Hanrui Investment Center (Limited Partnership) (深圳前海漢睿投資中心(有限合夥)) acting as the general partner and Shenzhen Qianhai Hanrui Investment Center (Limited Partnership), Xixian New District Hanneng Investment Partnership (西鹹新區漢能投資合夥企業(有限合夥)), Jiaxing Xunran Equity Investment Partnership (Limited Partnership) (嘉興循然股權投資合夥企業(有限合夥)), Jiaxing Hanrui Equity Investment Partnership (Limited Partnership) (嘉興翰睿股權投資合夥企業(有限合夥)), Jiangsu Gaokai Investment Development Group Limited (江蘇皋開投資發展集團有限公司), Liu Kaiyang, Lhasa Economic Technology Development Area Xinzhan Investment Center (Limited Partnership) (拉薩經濟技術開發區新展投資中心(有限合夥)), Tibet Kuoda Investment Management Consultancy Co., Ltd. (西藏闊達投資管理諮詢有限公司) and Huang Haihui as limited partners.

JC International Company Limited

JC International Company Limited is an investment company with a focus on investment in early stage companies. It is incorporated in the BVI and jointly owned by Tanglin Chen and Yinjie Guan.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Grand Sunshine Holdings Limited

Grand Sunshine Holdings Limited is an investment holding company incorporated in the BVI and is wholly owned by Zhang Xiaoming, who is also the sole director of Grand Sunshine Holdings Limited.

Commonfund Capital

Commonfund Capital is part of Commonfund, a group of companies owned directly or indirectly by The Common Fund for Nonprofit Organizations (“TCF”). TCF is a tax-exempt membership corporation that offers investment fund interests to certain eligible educational and educational support organizations. As of June 30, 2020, Commonfund Capital manages approximately \$16,118,760,892 of committed capital on a discretionary basis and approximately \$100,000,000 of committed capital on a non-discretionary basis.

CEC Healthcare Fund L.P.

CEC Healthcare Fund L.P. is an exempted limited partnership registered in the Cayman Islands, whose general partner is CEC Healthcare Fund GP Limited, which is affiliated with China eCapital Holdings Ltd.. CEC Healthcare Fund L.P. primarily invests in growth stage healthcare companies in Greater China. CEC Healthcare Fund L.P. has 10 limited partners and no single limited partner owns 30% or more in equity interests thereof. The largest limited partner is Glory Bright International Limited, which holds 25.7% of the equity interest in CEC Healthcare Fund L.P. and is ultimately controlled by Zhong Shi.

Each of our individual investors, namely HU Xiaofei, CAI Patrick, CHU Sze Pun, LI Yanming, SHI Yaping, ZHANG Yi Kevin and ZHANG Xiaoming, is an Independent Third Party and was introduced to our Group by Mr. Zou’s acquaintances. Mr. Hu Xiaofei is a retired person. Before his retirement, he was the general manager of the sales department of China Galaxy Securities Chongqing Linjiang Road Branch (中國銀河證券重慶臨江路營業部) and has personal connection with the management team of the Company. CHU Sze Pun is the sole shareholder of CSP Venture Holdings Ltd.. LI Yanming is the spouse of DANG Xinhua. SHI Yaping is the spouse of MA Chen. Zhang Xiaoming is the sole director of Grand Sunshine Holdings Limited. Each of CSP Venture Holdings Ltd., DANG Xinhua, MA Chen, CAI Patrick, ZHANG Yi Kevin, ZHANG Xiaoming and Grand Sunshine Holdings Limited is a Series A pre-IPO Investor of our Company.

Save as disclosed above, to the best knowledge of the Directors, all the Pre-IPO Investors are independent from the Group and none of the Pre-IPO Investors is a core connected person of the other investors.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Public Float

Since Rise Day Holdings Limited, Beier Holdings Limited and Mingda International Limited are wholly owned by Mr. ZOU Qifang, who is a Director of the Company, the Shares held by Mr. ZOU Qifang, Rise Day Holdings Limited, Beier Holdings Limited and Mingda International Limited will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing. Since the voting rights in aggregate of approximately 20.63% immediately upon completion of the Global Offering of the ESOP BVI is held by Mr. Zou by way of proxy, Shares held by the ESOP BVI will also not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

As Ms. Qin Jessie XIN is also a Director of the Company, the Shares held by her will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

Except for Mr. ZOU Qifang, Rise Day Holdings Limited, Beier Holdings Limited, Mingda International Limited, Ms. Qin Jessie XIN and the ESOP BVI, none of the other Shareholders (i) is a core connected person of the Group; (ii) has been financed directly or indirectly by a core connected person of the Group for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of the Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her/its name or otherwise held by him/her/it, therefore the Shares held by other shareholders representing approximately 60.24% of our issued share capital immediately following the Global Offering (assuming the Over-allotment Option is not exercised) will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the Listing.

Compliance with Guidance Letter on Pre-IPO Investments

The Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The table below sets forth a summary of the shareholding of our shareholders in the Company as of the Latest Practicable Date:

Our Shareholders	Class 1 Ordinary Shares ⁽⁵⁾	Class 2 Ordinary Shares ⁽⁵⁾	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D-1 Preferred Shares	Series D-2 Preferred Shares	Series D-3 Preferred Shares	Series E Preferred Shares	Total number of shares held by Shareholder ⁽¹⁾	Shareholding in our Company as of the Latest Practicable Date ⁽²⁾	Shareholding in our Company upon completion of the Global Offering ⁽²⁾⁽³⁾
ESOP BV ⁽²⁾	4,798,904	-	-	-	-	-	-	-	-	-	4,798,904	22.42%	20.63%
RISE DAY HOLDINGS LIMITED	1,206,841	-	-	-	-	-	-	-	-	-	1,206,841	5.64%	5.19%
Mingda International Limited	-	740,000	-	-	-	-	-	-	-	-	740,000	3.46%	3.18%
Beier Holdings Limited	396,827	-	-	-	-	-	-	-	-	-	396,827	1.85%	1.71%
ZOU Qiang	-	196,659	-	-	-	-	-	-	-	-	196,659	0.92%	0.85%
Elbrus Investments Pte. Ltd.	-	-	-	-	-	-	-	-	-	2,329,507	2,329,507	10.88%	10.01%
Total Success Investment Ltd.	-	-	-	2,209,156	-	-	-	-	-	-	2,209,156	10.32%	9.50%
BROAD STREET INVESTMENTS HOLDING (SINGAPORE) PTE. LTD.	-	-	-	-	-	831,020	-	637,760	-	-	1,468,780	6.86%	6.31%
STONEBRIDGE 2017 (SINGAPORE) PTE. LTD.	-	-	-	-	-	166,204	-	127,532	-	-	293,736	1.37%	1.26%
KPCB CHINA FUND, L.P.	-	-	-	-	465,254	791,004	-	-	-	-	1,256,258	5.87%	5.40%
KPCB CHINA FOUNDERS FUND, L.P.	-	-	6,142	-	47,356	29,540	-	-	-	-	83,038	0.39%	0.36%
KPCB China Management Fund, L.P.	-	-	20,778	-	-	-	-	-	-	-	20,778	0.10%	0.09%
Qiming Venture Partners II, L.P.	-	-	859,107	-	217,012	-	-	-	-	-	1,076,119	5.03%	4.63%
Qiming Venture Partners II-C, L.P.	-	-	75,228	-	19,002	-	-	-	-	-	94,230	0.44%	0.41%
Qiming Managing Directors Fund II, L.P.	-	-	12,502	-	3,158	-	-	-	-	-	15,660	0.07%	0.07%
HH AGL Holdings Limited	-	-	-	-	-	-	498,612	-	598,334	-	1,096,946	5.13%	4.72%
Infinite Benefits Limited	-	-	-	-	-	-	-	-	598,334	-	598,334	2.80%	2.57%
Worldwide Healthcare Trust PLC	-	-	-	-	-	-	-	-	-	451,921	451,921	2.11%	1.94%
Hina Group Fund VII, L.P.	-	-	-	-	-	-	-	-	-	231,555	231,555	1.08%	1.00%
Hina Growth Opportunities Fund, L.P.	-	-	-	-	-	-	-	-	-	215,200	215,200	1.01%	0.93%
WF Asian Reconnaissance Fund Limited	-	-	-	-	-	-	-	-	-	430,400	430,400	2.01%	1.85%
Elite Capital Limited	-	-	-	-	-	315,593	-	-	-	-	315,593	1.47%	1.36%
MIRAE ASSET NEW ECONOMY FUND L.P.	-	-	-	-	-	-	-	-	-	215,200	215,200	1.01%	0.93%
OrbiMed New Horizons Master Fund, L.P.	-	-	-	-	-	-	-	-	-	107,600	107,600	0.50%	0.46%
OrbiMed Genesis Master Fund, L.P.	-	-	-	-	-	-	-	-	-	86,080	86,080	0.40%	0.37%
HU Xiaofei ⁽⁶⁾	-	170,418	-	-	-	-	-	-	-	-	170,418	0.80%	0.73%
上海聚投漢業管理中心(有限合伙) (Shanghai Xing Tou Han Rui Corporate Management Centre (Limited Partnership))	-	-	-	-	-	-	-	-	-	-	165,475	0.77%	0.71%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Our Shareholders	Class 1 Ordinary Shares ⁽⁵⁾	Class 2 Ordinary Shares ⁽⁵⁾	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series C Preferred Shares	Series D-1 Preferred Shares	Series D-2 Preferred Shares	Series D-3 Preferred Shares	Series E Preferred Shares	Total number of shares held by Shareholder ⁽¹⁾	Shareholding in our Company as of the Latest Practicable Date ⁽²⁾	Shareholding in our Company upon completion of the Global Offering ⁽²⁾⁽³⁾
COMMON FUND CAPITAL VENTURE PARTNERS X, L.P.	-	-	-	-	-	94,677	-	-	-	-	94,677	0.44%	0.41%
Commonfund Capital Emerging Markets 2013, L.P.	-	-	-	-	-	63,120	-	-	-	-	63,120	0.29%	0.27%
JC International Company Limited	-	-	-	119,550	-	-	-	-	-	21,520	141,070	0.66%	0.61%
Grand Sunshine Holdings Limited	-	-	-	95,640	-	-	-	-	-	33,200	128,840	0.60%	0.55%
CAI Patrick	-	-	-	95,640	-	-	-	-	-	21,520	117,160	0.55%	0.50%
SHI Yaping	-	-	-	95,640	-	-	-	-	-	8,608	104,248	0.49%	0.45%
Yanning LI	-	-	-	95,640	-	-	-	-	-	-	95,640	0.45%	0.41%
CHU Sze Pun	-	-	-	95,640	-	-	-	-	-	-	95,640	0.45%	0.41%
ZHANG Yi Kevin	-	-	-	95,640	-	-	-	-	-	-	95,640	0.45%	0.41%
CEC Healthcare Fund L.P.	-	-	-	-	-	-	-	-	59,833	-	59,833	0.28%	0.26%
ZHANG Xiaoming	-	32,106	-	19,999	-	-	-	-	-	-	52,105	0.24%	0.22%
Mimic Limited ⁽⁴⁾	-	50,000	-	-	-	-	-	-	-	-	50,000	0.23%	0.21%
深圳德能諾嘉股权投资基金合伙企业(有限合伙) (Shenzhen HanXiang New Economy Equity Investment Fund Corporation (Limited Partnership))	-	-	-	-	-	-	-	-	-	-	33,370	0.16%	0.14%
Total	6,402,572	1,189,183	973,757	713,389	751,792	3,503,090	1,495,836	765,312	1,256,501	4,351,156	21,402,578	100%	92.00%

Notes:

- (1) Calculated on an as-converted basis without taking into account the Share Subdivision.
- (2) The ESOP BVI was established on July 21, 2021 as a platform to hold the underlying incentive shares in a total amount of 4,798,904 Class 1 Ordinary Shares. Such incentive Shares are to be issued and granted to eligible participants under the RSU Scheme, subject to relevant approval from the Board and/or Shareholders.
- (3) Assuming the Over-allotment Options is not exercised.
- (4) Mimic Limited is a BVI company wholly owned by an independent trustee entrusted by Ms. Qin Jessie XIN, one of our executive Directors, for a family trust established for the benefits of Ms. Xin and her family members. Her shareholding was approved by the Board and relevant Shareholders in July 2015 (followed by re-designation of Shares during subsequent Pre-IPO Investments) as an incentive for her contribution to the Group.
- (5) Class 1 Ordinary Shares have the same rights as Class 2 Ordinary Shares except for the liquidation preference right, of which Class 1 Ordinary Shareholders shall have priority over Class 2 Ordinary Shareholders in case of occurrence of any liquidation event. Such liquidation preference will be canceled and all the Class 1 and Class 2 Ordinary Shares will be converted into Shares on a one to one basis by way of re-designation on the Listing Date.
- (6) Hu Xiaofei first invested in our Company as a pre-IPO investor on January 29, 2016.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

Our PRC Legal Advisers confirms that as of the Latest Practicable Date, each of our subsidiaries in the PRC had been duly established and all regulatory approvals and permits in respect of the share changes in the Reorganization of these subsidiaries, in so far as PRC laws are concerned, had been obtained in accordance with PRC laws.

M&A Rules

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, SAT, SAIC, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “**M&A Rules**”), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (1) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (2) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the “**Regulated Activities**”).

Furthermore, according to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/them, acquires a domestic company that is related to or connected with it/them, approval from MOFCOM is required.

As advised by our PRC Legal Advisers, the MOFCOM approvals under the M&A Rules are not required because Beijing Ruier, Beijing Kangtai Jianrui Dentistry Co., Ltd, Ruier Shengbin (Shanghai) Financial Leasing Co., Ltd and Zhuhai Ruier Investment Co., Ltd were established at the beginning as foreign-invested enterprises in the PRC, rather than become foreign-invested enterprises through merger or acquisition under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and whether the MOFCOM and other related government authorities would promulgate future PRC laws, regulations or rules contrary to the M&A Rules.

Notes:

- (1) On June 25, 2021, the Board has approved to set up a platform in the BVI to hold incentive shares in a total amount of 4,798,904 Ordinary Shares for the participants under an RSU Scheme adopted by the Company on August 3, 2021. The ESOP BVI is managed by an independent trustee entrusted by the Company and the voting rights is held by Mr. Zou by way of proxy;
- (2) Comprising: (i) Shares representing approximately 5.64%, 3.46% and 1.85% of the share capital of our Company held through Rise Day Holdings Limited, Mingda International Limited and Beier Holdings Limited, respectively, and (ii) Shares representing approximately 0.92% of the share capital of our Company held by Mr. Zou directly. On June 10, 2021, Mr. Zou transferred 1 share of Rise Day Holdings Limited, being the total share capital of it, to United Culture Assets Limited, which is a BVI company wholly owned by an independent trustee entrusted by Mr. Zou. A family trust was established over United Culture Assets Limited for the benefits of Mr. Zou and his family members accordingly, of which Mr. Zou acts as the protector and settlor;
- (3) Including BROAD STREET INVESTMENTS HOLDING (SINGAPORE) PTE. LTD. and STONEBRIDGE 2017 (SINGAPORE) PTE. LTD.;
- (4) Including KPCB CHINA FUND, L.P., KPCB CHINA FOUNDERS FUND, L.P. and KPCB China Management Fund, L.P.;
- (5) Including Qiming Venture Partners II, L.P., Qiming Venture Partners II-C, L.P. and Qiming Managing Directors Fund II, L.P.;
- (6) the remaining 15% equity interest is held by Chengdu Huaxi Dental Implant Hospital (成都華西牙種植醫院) (currently known as Chengdu Anyu Dental Implant Hospital Co. Ltd. (成都安玉牙種植醫院有限公司)), a third party independent to the Company;
- (7) the remaining 12% equity interest is held by Chongqing Ruibang Xingtai Hospital Management Center (Limited Partnership) (重慶瑞邦興泰醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. HU Xing, who is our senior management;
- (8) the remaining equity interest is held by AN Lu (安聯) and Fan Wenwu (樊文武) as to 18% and 15%, respectively. AN Lu is a third party independent to the Company and Fan Wenwu is an employee of the Group;
- (9) the remaining 30% equity interest is held by XIE Hongwei (謝宏偉), an employee of the Group;
- (10) the remaining 20% equity interest is held by SUN Jindong (孫勁東), an employee of the Group;
- (11) the remaining 20% equity interest is held by Chengdu Hospital Management Center (Limited Partnership) (成都瑞勃文醫院管理中心(普通合夥)), a limited partnership set up by some employees, including Mr. QU Bo and Mr. HU Yunfan, who are senior management of the Company;
- (12) the remaining equity interest is held by CAO Guodong (曹國棟) and HU Meirong (胡美榮) as to 15% and 25%, respectively. CAO Guodong is an employee of the Group and HU Meirong is his spouse;
- (13) the remaining equity interest is held by CAO Guodong and HU Meirong as to 20% and 10%, respectively. CAO Guodong is an employee of the Group and HU Meirong is his spouse;

- (14) the remaining 25% equity interest is held by LI Jianye (李建業), an employee of the Group;
- (15) the remaining 40% equity interest is held by XIAO Xiang'an (肖湘安) and XIE Yueshi (謝躍世). XIAO Xiang'an is a third party independent to the Company and XIE Yueshi is an employee of the Group;
- (16) the remaining 40% equity interest is held by XIAO Xiang'an and XIE Yueshi. XIAO Xiang'an is a third party independent to the Company and XIE Yueshi is an employee of the Group;
- (17) the remaining 40% equity interest is held by SUN Chaohui (孫朝輝), an employee of the Group;
- (18) the remaining 40% equity interest is held by Beijing Songbai Langqin Dental Clinic Co., Ltd. (北京松柏朗琴口腔診所有限公司), which was set up by the employees of the Group;
- (19) the remaining 48.78% equity interest is held by Dalian Hehe Zhuoer Technology Development Co., Ltd. (大連和和卓爾科技發展有限公司), which was set up by the employees of the Group;
- (20) the remaining 35% equity interest is held by Shanghai Zheyue Investment Management Co., Ltd. (上海喆悅投資管理有限公司), a third party independent to the Company;
- (21) the remaining 30% equity interest is held by SHAO Ying (邵瑛), an employee of the Group;
- (22) the general partner of Chongqing Ruikun Hospital Management Center (Limited Partnership), Chongqing Ruideng Hospital Management Center (Limited Partnership), Chongqing Ruiyu Hospital Management Center (Limited Partnership), Chongqing Ruirong Hospital Management Center (Limited Partnership), Chongqing Ruixin Hospital Management Center (Limited Partnership), Chongqing Ruihuan Hospital Management Center (Limited Partnership), Chongqing Ruizheng Hospital Management Center (Limited Partnership), Chongqing Ruichen Hospital Management Center (Limited Partnership) and Chongqing Ruiang Hospital Management Center (Limited Partnership), each of which is a limited partnership set up by some employees of the Group, is Chongqing Ruijing;
- (23) the general partner of Zhuhai Ruizhong Enterprise Management Partnership (Limited Partnership), Zhuhai Ruiju Enterprise Management Partnership (Limited Partnership) and Zhuhai Ruimao Enterprise Management Partnership (Limited Partnership), each of which is a limited partnership set up by some employees of the Group, is Beijing Ruiter;
- (24) the remaining 35% equity interest is held by Chongqing Ruixin Hospital Management Center (Limited Partnership) as to 25% and Chongqing Ruirong Hospital Management Center (Limited Partnership) as to 10%, each of which is a limited partnership set up by some employees of the Group and with Chongqing Ruijing acting as the general partner;
- (25) the remaining 35% equity interest is held by Chongqing Ruihuan Hospital Management Center (Limited Partnership) as to 25% and Chongqing Ruirong Hospital Management Center (Limited Partnership) as to 10%, each of which is a limited partnership set up by some employees of the Group and with Chongqing Ruijing acting as the general partner;
- (26) the remaining 35% equity interest is held by Chongqing Ruizheng Hospital Management Center (Limited Partnership) as to 25% and Chongqing Ruirong Hospital Management Center (Limited Partnership) as to 10%, each of which is a limited partnership set up by some employees of the Group and with Chongqing Ruijing acting as the general partner;
- (27) the remaining 35% equity interest is held by Chongqing Ruichen Hospital Management Center (Limited Partnership) as to 25% and Chongqing Ruiyu Hospital Management Center (Limited Partnership) as to 10%, each of which is a limited partnership set up by some employees of the Group and with Chongqing Ruijing acting as the general partner;
- (28) the remaining 49% equity interest is held by ZHANG Chaobiao (張朝標), a third party independent to the Company; and
- (29) the remaining 20% equity interest is held by Hainan Yongrui Enterprise Management Center (Limited Partnership) (海南雍瑞企業管理中心(有限合夥)), a third party independent to the Company.

BUSINESS

OUR MISSION

Our mission is to give each of our patients a healthy and confident smile.

VISION

Our vision is to become a world-leading dental group.

OVERVIEW

We were the largest dental services provider in the premium private dental service market in China in terms of total revenues in 2020, according to Frost & Sullivan, and also the third largest dental services provider in the overall private dental services market in China in terms of revenues during the same period. Founded in 1999, we have served patients in approximately 7.4 million visits in the past ten years, and have been instrumental in raising public awareness and driving consumer recognition of the importance of dental care and good oral hygiene in China. We have become a leading dental services group and have established a nationwide footprint in China, operating both Arrail Dental, a leading premium dental services brand, and Ryttime Dental, a middle-end dental services brand. According to Frost & Sullivan, premium dental services generally refer to comprehensive and highly customized dental services targeting the upper market with listed prices at least 25% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals, while middle-end dental services generally refer to comprehensive dental services tailored to the middle and upper markets with listed prices approximately 10% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals.



Arrail Dental 瑞爾齒科

51 dental clinics primarily in Tier-1 cities as of September 30, 2021



Ryttime Dental 瑞泰口腔

7 dental hospitals and 53 dental clinics primarily in Tier-1 and key Tier-2 cities, including Beijing, Shanghai, Chengdu, Chongqing, as of September 30, 2021

We have been providing dental services since we opened our first Arrail Dental clinic in 1999. We offer a diverse range of professional, personalized dental services spanning (i) general dentistry; (ii) orthodontics; and (iii) implantology. Through decades of commitment and endeavors in the dental healthcare industry, we have earned the trust of our patients. In addition, our repeat visit rates, defined as the percentage of patients that revisited our clinics or hospitals beyond six months after their initial visits and exclude follow-up consultations of the same treatment, were 42.1%, 41.4%, 45.8% and 47.6% in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

BUSINESS

We have successfully established an extensive presence in China, and are continuing to expand our footprint nationwide. As of September 30, 2021, we operated 111 hospitals and clinics, including four clinics in Changsha operated under exclusive consultation and service agreements, providing mid- to high-end dental care services in 15 predominantly Tier-1 and Tier-2 cities across China, with 882 experienced dentists. We have established this dental network through both organic growth and strategic acquisition, to systematically and effectively open and ramp up new clinics, as well as maintain and improve revenues and profitability at fully-fledged clinics.

We firmly believe that our corporate culture plays a significant role in ensuring the scalability of our business model and the consistency of our service quality. Since our inception, we aim to cultivate a service-oriented culture and incorporate our key values of “integrity, professionalism and being a good person” into our day-to-day operation. We also believe that our corporate culture enables our dentists and our staff to collaborate effectively and provide superior service to our patients. Our business philosophy is to provide “Proper Treatment”, which we define as most suitable and medically necessary treatment, for each of our patients. In order to ensure that our conduct is in accordance with our culture, we have developed a series of management framework, protocols and infrastructure to guide our daily operations.

We attribute our premier market position to the quality of our dental care services and our attentiveness to patient experience, owing to (i) our management philosophy and operating model, which enables us to deliver consistent patient care, an advantage that we have established through over two decades of practice in our industry, and (ii) our large, growing and high-caliber team of dentists with expertise and qualifications in a variety of therapeutic areas. We understand the importance of talent acquisition and development in our industry, and have developed a robust system and proven strategy focused on recruiting, training, career progression and value sharing with our dentists. At the same time, we implement a standardized and digitalized platform model spanning across medical quality control, SaaS systems for dental operations, procurement, medical records management and patient relationship management to empower dentists to provide high-quality dental services to patients in an efficient and consistent manner across hospitals and clinics.

We have formulated a dual-brand strategy with our Arrail and Rytime brands to offer clear and distinctive value propositions to patients of different economic and geographic background. We believe that operating complementary brands and providing differentiated pricing enable us to expand rapidly in a variety of regions and locations, and tap into a more diverse patient pool to fuel further growth.

- *Arrail.* Arrail Dental is a leading premium dental services brand in China and targets affluent patients with high purchasing power and greater lifetime value, primarily in Tier-1 cities. Arrail clinics are able to charge premium pricing based on their excellent quality of dental services and patient care. As of September 30, 2021, most of our clinics under the Arrail brand are located at prime commercial locations and Class A office buildings.

BUSINESS

- *Rytime.* Rytime Dental is our fast-growing brand targeting middle-class consumers primarily in Tier-1 and key Tier-2 cities across a broader geographic reach. Rytime is positioned to capture the greater middle-end dental services market by offering high-quality dental services at more affordable prices. We have achieved particular success with Rytime hospitals in attracting substantial patient flow and realizing economies of scale through offering a broad spectrum of dental specialties at a single location. As of September 30, 2021, we operated 7 hospitals and 53 clinics under the Rytime brand, most of which were located in densely populated residential areas.

Over the past two decades, we have developed a growing and loyal customer base. Our customers are primarily individual patients, and to a lesser extent, corporate clients such as corporations, industry-leading banks and insurance companies who provide dental care benefits to their employees and/or customers. For fiscal 2021 and the six months ended September 30, 2021, revenues generated from individual patients remained steady at 93% of our total revenues, respectively.

We are well positioned to capture the enormous market opportunities in China, especially in the premium market, leveraging our market leadership and deep understanding of China's private dental services market. Our growth is supported by powerful drivers such as increasing disposable income of the Chinese population, increasing per capita expenditure on healthcare services, rising awareness for dental health and aesthetics and favorable government policies. As a result, our business experienced rapid growth during the Track Record Period. According to the Frost & Sullivan Report, the market size of private dental services market in China increased from RMB43.3 billion in 2015 to RMB83.1 billion in 2020 with a CAGR of 13.9%, and is expected to further expand and reach RMB241.4 billion in 2025, representing a CAGR of 23.3% during the forecast period. Notably, the market size of premium private dental services market increased from RMB1.3 billion in 2015 to RMB2.6 billion in 2020, representing a CAGR of 15.2%. Along with the continuous growth in household disposable income, and commercial health insurance coverage for dental conditions, premium dental services with higher service standards, greater customization and more privacy become increasingly attractive. The underserved demand for high-quality dental services indicates a sizable underpenetrated private dental services market in China.

Our revenues continued to grow during the Track Record Period. Our revenues were RMB1,080.3 million in fiscal 2019, RMB1,099.9 million in fiscal 2020, and grew significantly to RMB1,515.1 million in fiscal 2021. Our revenues increased from RMB720.3 million for the six months ended September 30, 2020 to RMB841.3 million for the six months ended September 30, 2021. We had net losses of RMB304.2 million, RMB325.8 million, RMB597.8 million in fiscal 2019, 2020 and 2021, respectively. We had a net loss of RMB464.2 million in the six months ended September 30, 2021, compared to a net loss of RMB187.9 million in the same period in 2020, primarily due to the impact of the losses from changes in fair value of our convertible redeemable preferred shares, bond, and warrants and certain one-off expenses we incurred during such periods.

OUR STRENGTHS**Largest Premium Dental Services Group in China and Pioneer of China's Private Dental Care Market with Nationwide Footprint**

We were the largest dental services provider in the premium private dental service market in China in terms of total revenues in 2020, according to Frost & Sullivan, and also the third largest dental services provider in the overall private dental services market in China in terms of revenues during the same period. Since our inception, our team has grown to 882 experienced dentists who have completed nearly 7.4 million total patient visits over the past decade. As a pioneer in China's dental services industry, we have provided dental services to patients for over two decades, and have been instrumental in driving consumer recognition of the importance of dental care and good oral hygiene in China. In addition, we were also an early mover in China in adopting four-handed dentistry and ADA standards for sterilization and disinfection of dental instruments. Four-handed dentistry refers to a dental practice where a nurse works alongside each dentist to streamline the treatment process for patients. In public hospitals, a nurse typically works with multiple dentists and mainly performs basic tasks such as maintaining dental equipment and preparing treatment materials and supplies. In contrast, our designated nurses work closely with one dentist to provide professional medical support more attentively and respond to patient requests more quickly as they undertake important responsibilities such as saliva suction and emotional reassurance for patients, allowing our dentists to focus on the core dental treatment. Four-handed dentistry enhances treatment quality and improves patient experience. In addition, smooth cooperation between our dentists and their designated nurses ensures better infection control. Particularly, timely evacuation of infectious agents, such as saliva or blood of patients contained in the water mist produced by ultrasonic dental machinery during dental procedures, significantly lowers the possibility of contamination in the surgery. As a result, our practice of four-handed dentistry further allows us to ensure patient safety and deliver quality treatment for our patients.

We have become a leading dental services group in China, operating both Arrail, a leading premium dental services brand, and Rytime, a middle-end dental services brand. As of September 30, 2021, we operated 111 hospitals and clinics, including four clinics in Changsha operated under exclusive consultation and service agreements, providing mid- to high-end dental care services in 15 predominantly Tier-1 and Tier-2 cities across China, comprising a vast network providing high-quality dental services to a variety of markets in China. Arrail is a brand targeting affluent consumers with high purchasing power and greater lifetime value, and is able to charge premium prices. At the same time, we have leveraged our core competencies to build Rytime, a fast-growing brand that is positioned to capture a large piece of the greater middle-end dental services market at attractive prices with quality services. As of September 30, 2021, our platform, with its many operational and supporting benefits, enabled our 882 dentists to provide high-quality dental care. As a leading private dental services provider in China, our Arrail and Rytime brands have become widely associated with high-quality dental services.

BUSINESS

Our business scale has provided us with a virtuous cycle. As a result of our leadership in the premium dental care services sector, long operating history and consistent service quality across hospitals and clinics, we have built a high-caliber team of dentists and a highly loyal and growing patient base. The consistent business flow and data generated from our customers and the volume of our patient visits provide us with greater brand recognition and pricing flexibility. This in turn allows us to further enhance our core competencies, such as recruiting and developing talent, developing and improving our operating systems, platforms and procedures, which further empowers dentists to better service our patients and thus begins the cycle again.

Experienced Team of Dentists and Robust Talent Development Framework

We have established a large, high-quality team of 882 dentists with expertise and qualifications in a variety of therapeutic areas, including general dentistry, orthodontics, and implantology. As of September 30, 2021, over 50.7% of our full-time dentists had master's degrees or above, and many held titles and qualifications such as chief medical director and medical discipline leader. Our team of dentists have on average 10.2 years of post-qualification experience in the industry.

We understand the importance of talent acquisition and development in our industry, and have developed a robust system focused on recruiting, training, career progression and value sharing for our dentists, as set out below:

- *On-campus and ongoing recruiting.* We are among the first dental services providers to conduct on-campus recruitment of fresh graduates from top-ranked dental schools. By doing so, we can instill our service standards and philosophy in their practices from the very beginning of their careers and foster their loyalty to us. Benefiting from the strength of our brand and capabilities, we have maintained long-standing relationships with schools such as Peking University School of Stomatology, Sichuan University West China School of Stomatology and Capital Medical University.

We also recruit experienced dentists, primarily from public hospitals, who are well-versed in handling a broad range of patient conditions. We believe our business scale and leadership in premium dental services segment has made us an employer of choice for dentists planning to join the private sector.

- *Training.* We provide comprehensive training to our dentists, including case studies, technical training courses, peer review sessions and sponsorships for our dentists to attend domestic and international dental conferences. We also collaborate with reputable medical institutions in China and abroad to provide our dentists with the best resources and information and allow them to keep up with the latest trends in dentistry and orthodontics. For example, we have sent approximately 20 of our dentists to the School of Dental Medicine at the University of Pennsylvania for exchange and learning programs since the inception of such programs in 2013. In

addition, we collaborate with Peking University School of Stomatology to set up the Arrail Scholarship Program and provide sponsorship to qualified candidates. The evaluation criteria of our Arrail Scholarship Program primarily include quality of clinical service, customer satisfaction and medical professionalism and ethics, which are in line with our key values of “integrity, professionalism and being a good person”. The Arrail Scholarship Program helps us to attract and retain dentists by providing financial support for dental talents at the beginning of their careers, reinforcing our brand awareness in the dental industry.

- *Career progression.* We provide meaningful and structured career paths and progression opportunities to our dentists. Our dentists can choose (i) our technical track and grow into expert dentists focusing on dentistry skills, advanced procedures and complex patient cases, or (ii) our management track and grow into a management role as a medical director overseeing clinic operations. We believe that this flexible career progression system has significantly improved our retention rate.
- *Arrail Partnership.* Our Arrail Partnership system enables us to attract, retain and promote talented professionals who share our values and have interests aligned with ours. The Arrail Partnership system is structured by allowing qualified dentists which we refer to as partner dentists to make capital contribution to a hospital or clinic and thus become its shareholders. Remuneration package for our partner dentists mainly comprises base salary, dividend payments according to their percentage shareholding in the hospital or clinic and additional performance-based bonuses. Our partner dentists are entitled to reward their employees with discretionary incentives, subject to our limitations on the overall personnel costs, and have discretion to procure dental equipment and materials from their preferred suppliers to the extent permitted by our internal policies. We believe that the Arrail Partnership system allows us to considerably improve morale of our dentists with attractive incentives and is conducive to cultivate and realize their potential in operation and management activities. Since the adoption of the Arrail Partnership, 17 dentists have become partner dentists who have led the hospitals and clinics managed by them to achieve significant growth. The hospitals and clinics managed by our partner dentists on average achieved a rapid revenue growth of 92% from fiscal 2020 to fiscal 2021, substantially higher than the average revenue growth of 38% of our overall dental network during the same periods.

The framework described above equip our dentists with top-notch resources and attractive economic incentives, both enabling and encouraging them to provide the best quality of services to our patients, resulting in high productivity and retention for our team. This is evidenced by the substantial increase in productivity of our dentists along with their career progression with us. The average monthly revenue per dentist who joined us in 2016, 2017, and 2018 during each calendar year grew at a CAGR of 43%, 54%, and 30%, during the five, four, and three-year period, respectively. Dentists with more than five, ten and fifteen years of experience with us accounted for 31.9%, 11.2% and 4.8% of our total dentists, indicating strong retention rates.

Leading Dental Services Group with Large and Loyal Patient Base

As China's leading private dental services provider, our Arrail and Rytime brands have become widely associated with high-quality dental services in China. As of September 30, 2021, we operated 111 hospitals and clinics, including four clinics in Changsha operated under exclusive consultation and service agreements, providing mid- to high-end dental care services in 15 predominantly Tier-1 and Tier-2 cities across China, comprising a vast network providing high-quality dental services to a variety of markets in China.

We have formulated a dual-brand strategy to target different markets, as set forth below:

- *Arrail.* Arrail is a leading premium dental services brand in China and targets affluent consumers with high purchasing power and greater lifetime value, primarily in Tier-1 cities. Arrail clinics are able to charge premium pricing based on their excellent quality of bespoke service and professionals. As of September 30, 2021, we operated 51 clinics under the Arrail brand, most of which were located at prime commercial locations and Class A office buildings.
- *Rytime.* Rytime is our fast-growing brand targeting new middle-class consumers primarily in Tier-1 and key Tier-2 cities across a broader geographic reach. Rytime is positioned to capture the greater middle-end dental services market by offering high-quality dental services at more affordable prices. We leverage the more accessible Rytime brand to introduce a greater number of consumers to the importance of good dental hygiene, offering a variety of dental services which typically start from cleanings and routine check-ups and might lead to greater cross-selling opportunities once customers become more aware of dental health and aesthetics. We have achieved particular success with Rytime hospitals in realizing economies of scale and through offering a broad spectrum of dental specialties at a single location. As of September 30, 2021, we operated 7 hospitals and 53 clinics under the Rytime brand, most of which were located in residential areas.

We believe that operating complementary brands and providing differentiated services enable us to expand rapidly in a variety of regions and locations. Leveraging the premium status of the Arrail Dental brand and our management expertise, we are able to ramp up the operations of clinics newly added to our dental network at a strong pace, and attract and retain the top dentists.

Our brand was originally founded to provide premium dental services to patients across China, and we are committed to promoting the "Arrail Way" by following our standardized procedures and actively implementing our 5S initiatives ("Sort, Straighten, Sweep, Standardize, and Sustain") at all times in order to deliver a superior patient experience. In addition, we strive to provide patients with comprehensive coverage on dental care services, offering treatments ranging from basic dental cleaning to complex integrated orthodontic, denture and implant procedures in one location, which allows us to maximize patient long-term value. Furthermore, as good dental health is a lifelong effort, we endeavor to cover the full

lifecycle of our patients, offering dental care services for patients from babies to the elderly. Through these diversified services, our patients usually regard us as their one-stop platform for dental care, and we can continue to deepen patient relationships, enhance patient stickiness and strengthen barriers to entry for new market entrants, resulting in increased average order value and patient lifetime value.

Finally, the quality of the services associate with our brands is well recognized by our patients. As a result, we have built a highly loyal and growing patient base, evidenced by 1,063,562, 1,076,054, 1,371,046 and 805,049 total patient visits in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. In addition, our repeat visit rates, defined as the percentage of patients that revisited our clinics or hospitals beyond six months after their initial visits and exclude follow-up consultations of the same treatment, were 42.1%, 41.4%, 45.8% and 47.6% in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. The long-standing, trusting relationships that we have developed with loyal patients have led to an increasing number of new patients being sourced from recommendations from our existing patients, reducing our patient acquisition costs. In fiscal 2021, approximately 22% of our new patients were introduced through recommendations from existing patients. In addition, we have also established long-standing relationships with corporate clients, as well as industry-leading banks and insurance companies, to further expand our potential patient base.

Standardized, Platform-based Operating Model to Ensure Service Quality and Operational Efficiency

We are one of the few platform-based dental services providers with meaningful scale in China. Our hospital and clinic network is supported by our standardized operating procedures and systems and robust digital infrastructure that empowers all of our clinics across China in various aspects of our business operations, ensuring consistent service quality and operational efficiency. Furthermore, the standardization and digitalization of our business platform provides scale advantages across various aspects of dental care operations that can be leveraged by our dentists, hospitals and clinics, as described below:

- *Medical quality control.* Patient safety is our utmost priority. We implement and require all of our hospitals and clinics to adhere to a set of clear compliance guidelines and standard operating procedures on medical quality control to deliver superior dental care. In addition, we have protocols in place to evaluate and review each procedure and treatment that was given to a patient. We also categorize procedures by risk and complexity and have different levels of procedures and standards for each category.
- *SaaS platform for dental operations.* We have developed robust, customized operation systems, such as our operations SaaS platform and medical quality management system, provide us with versatility to support business operations across different brands, regions, organizational structures and service offerings.

BUSINESS

These systems enable speedy openings and ramp-up of new clinics, as well as seamless integration of acquired clinics under centralized management. They also ensure our platform's compatibility for data interchange with other medical IT systems.

- *Supply chain and procurement.* We have built a wide-spanning supply chain management and centralized procurement capabilities. These capabilities allow us to unlock hidden value in the supply chain, establish stronger bargaining power, and align suppliers' interests with ours as long-term partners, allowing us to procure the best-in-class dental equipment at optimal prices. In addition, since significant investment in devices and disposables is typically required in the dental services operation, we believe that our platform can provide optimal solutions to small-scaled dental hospitals and clinics for them to streamline their supply chain and procurement practices.
- *Medical records management.* Our electronic medical records, or EMR, system, allow us and our dentists to maintain accurate and easily-accessible records and information on our patients to ensure quality control and accumulate treatment data.
- *Patient relationship management.* We have a comprehensive patient relationship management system. Powered by our digitalization capabilities, we can analyze patient consumption history and use tools to maintain the patient visit stream and identify upselling opportunities for other dental and orthodontics services, such as appointment reminders to patients for regular treatments (such as dental cleanings) and electronic notifications on relevant service offerings, all of which allow us to further enhance both patient experience and clinic operational performance.
- *Training.* Our vigorous training platform provides approximately 300 online courses and 200 case studies covering a variety of topics, including standard operating procedures, new technical skills, management lectures and thematic training camps. This platform empowers our dentists to effectively utilize their spare time to conduct self-learning and further improve their skillsets.

Our platform-based operating model allows us to standardize various aspects of our operations to improve both patient experience and the operating capability of our dentists. In addition, as we continue to accumulate and analyze digital information from our day-by-day business activities, we can further improve our efficiency and operational knowledge. As a result of the foregoing, we have been able to provide our patients with quality dental care, as evidenced by our customer satisfaction rate of 97% and customer complaint rate of 0.016% during the Track Record Period.

Strong Track Record of Successful Expansion

As one of the first large-scale private dental services providers in China, we have over twenty years of experience and insights into our industry, which allows us to accumulate and expand our pool of highly professional personnel, industry know-how, operational expertise and business resources.

We have established a uniquely efficient operating model supported by our increasingly powerful brand, extensive experience in opening and operating dental hospitals and clinics, centralized operations and human resources management and standardized procedures. As a result, we are able to generate long-term sustainable growth in two ways:

- *Rapidly expand into new markets, acquire new patients efficiently and achieve profitability.*

We have a proven track record of successfully expanding our geographic footprint in both Tier-1 and Tier-2 cities to achieve rapid and sustainable growth through both organic growth and strategic acquisitions. The scalability and replicability of our business is evidenced by our ability to open new clinics within only six months of preparation and rapidly ramp up business to profitability. For example, we opened our first dental hospital in Chengdu in 2014, and have since added five additional clinics through December 31, 2020. Our Chengdu revenues have grown at a CAGR of 100% from fiscal 2015 to 2021, and the number of dental chairs in Chengdu has grown from 19 to 81 during the same period.

In addition, we are also highly experienced in and have a successful track record of identifying, acquiring and integrating high-quality, third-party dental clinics into our dental care network through implementing our operating model and systems to acquired clinics. We select acquisition targets based on their reputation, locations, existing pool of patients and operating optimization potential. We provide training to our new colleagues, upgrade their dental equipment and operational systems and instill our corporate culture. It typically takes us only three months to fully integrate newly acquired clinics. Post integration, acquired clinics typically witness improved business performance and operating efficiency, increased number of competent dentists and patient flows, and enhanced capability to provide quality dental services on a larger scale. For example, since we entered the Chongqing market in 2015 through the acquisition of ten clinics and subsequently opened one hospital and six clinics thereafter, we have achieved significant revenue growth, evidenced by revenue CAGR of 35% from fiscal 2016 to 2021, and the number of dental chairs in Chongqing within our network has grown from 80 to 217 during the same period.

- *Maintain strong revenue growth from existing clinic network.*

Existing clinics play an important role in our business ecosystem. The continuous operation of these clinics not only enhances our brand reputation and strengthens our leadership in premium dental care market, but also contributes operating knowhow and management insights that we can leverage to bring new clinics to profitability quickly.

Through patient loyalty programs, continuous training on service quality, upgrading managerial and operational systems and data analysis, we can continue to realize the untapped potential of our existing clinic networks. As of September 30, 2021, we had 58 hospitals and clinics that are our subsidiaries with over six years of operating history, which we categorize as fully-fledged hospitals and clinics. Average revenues per fully-fledged hospital and clinic increased by 34% from fiscal 2020 to fiscal 2021, demonstrating continuous growth potential of our existing clinic network.

Experienced and Visionary Management Team and Cohesive Corporate Culture

Our founder, Mr. ZOU Qifang, has decades of experience in the healthcare and management consulting industries with Smith, Kline & French (now part of GlaxoSmithKline), Bankers Trust and A.T. Kearney. This experience has provided Mr. Zou with the strategic vision to steer our growth into a leading dental care services provider in China. In addition, our management team has extensive knowledge and experience in both therapeutic areas and dental care operations, and is dedicated to bringing dental health to generations of Chinese families and taking our business to the next level.

The president of our medical operations, Professor ZHANG Jincai, is well-regarded as a leading dental expert, and has served as the 4th Council Vice President of the Chinese Stomatological Association as well as Chairman of the 4th Periodontology Professional Committee of the aforementioned association, elected in 2011. Professor ZHANG possesses extraordinary knowledge of dental practice, having obtained his Medical Ph.D. in 1989 from West China Medical Centre of Sichuan University and his post-doctorate from University of California, San Francisco in 1992, and served as a professor of Oral Medicine at West China Medical Centre since 1996. Prior to joining us, Professor ZHANG was the chairman of the board of Zhejiang Tongce Dental Medical Management Co., Ltd., a subsidiary of TC Medical (SHA: 600763).

Our vice-president, Mr. ZOU Jianlong, in his 22 years with us, has proven himself to have strong business, entrepreneurial and medical acumen, and has made extensive and meaningful contributions to the continuous expansion of our Group. As one of our most senior employees, Mr. Zou has been instrumental to our success since our founding. He served as the general manager and facilitated our initial expansion into the Shenzhen and Shanghai dental markets.

BUSINESS

In addition, he has taken a series of leadership roles in establishing and managing various departments, administrating a wide range of corporate matters, including marketing, human resources, investments, project management, and compliance.

Our management team's extensive and diverse experience in medical services, finance and business development has enabled us to develop and optimize our corporate structure, strategy making and management models.

We are also backed by the support of our shareholders, including well-known international institutions such as Temasek, Goldman Sachs, New Horizon, KPCB, and Qiming Venture Partners, who have been providing firm support and resources to facilitate our business growth. We are fully confident to further expand our business and achieve our mission of becoming a world-leading dental group.

In addition, we firmly believe that our cohesive corporate culture, guided by our core philosophy of "integrity, professionalism and being a good person", is the pillar of our success and essential in enabling us to strengthen long-term, trusting relationships with our patients, dentists and business partners. We are a strong believer in our corporate culture and are dedicated to serving our patients and maintaining a positive working environment at each of our hospitals and clinics with the utmost professionalism and care, putting the needs of our patients above all else. We are also committed to being a responsible corporate citizen, and are committed to improving communities around us through various initiatives such as Arrail Golf Charity Tournament and Rytme Charity Campus Tour.

OUR STRATEGIES

Continue to empower and train our team of dentists

We are committed to continuing to strengthen our leading team by retaining and training our professionals. We empower the dentists within our network primarily by implementing the following strategies:

- *Mentorship program.* We have established and will continue to improve our mentorship program whereby our dentists are paired with mentors who possess profound knowledge and industry experience. Our dentists can benefit from the mentoring program to advance their professional development.
- *Training base.* We will set up training bases at top universities offering professional courses, lectures and other activities, to support our dentists in maintaining and updating their skills and knowledge as they progress in their career.
- *Specialty excellence.* We aim to further improve our quality of care and service capabilities, and will continue to spend resources on promoting excellence in a variety of specialty areas, such as orthodontics and implantology, ensuring that our dentists are equipped with the latest knowledge and skills.

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- *Ongoing training initiatives.* Beyond our monthly technical trainings and academic conferences, we also intend to continue our existing collaboration with reputable dental institutions globally such as the University of Pennsylvania School of Dental Medicine, where we have ongoing programs to send our dentists as visiting scholars for further academic enrichment.
- *Online knowledge sharing and teaching platform.* We will continue to build our online knowledge sharing and teaching platform where our dentists can share practical skills and gain access to abundant resources for technical knowledge and skills training.

By making our training and development programs and other auxiliary services available to dentists across the country, we are able to empower more dentists in China and continue to improve the dental health of the population.

In addition to comprehensive training programs and competitive compensation, we offer our dentists optionality in their career path within dentistry. We also seek to continue to offer our dentists the ability to select between different tracks within our platform, including a technical track where our dentists focus on dentistry skills, complex cases and advanced procedures, as well as a management track where our dentists transit into a management role. By providing such optionality, we aim to provide our dentists with the ability to build their own career path, while ensuring we are able to motivate, retain and integrate highly qualified talents for all key areas of our business.

Enhance our brand awareness to expand customer reach

We intend to reinforce our brand building efforts in order to expand our customer reach, attract new customers and retain existing customers to further strengthen our leadership in dental services across China. We plan to implement our brand awareness strategy by continuing to pursue the following objectives:

- *Establish a comprehensive key opinion consumers, or KOCs, platform.* Given that KOCs play an important role in the era of social media, we aim to work with KOCs in order to not only promote our brand, but also raise awareness about the importance of dental health.
- *Establish Arrail Plus at upmarket locations.* We aim to continue to enhance our brand image and awareness through establishing flagship stores in Tier-1 cities under the brand Arrail Plus. By associating our brand with upmarket locations, we bring convenience to patients and emphasize the premium nature of our services. We plan to operate a membership model under Arrail Plus and provide a suite of more personalized services to upper market customers including (i) assigning a dedicated account manager to each member to ensure prompt responses and superior patient experience; (ii) allowing members to book experienced dentists of their choice with priority; (iii) delivering more comprehensive and customized treatment plans to

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cater the unique needs of each member; and (iv) offering individual instruments for each member. We expect Arrail Plus clinics to charge approximately 30% higher than Arrail Dental based on their upscale, more personalized services cater to affluent consumers with high purchasing power. Arrail Plus will target customers in premium dental services segment. The market size of premium dental services market grew from RMB1.29 billion in 2015 to RMB2.62 billion in 2020, representing a CAGR of 15.2%, and is expected to reach RMB7.49 billion by 2025, with a CAGR of 19.7%.

- *Strengthen our relationship and origination efforts with our corporate customers.* Leveraging on our existing market leadership, track record and reputation in the dental services industry, we intend to further deepen our relationship with our existing corporate customers, while cultivating new corporate relationships in order to broaden our customer reach.
- *Partnering with local communities and institutions.* We have strategically targeted local communities and corporates, in order to not only secure stable, recurring business, but also build our brand and reach a broad range of patients. We intend to continue exploring further partnership opportunities in the future as we continue to expand the scale of our brand.
- *Cohosting industry conference.* We have hosted industry conference to enhance our impact and footprint in the dental industry. Through these conferences, we aim to promote knowledge sharing and develop strong internal relations that we can leverage for opportunities, bringing value to our patients, dentists and the wider community.
- *Social responsibility initiatives.* As part of our corporate social responsibility effort, we have donated medical supplies to hospitals in Wuhan during the COVID-19 pandemic. In addition, we have cooperated with the China Oral Health Foundation to provide free dental services and dental care education to physically challenged children for over a decade. We plan to further increase our investment and involvement in various social responsibility and charity initiatives.

Improve Patient Experience

Our brand was originally founded to provide premium dental services to patients across the country, and as such, we are committed to continuing the “Arrail Way” by constantly following the standardized procedures and actively implementing our 5S initiatives (“Sort, Straighten, Sweep, Standardize, and Sustain”), to deliver superior patient experience. Our ultimate goal is to provide our patients with the best dental services and equipment available, in order to maximize their dental experience and increase the life-long value of a patient.

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We are focused on continuously upholding our high standards of care in our individual hospitals and clinics, broadening and upgrading our service offerings, continuously seeking opportunities to introduce new technologies and dental equipment, and offering continuous professional training for dentists in our platform.

Our dentists plays a key role in ensuring our business is of high standards. To further grow our dentist team, we will continue to find top talents through a variety of avenues, including on-campus recruitment at top-ranked dental schools and lateral hiring for competent experienced dentists primarily from public hospitals. We target to expand our dentist team by approximately 120 dentists through hiring a combination of experienced dentists and dental graduates in 2021.

Furthermore, we will take a multi-pronged approach with respect to our services:

- *CRM (customer relationship management).* We plan to continuously invest in and upgrade our CRM software to deepen connections with customers. We plan to launch our WeChat mini-program nationwide, and will continue to engage our customers in a more personalized and user-friendly manner.
- *Membership program.* Through developing a comprehensive membership program, we will offer a variety of benefits to our customers and enhance the overall patient experience. With our VIP members, we aim to provide value-added services such as dedicated customer service personnel and exclusive member events. Through our commitment to enhancing patient experience, we aim to not only provide the best services to our patients, but also foster customer loyalty with increased life-long value of a patient.

Strengthen Arrail presence in key gateway cities and expand Rytime network driven by organic growth and acquisitions

Leveraging our leading position in the dental services market in China, we intend to further expand our presence in existing cities and penetrate into new markets across the country to capitalize on the significant growth opportunity in China in the coming years.

We intend to continue to implement our dual-brand strategy through our Arrail Dental and Rytime Dental brands in order to expand rapidly in a variety of regions and locations, and tap into a more diverse patient pool to fuel further growth.

- *Arrail.* We plan to leverage on our decades of experience and brand equity to continue increasing our penetration in existing Tier-1 cities, such as Beijing, Shanghai, Shenzhen and Guangzhou, and grow our footprint by opening flagship clinics in high potential, emerging Tier-1 cities, such as Tianjin, Hangzhou and others, with an ultimate aim to solidify ourselves as a preferred provider for premium dental services. We intend to draw on our experience and track record of

having successfully built and operated premium dental centers in Tier-1 cities to identify additional opportunities within these cities to open new clinics, particularly in areas where we see demand and growth potential for high-quality dental services to be substantial.

Our strategy for Arrail will continue to focus on prime locations in Grade A office buildings or in high-end shopping malls, with a target size of over ten dental chairs per clinic to service affluent consumers with high purchasing power. By increasing the density of our Arrail network, we aim to access a wider population of target customers and further enhance our market leadership, solidifying Arrail as the preferred, “go-to” premium dental brand for customers across gateway cities in China.

- *Rytime*. We plan to deepen our penetration in existing Tier-1 cities and further our expansion into key Tier-2 cities primarily through opening new hospitals and clinics. To a lesser extent, we will also explore potential acquisitions when we identify unique opportunities where we perceive to be synergistic to our platform. The desirable acquisition targets should have an operating history of at least 6 years, over 100 employees and a broad, high-quality and loyal customer base, focusing on talent acquisition and development and quality dental services. In terms of geographic locations, we plan to deepen our penetration in existing Tier-1 cities and further our expansion into emerging Tier-1 cities and key Tier-2 cities through potential acquisitions. According to Frost & Sullivan, there are approximately 100 potential acquisition targets in the dental services market in China that meet our criteria. Therefore, both the Directors and Frost & Sullivan are of the view that there are sufficient potential targets in the market.

We aim to target middle-class customers across emerging cities in the Northern, Eastern, Southern and Western parts of China. In these regions, we plan to identify key locations in residential areas where accessibility to customers and families are high. By expanding our Rytime Dental network, we aim to broaden our reach to a greater number of cities across China and offer quality, differentiated dental services to a larger number of customers in the country.

Explore upgrades to our digital infrastructure to increase operational efficiency and standardization of services across our network

While our brick-and-mortar clinics will continue to be a staple of our business, we are also constantly seeking ways to embrace digitalization into our dental network, as we continue to develop strategies to increase our operational efficiency, standardization of services across our network and overall profitability of the Group.

We intend to utilize digitalization to enhance our Group level infrastructure, including further strengthening our electronic medical records database system to allow patients with greater mobility and convenience when they visit our clinics around the nation, centralizing the procurement of pharmaceuticals and consumables we use to optimize costs and inventory, and implementing a data management system which integrates various other parts of our internal system. We believe these initiatives will help us further improve operational efficiency, lower operating costs and minimize operational risks of our in-network hospitals and clinics.

Continue developing our Arrail Ecosystem to drive internal and external improvements

Our Arrail Ecosystem is the product of every component that is integral to our operations, ranging from our IT infrastructure which streamlines our operative and administrative efficiency to consistently provide high-quality dental services to our consumers, our training systems and our accumulated know-hows which allow quick improvement and expansion of the technical dental knowledge of our dentists, to our corporate culture which emphasizes on “integrity, professionalism and being a good person.” Cumulatively, our full-service ecosystem can fulfill and cater to the evolving demands of our consumers, aligning with changing market trends and driving innovation which allows us to balance operational flexibility, expansionary objectives and service quality control.

We are dedicated to further building our Arrail Ecosystem as the focal point for the development and operations of our dentists and business partners. We believe this will allow us to drive both internal and external improvements, enabling sustained progress.

- *Internal improvements.* By leveraging our Arrail Ecosystem, we will be able to unify and synergize various components of our operations, including service standard, logistics and supply chain. In so doing, we can improve the quality of our dentists by providing access to skills training and upgrade our patient record systems to facilitate more efficient sharing and flow of patient information. This will ultimately enable us to streamline the various workflows overseen by our dentists and enhance our overall operational efficiency.
- *External improvements.* We plan to leverage our digital infrastructure and service standardization capabilities to provide business solutions such as dental clinic operational support to other players and business partners in the industry. By deepening our industry footprint, we can empower dentists outside our immediate Arrail platform, furthering our mission of bringing people healthy and confident smiles. This will have the added benefit of further raising our brand awareness.

Ultimately, by leveraging and continuing to develop our vigorous Arrail Ecosystem, we can bring long-lasting value to our patients, dentists, business partners and the communities we serve.

OUR SERVICES

We were the largest private dental services group in the premium dental services market in China in terms of total revenues in 2020, according to the Frost & Sullivan Report. Our network of dental hospitals and clinics provides a wide array of dental healthcare services across China. We adopt a dual-brand strategy through our Arrail and Rytime Dental brands to service customers of different economic and geographic background. Through decades of commitment and service in the dental healthcare industry, we have earned the trust of our patients, and successfully established an extensive presence in China, and are continuing to expand our footprint nationwide. As of September 30, 2021, we had 7 dental hospitals and 104 dental clinics in 15 cities across China, with 882 experienced dentists and nearly 7.4 million patient visits over the past decade.

Each of our hospitals and clinics offers a diverse range of professional, personalized dental services, consisting of (i) general dentistry; (ii) orthodontics; and (iii) implantology.

General Dentistry

General dentistry largely refers to the preventive services that all patients should receive on a regular basis, such as tooth cleaning, checking soft tissue, and screening for oral diseases and other potential problems, along with a range of basic restorative treatments, including filings, crowns, bridges, dentures and more. Our general dentistry services include oral examination, treatment planning, preventive and cosmetic dentistry, endodontics, oral surgery, periodontal treatment, prosthodontics, pedodontics services, and patient education.

The following table sets forth the general dentistry services we offer to our patients in greater detail as of the Latest Practicable Date:

Specialty	Description
1. Endodontics	<p>Endodontics is an area of dentistry that deals with the tooth pulp and the tissues surrounding the root end of a teeth. The pulp (containing nerves and other soft tissue) can become diseased or injured, when deep decay of the tooth occurs or when a tooth is chipped or fractured in a traumatic incident, and is often unable to repair itself; if it dies, root canal treatment is required. The most common treatment procedure in endodontics is root canal therapy.</p> <p>Our endodontic services include pulp capping, root canal treatment or retreatment, endodontic surgery, bleaching of discolored non-vital teeth, treating traumatic tooth injuries and diagnosing and treating dental pain.</p>

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<u>Specialty</u>	<u>Description</u>
2. Oral surgery	<p>Oral surgery is an area of dentistry that deals with the diagnosis and management of the diseases, injuries and defects of human mouth, jaw and associated facial structures.</p> <p>Our services include medical and surgical services, such as dentoalveolar and wisdom tooth surgeries, dental implants, and adjunct surgery to orthodontics.</p>
3. Periodontics	<p>Periodontics deals with the diagnosis, prevention and control of periodontal or gum diseases.</p> <p>Our periodontics services include supervised oral hygiene methods, non-surgical and surgical scaling, and root planing to achieve a healthy oral environment that is important for the retention of teeth, dental prosthesis and implants.</p>
4. Prosthodontics	<p>Prosthodontics is a field of dentistry that restores tooth structure and replaces missing teeth and soft tissue, with an emphasis on restoring natural function and appearance.</p> <p>Our prosthodontics services include inlays, onlays, veneers, crowns, bridges, dentures, implant restorations and oral rehabilitation.</p>
5. Pedodontics	<p>Pedodontics, or pediatric dentistry, refers to the dental specialty that deals with the care of the teeth of children aged one to 17 years, including both restorative and preventive components with emphasis on prevention and early interception of oral diseases.</p> <p>Our pediatric dentists provide age-appropriate treatments as our young patients grow. These may include cleaning, topical fluoride application, general screenings, sealants, fillings, tooth extractions and orthodontics.</p>

Orthodontics

Orthodontics is a branch of dentistry that treats malocclusions, a condition in which the teeth are not correctly positioned when the mouth is closed, which may be caused by dental irregularity and disproportionate jaw relationships, among others. This results in an improper bite. It can be carried out for (i) functional reasons to improve biting efficiency and speech, (ii) practical reasons to improve oral hygiene and thus to minimize dental diseases and reduce risk of injury to protruding teeth, and (iii) aesthetic reasons to improve one's appearance which may enhance one's confidence.

Our orthodontists provide orthodontic treatment using a range of medical dental devices, including fixed and/or removable braces, headgear, aligners and other appliances.

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Implantology

Oral implantology is the branch of dentistry that deals with the permanent implantation of artificial teeth in the jaw when it is determined that a natural tooth must be extracted. With their high level of expertise, our implant dentists are able to treat complex cases and provide customized solution based on the health of jawbone and the specific needs of a patient.

The following table sets forth the revenues generated from each of our service categories, in absolute amounts and as percentages of total revenues, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
General Dentistry	603,639	55.9%	593,861	54.0%	828,452	54.7%	390,222	54.2%	448,807	53.3%
Orthodontics	222,427	20.6%	244,973	22.3%	342,273	22.6%	176,882	24.6%	199,680	23.7%
Implantology	231,447	21.4%	236,463	21.5%	299,568	19.8%	134,947	18.7%	174,067	20.7%
Others	22,778	2.1%	24,571	2.2%	44,834	3.0%	18,270	2.5%	18,785	2.2%
Total Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%

Dual-Brand Operations

We operate under the brand names of “Arrail Dental” and “Rytime Dental” to provide dental services to different demographics across geographic regions. We continue to increase our penetration in existing cities and expand our footprint into new cities to access a wider population of patients, leveraging on our decades of experience in delivering high quality dental services and the brand awareness for our services that we have successfully built.

Arrail Dental

We have been operating under the Arrail Dental brand since 1999, to provide premium dental services primarily to affluent consumers in Tier-1 and emerging Tier-1 cities in China. Arrail clinics are able to charge premium pricing based on their excellent quality of bespoke service and professionals. As of September 30, 2021, we operated a total of 51 Arrail clinics in seven cities, namely Beijing, Shanghai, Shenzhen, Guangzhou, Hangzhou, Tianjin, and Xiamen. Our Arrail clinics are mainly concentrated in metropolitan areas and located at or in close proximity to prominent landmarks and properties. We plan to further penetrate existing markets to drive stronger monetization under the Arrail Dental brand.

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Supported by the strength of our dentist network, management expertise and operating capabilities, we have been able to open and rapidly ramp up new Arrail clinics to achieve success. For example, our Financial Street Clinic in Beijing, which was founded in 2015, achieved a revenue CAGR of 37% from fiscal 2016 to fiscal 2021 and became one of our top performing clinics in terms of key performance metrics such as revenue per dental chair. In addition, it has been able to further accelerate this growth trajectory after five years of operation, with revenue growth of 55% from fiscal 2020 to fiscal 2021.

Rytime Dental

We launched our operations under the Rytime Dental brand in 2012, primarily aiming to provide treatments to middle class customers in Tier-1 and key Tier-2 cities in the Northern, Eastern, Southern and Western parts of China. Rytime is positioned to capture the greater middle-end dental services market by offering high-quality dental services at attractive and relatively lower prices. As of September 30, 2021, we operated a total of 7 hospitals and 53 Rytime clinics in 10 cities. We are able to provide a greater variety of treatments at our dental hospitals, such as giving general anesthesia and performing more complicated oral surgery procedures. Our Rytime Dental dental hospitals and clinics are typically located in the vicinity of residential areas, giving our customers easy access to convenient and quality dental care services. We plan to continue to expand our Rytime Dental network by broadening our reach to target regions and cities across China.

We have achieved particular success with Rytime hospitals in realizing economy of scale and achieving greater operating synergies. For example, our Beijing Rytime Dental Hospital was established in 2012 and is our first and largest dental hospital in terms of number of dental chairs as of the date of this Prospectus. During nearly ten years of operations, it has attracted high patient flow, mainly driven by the strength of its high-margined orthodontics and implantology specialties, and has been able to achieve a revenue CAGR of 31% from 2012 to 2021. We expect this growth trend to carry on as the patient base continues to grow.

Price Range of Our Services

The following tables set forth the price ranges of our major types of dental services by brands as of the Latest Practicable Date and a comparison with the respective price range of Class III Grade A hospitals, according to Frost & Sullivan. The pricing for each type of service offered under our Arrail Dental and Rytime Dental brands respectively remained relatively stable during the Track Record Period. Our Arrail Dental and Rytime Dental hospitals and clinics generally charge higher prices than Class III Grade A hospitals for the same type of dental services provided, primarily because we generally offer (i) a more comprehensive scope of dental treatments supported by experienced dentists, (ii) a more relaxing and patient-friendly environment, (iii) ample high-quality medical equipment and medicine, and (iv) exceptional customer services with higher level of personalization.

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General Dentistry

	Approximate price range by Arrail Dental	Approximate price range by Rytime Dental	Approximate price range by Class III Grade A hospitals
		(RMB)	
Major dental services			
Dental crowns	3,500–12,000 per tooth ⁽¹⁾	500–8,000 per tooth ⁽¹⁾	500-6,500 per tooth
Teeth filling	500–5,500 per tooth ⁽²⁾	200–3,500 per tooth ⁽²⁾	200-1,500 per tooth
Root canal treatment	500–6,000 per tooth root ⁽³⁾	300–4,500 per tooth root ⁽³⁾	300-3,500 per tooth root

Notes:

- (1) The price range of our dental crowns services varies significantly as the price depends on a combination of factors, including the dental materials used in the treatment and the complexity involved in repairing the damaged teeth.
- (2) The price range of our teeth filling services varies significantly as the price depends on a combination of factors, including the dental materials used in the treatment.
- (3) The price range of our root canal treatment services varies significantly as the price depends on a combination of factors, including the complexity involved in treating the relevant tooth root canal.

Orthodontics

	Approximate price range by Arrail Dental	Approximate price range by Rytime Dental	Approximate price range by Class III Grade A hospitals
		(RMB)	
Major dental services			
Orthodontics using standard mental brackets and metal wires	30,000–55,000 per case*	25,000–35,000 per case*	generally 15,000- 45,000 per case
Orthodontics using clear aligners	40,000–65,000 per case*	25,000–50,000 per case*	

Note:

- * The price range of our orthodontics services varies significantly depending on the medical dental devices used in the treatment and the specific treatment plan of each patient.

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Implantology

	Approximate price range by Arrail Dental	Approximate price range by Rytime Dental	Approximate price range by Class III Grade A hospitals
	(RMB)		
Major dental services			
Implantation	15,000–36,000 per tooth*	4,000–25,000 per tooth*	2,000–20,000 per tooth

Note:

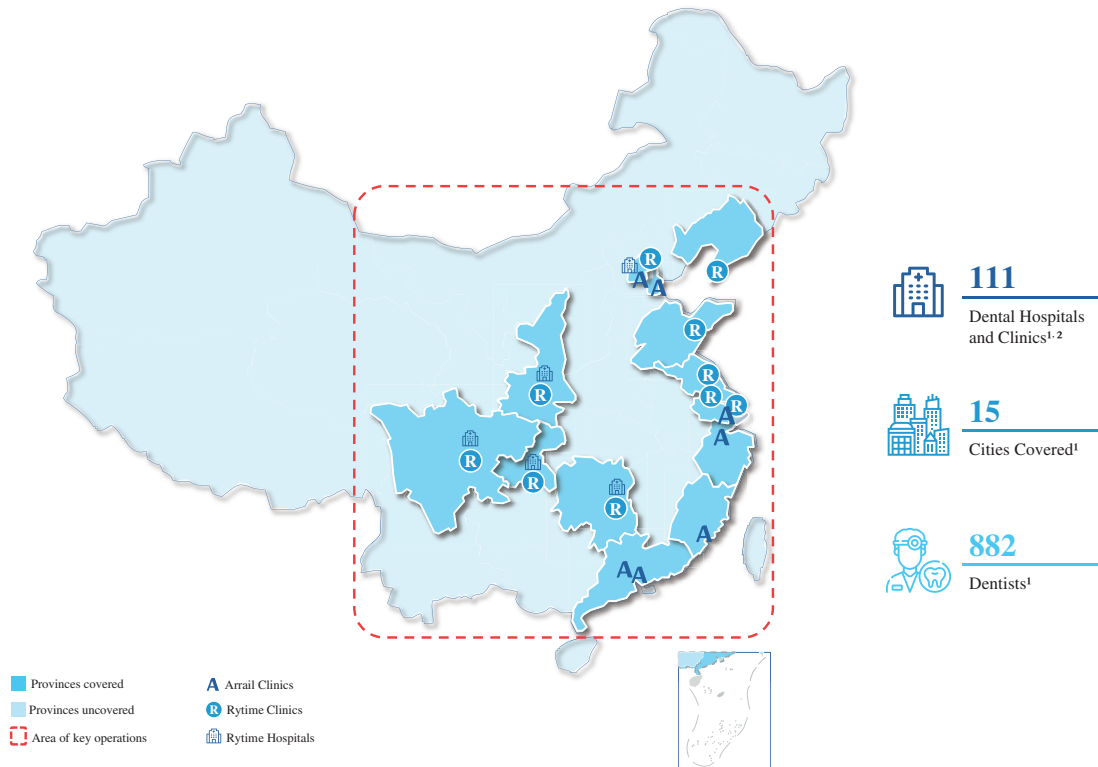
* The price range of our implantology services varies significantly as the price depends on a combination of factors, including the complexity involved in the implant surgery.

The following table sets forth the revenues generated from each of the brand names, in absolute amounts and as percentages of total revenues, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Revenues:										
Arrail Dental	633,694	58.7%	588,501	53.5%	767,219	50.6%	367,034	51.0%	432,188	51.4%
Rytime Dental	446,597	41.3%	511,367	46.5%	747,908	49.4%	353,287	49.0%	409,151	48.6%
Total Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%

Our Hospitals and Clinics

As of September 30, 2021, we operated (i) 7 hospitals under the Rytime Dental brand; and (ii) 104 clinics, including 51 under the Arrail Dental brand and 53 under the Rytime Dental brand, as illustrated in the map below.



Notes:

1. Operating data as of September 30, 2021.
2. Including four clinics in Changsha operated under exclusive consultation and service agreements whose financial results are not consolidated into our consolidated financial statements in accordance with IFRSs. For more details on such agreements, please refer to “Business—Our Services—Our Hospitals and Clinics.”

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The following table sets forth the movement in the number of our dental hospitals and clinics for the periods indicated.

		For the year ended March 31,			For the six months ended September 30,	
		2019	2020	2021	2021	
Number of hospitals/ clinics at the beginning of the period	Fully-fledged	25	35	35	52	
	Fast-growing	24	26	26	26	
	Ramp-up	26	30	40	25	
	Total	75	91	101	103	
Number of hospitals/ clinics newly opened or moved to a different stage during the period	Newly opened	16	10	2	4	
	Ramp-up moved to Fast- growing	12	–	17	5	
	Fast-growing moved to Fully-fledged	10	–	17	6	
	Total	38	10	36	15	
Number of hospitals/ clinics at the end of the period	Fully-fledged	35	35	52	58	
	Fast-growing	26	26	26	25	
	Ramp-up	30	40	25	24	
	Total	91	101	103	107	

During the Track Record Period and up to the Latest Practicable Date, we did not close any dental hospitals and clinics.

The following table sets forth the revenues generated from each of the major regional markets, in absolute amounts and as percentages of total revenues, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Revenues:										
Northern China	483,987	44.8%	473,144	43.0%	637,590	42.1%	301,791	41.9%	357,675	42.5%
Eastern China	274,000	25.4%	280,702	25.5%	384,664	25.4%	180,267	25.0%	203,342	24.2%
Southern China	112,979	10.5%	108,242	9.8%	146,990	9.7%	69,261	9.6%	81,782	9.7%
Western China	209,325	19.3%	237,780	21.7%	345,883	22.8%	169,002	23.5%	198,540	23.6%
Total Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%

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Notes:

- (1) Northern China covers Beijing, Tianjin, and Dalian.
- (2) Eastern China covers Qingdao, Shanghai, Hangzhou, Jiangyin, and Jingjiang.
- (3) Southern China covers Guangzhou, Shenzhen, Xiamen.
- (4) Western China covers Chengdu, Chongqing, Changsha, and Xi'an.

Our clinics and hospitals complement each other to create our dental service networks. They are primarily differentiated by (i) regulatory requirements, (ii) service offerings, (iii) geographical locations, and (iv) facility size, all being factors that we consider when opening a new clinic or hospital. Specifically,

- (i) Dental hospitals and clinics must both obtain Medical Institution Practicing License and comply with relevant regulations relating to staff members, medical premises, medical facilities and capital resources. However, compared to dental clinics, regulatory and operational requirements for dental hospitals are more stringent. For example, each dental chair should have a minimum floor area of 30 square meters for dental hospitals, compared to 25 square meters for clinics. There are more specific requirements on the number and seniority of dentists and staff members for hospitals than for clinics. Compared to clinics, dental hospitals are required to be equipped with more types of medical facilities such as electric dental suction device and high-speed dental handpiece.
- (ii) Although the dental hospitals operated by us share a wide overlap of services with its dental clinics, such dental hospitals are permitted to provide a broader range of services than dental clinics, such as giving general anesthesia and performing more complicated oral surgery procedures. In addition, our dental hospitals also have medical laboratories that handle samples and perform tests across many therapeutic areas in the field of dentistry.
- (iii) Consistent with our dual-brand strategy, hospitals and clinics under the Rytime Dental brand are typically located in densely populated residential areas, giving consumers easy access to convenient and quality dental care services, while dental clinics under the Arrail Dental brand are mostly located at prime commercial locations and Class A office buildings in high-end suites the Company rents. In addition, hospitals are typically located in fully detached commercial buildings.
- (iv) Our dental hospitals are generally larger than clinics catering to the demands in the middle-end market. During the Track Record Period, the number of registered dental chairs for our dental hospitals averaged 37, compared to an average of 10 for our dental clinics. With the exception of two clinics with 38 and 40 registered dental chairs, our dental clinics generally have less than 30 registered dental chairs. Given the relatively smaller size, we mostly expand and bolster our presence in new geographic markets through opening clinics, complemented by hospitals to seize market share. In terms of Arrail Dental, we believe that clinics are of suitable size allowing us to realize a more patient-centric approach in delivering services that accentuate more personalized patient care.

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The following table sets forth the revenues, gross profit and gross profit margin of our hospitals and clinics during the Track Record Period.

Hospitals	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands, except for percentages)				
Revenues	182,048	204,228	295,596	143,279	154,973
Percentage of total revenues	16.9%	18.6%	19.5%	19.9%	18.4%
Gross profit	56,676	43,824	94,655	48,809	44,503
Percentage of gross profit	34.6%	39.3%	26.0%	26.7%	23.7%
Gross profit margin	31.1%	21.5%	32.0%	34.1%	28.7%

Clinics	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands, except for percentages)				
Revenues	867,654	848,945	1,173,829	557,942	666,908
Percentage of total revenues	80.3%	77.2%	77.5%	77.5%	79.3%
Gross profit	110,286	56,731	256,967	133,876	146,560
Percentage of gross profit	67.3%	50.9%	70.5%	73.2%	78.2%
Gross profit margin	12.7%	6.7%	21.9%	24.0%	22.0%

The following table sets forth a breakdown of our revenues, gross profit, and gross profit margin by development stage of our hospitals and clinics for the periods indicated:

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands, except for percentages) (unaudited)				
Revenues					
Fully-fledged	597,343	541,341	979,174	420,307	587,416
Fast-growing	334,718	302,826	266,650	170,243	125,626
Ramp-up	117,640	209,005	223,601	110,671	108,839
Others	30,590	46,696	45,702	19,100	19,458
Total revenues	1,080,291	1,099,868	1,515,127	720,321	841,339

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	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands, except for percentages) (unaudited)				
Gross profit					
Fully-fledged	134,725	109,195	296,829	136,675	176,890
Fast-growing	72,494	55,784	63,277	46,302	28,339
Ramp-up	(40,256)	(64,424)	(8,483)	(292)	(14,166)
Others	(3,191)	10,836	12,797	122	(3,606)
Total gross profit	163,772	111,391	364,420	182,807	187,457
Gross profit margin					
Fully-fledged	22.6%	20.2%	30.3%	32.5%	30.1%
Fast-growing	21.7%	18.4%	23.7%	27.2%	22.6%
Ramp-up	(34.2%)	(30.8%)	(3.8%)	(0.3%)	(13.0%)
Others	(10.4%)	23.2%	28.0%	0.6%	(18.5%)

Gross profit margin of our hospitals decreased from 31.1% in fiscal 2019 to 21.5% in fiscal 2020, while gross profit margin of our clinics decreased from 12.7% to 6.7% during the same period, mainly attributable to the temporary suspension of operations of our hospitals and clinics in February through April 2020 in response to the outbreak of the COVID-19 pandemic. Gross profit margins of our hospitals and clinics in fiscal 2021 increased to 32.0% and 21.9%, respectively, as a result of the alleviation of the impact of the outbreak of COVID-19. In particular, gross profit margins recorded by our clinics in fiscal 2019 and 2020 were significantly lower than those recorded by our hospitals during the same period, which was primarily because (i) the majority of our clinics in fiscal 2019 and 2020 were in the ramp-up and fast-growing stages, which led to relatively lower gross profit margins, and (ii) while most of our clinics experienced extended closures in fiscal 2020 due to the impact of the COVID-19, certain of our hospitals were allowed to continue their operations amid the COVID-19 outbreak under local policies, resulting in substantial differences between the gross profit margin of our clinics and that of our hospitals during the same period. The increase in the number of fully-fledged clinics and the business recovery of our clinics from the COVID-19 in fiscal 2021 had drove the improvements in the gross profit margin of our clinics.

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The following table sets forth the number of dental chairs as of the end of each fiscal year, and revenues per chair and gross profit per chair of our hospitals and clinics during the Track Record Period.

	As of / For the Year Ended March 31,						As of / For the Six Months Ended September 30,					
	2019			2020			2021			2021		
	Chairs	Revenues per chair (RMB)	GP per chair (RMB)	Chairs	Revenues per chair (RMB)	GP per chair (RMB)	Chairs	Revenues per chair (RMB)	GP per chair (RMB)	Chairs	Revenues per chair (RMB)	GP per chair (RMB)
Hospitals												
Fully-fledged	91	1,452,326	475,157	91	1,509,548	549,754	135	1,755,481	674,514	153	838,307	274,025
Fast-growing	62	715,787	250,153	62	764,673	125,371	18	858,608	232,807	27	525,138	148,797
Ramp-up	27	203,976	(76,777)	79	246,193	(176,918)	79	546,213	(7,534)	52	241,016	(27,708)
Clinics												
Fully-fledged	340	1,368,181	269,075	340	1,188,155	174,022	488	1,520,868	421,659	532	863,073	253,691
Fast-growing	218	1,331,833	261,396	218	1,171,634	220,233	210	1,196,169	281,362	213	523,228	114,186
Ramp-up	260	431,281	(146,859)	358	529,487	(140,913)	238	758,192	(33,143)	227	424,258	(56,056)

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Compared to clinics, our hospitals generally have larger space and more dental chairs which typically leads to longer ramping up time and higher operating costs during the early stage of their operations. As such, during the Track Record Period, hospitals in the ramp-up and fast-growing stages in general generated lower revenues per chair than clinics in the same stage. Revenues per chair and gross profit per chair of hospitals in the fully-fledged stage reached a higher level than those of clinics in the same stage. This demonstrates that after six years of operations, hospitals were able to achieve continuous growth and realize economies of scale through offering a broad spectrum of dental specialties at a single location.

Most of the dental institutions in our dental network are clinics, complemented by a small group of hospitals. As of September 30, 2021, we operated 7 hospitals under the Rytime Dental, including 3 that began their operations during the Track Record Period. Revenues generated from our hospitals accounted for 16.9%, 18.6%, 19.5% and 18.4% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

We expect that the majority of dental institutions to be opened in the near future will be clinics, consistent with the historical trend. We plan to open a total of 21 new hospitals under our Rytime Dental brand from fiscal 2022 to 2027 to benefit from their economies of scale and seize market share. See “Future Plans and Use of Proceeds” for more details on new hospitals and clinics we plan to open after the Listing. As a result, hospitals will continue to represent a small portion of our dental network, exerting limited influence on its overall operating and financial performance.

During the Track Record Period, our top clinic contributed 4.7%, 3.9%, 3.4% and 3.4% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, while our top hospital contributed 10.6%, 11.0%, 11.4% and 10.2% of our total revenues during the same periods. During the Track Record Period, our top ten hospitals and clinics in aggregate contributed 33.5%, 32.0%, 30.0% and 29.1% of our total revenues and 63.8%, 85.3%, 46.6% and 39.8% of our gross profit, resulting in gross profit margin of 28.9%, 27.0%, 37.3% and 30.5%, for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. The top 10 performers were largely sizable Arrail clinics and Rytime hospitals in the fully-fledged stage with gross profit margin generally higher than 30%. Approximately two of the top 10 performers in each period were hospitals and clinics with operating history of less than 6 years and relatively lower gross profit margin. They were typically drawing closer to their fully-fledged stage, and had more than 40 dental chairs in the case of hospitals. Our top twenty hospitals and clinics in aggregate contributed 49.5%, 46.3%, 43.6% and 43.1% of our total revenues during the same periods.

There were 50 hospitals and clinics that incurred losses during the Track Record Period, comprising (1) 39 hospitals and clinics that achieved profitability subsequently and remained profitable, (2) 9 hospitals and clinics in the ramp-up stage that were still loss-making, and (3) two clinics in the fully-fledged stage that were still loss-making, respectively as of the Latest Practicable Date. The numbers of loss-making clinics and hospitals for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021 were 31, 39, 20 and 14, respectively.

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With respect to (1), these hospitals and clinics had losses primarily for reasons such as (i) relocation to more ideal locations, (ii) significant interior remodeling and facility upgrades, (iii) temporary closures due to renovations of the shopping center where the clinic was located, (iv) lower-than-expected foot and vehicle traffic, (v) lack of efficient operations management, (vi) integration of newly acquired targets, and (vii) the adverse impact of COVID-19. Furthermore, hospitals or clinics that experienced temporary full or partial suspension of business operations due to the foregoing reasons had their financial results adversely affected for periods after the closure as well due to the time incurred to ramp up to its pre-closure business pace.

We took various measures to improve the performance of these hospitals and clinics, such as recruiting or assigning more competent managerial personnel to improve their operations management capabilities, relocating to better locations, etc. In addition, as they gain years of operations, they can build a loyal and growing customer base. As a result, these hospitals and clinics achieved profitability after the Track Record Period and as of the Latest Practicable Date.

With respect to (2), such hospitals and clinics were making loss primarily because they are in the early stage of development and were ramping up their business scale. Revenues derived from each of such hospitals and clinics accounted for less than 2% of our total revenues in any fiscal year/period during the Track Record Period. The Company expects them to break even or achieve profitability by the third quarter of calendar year 2022, assuming there is no worsening impact of the COVID-19 pandemic.

With respect to (3), one of the clinics incurred losses throughout the Track Record Period, primarily because of the development of its neighboring area and thus the volume of customer traffic did not reach the expected level. We intend to conduct more market activities in its neighboring area and organize events to promote its implantology and orthodontics services, to improve its performance and profitability. The other clinic also incurred losses throughout the Track Record Period, primarily due to the turnover of its dentists and other key staff. We plan to assign high-performing dentists from other clinics to this clinic to improve its performance and profitability. Revenues derived from each of such clinics accounted for less than 1% of our total revenues in any fiscal year/period during the Track Record Period. The Company expects them to break even or achieve profitability by the fourth quarter of calendar year 2022, assuming there is no worsening impact of the COVID-19 pandemic.

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The following table sets forth certain financial and operating metrics of the loss-making clinics and hospitals during the Track Record Period.

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Revenues (RMB)	129,059,647	202,158,962	154,502,994	67,004,581
Percentage of total revenues	11.9%	18.4%	10.2%	8.0%
Gross losses (RMB)	(66,901,915)	(91,965,129)	(37,171,997)	(18,607,786)
Visits per chair	514	470	617	335
Revenues per Chair (RMB)	419,025	434,750	633,209	376,430

Monthly breakeven of a new clinic or hospital is reached when its gross profit margin begins to be positive for two consecutive months. The payback period for a new clinic or hospital represents the time that it takes for the accumulated operating cash flow attributable to us from the relevant clinic or hospital to cover the initial investment. The table below shows that from 2010 to 2021, the historical time to achieve monthly breakeven and investment payback period of our hospitals and clinics were 16 months and 3 to 5 years, respectively. The expected time to achieve monthly breakeven and investment payback period of our hospitals and clinics are 16 months and 2 to 5 years, respectively. However, the monthly breakeven periods and the investment payback periods may be further affected by the specific characteristics of a clinic or hospital, such as its size, initial investment, the coverage of its services and the competitive landscape. As of the Latest Practicable Date, we had 102 of hospitals and clinics which had achieved monthly breakeven status and 58 of hospitals and clinics which had achieved investment payback.

Historical monthly breakeven time	16 months
Expected monthly breakeven time	16 months
Historical investment payback period	3–5 years
Expected investment payback period	2–5 years

We use “visits per chair” or “visits per chair per day” as an indicator of the capacity and utilization rate of the dental chairs in our hospitals and clinics. This is in line with general market practice, according to Frost & Sullivan. Our hospitals and clinics generally open for six days a week for eight hours a day. Each patient visit is typically scheduled in 30 to 60-minute blocks, depending on treatment procedures. Visits per chair per day for a given period is calculated based on visits per chair divided by the number of clinic days in such period. The number of clinic days in a given period is calculated by dividing the number of days in such period by 7 and multiplying by 6.

The following tables set forth visits per chair, visits per chair per day and utilization rates of our dental chairs and dentists to our dental hospitals and clinics by brand and by geographical region, respectively, for the periods indicated.

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	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Visits per chair by brand				
Arrail Dental	1,103	977	1,063	607
Rytime Dental	1,036	909	1,250	710
Visits per chair per day by brand				
Arrail Dental	3.5	3.1	3.4	3.9
Rytime Dental	3.3	2.9	4.0	4.5
Utilization rate of dental chairs⁽¹⁾ (%)				
Arrail Dental	68.8%	58.0%	61.0%	69.6%
Rytime Dental	62.8%	56.4%	72.9%	83.2%
Utilization rate of dentists⁽²⁾ (%)				
Arrail Dental	73.9%	63.5%	66.6%	76.8%
Rytime Dental	72.3%	67.7%	83.6%	93.2%

Notes:

- (1) Represents the actual number of visits per chair during the given period as a percentage of the maximum visit capacity per chair of our hospitals and clinics in such period. The maximum visit capacity per chair represents the maximum number of patient visits we can accommodate theoretically with each dental chair during a given period. We offer a diverse range of dental services, with the actual treatment time varying from a few minutes to hours. To calculate the maximum visit capacity per chair, we use (i) 70 minutes per visit and (ii) the maximum number of servicing hours of dental chairs (being approximately 6.5 hours per clinic day), taking into account the preparation time for each patient visit. Accordingly, each chair can theoretically accommodate up to 5.6 patient visits on each clinic day.

The following table sets forth the number of dental chairs used in calculating the utilization rate of dental chairs for the periods indicated:

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Arrail Dental	443	476	476	482
Rytime Dental	555	672	692	722

- (2) Represents the actual number of hours of service delivered by dentists during the given period as a percentage of the maximum service capacity of our dentists in such period. The actual number of hours of service delivered by dentists is calculated for illustrative purpose only. In the calculation, we have, based on our experience, estimated the average service time during each patient visit to be 55 minutes. The maximum service capacity of our dentists represents the maximum number of service hours our dentists can provide theoretically during a given period, which is based on: (i) the average number of dentists in our dental hospitals and clinics for the period; (ii) the maximum number of servicing hours per day of each dentist (being approximately 7 hours excluding the rest and preparation time for our dentists and including the time spent on writing and reviewing medical records and considering treatment plans for each patient); and (iii) 21.75 working days per month excluding weekends.

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The following table sets forth the average number of dentists (including both full-time and part-time dentists) used in calculating the utilization rate of dentists for the periods indicated:

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Arrail Dental				
Full-time dentists	321	347	355	354
Part-time dentists	8	14	20	28
Subtotal	329	361	375	382
Rytime Dental				
Full-time dentists	385	433	493	511
Part-time dentists	17	26	31	41
Subtotal	402	459	524	552
Total	731	820	899	934

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Visits per chair by geographical region				
Northern China ⁽¹⁾	1,368	1,048	1,254	739
Eastern China ⁽²⁾	851	824	1,011	592
Southern China ⁽³⁾	967	926	971	506
Western China ⁽⁴⁾	995	920	1,280	700
Visits per chair per day by geographical region				
Northern China ⁽¹⁾	4.4	3.3	4.0	4.7
Eastern China ⁽²⁾	2.7	2.6	3.2	3.8
Southern China ⁽³⁾	3.1	3.0	3.1	3.2
Western China ⁽⁴⁾	3.2	2.9	4.1	4.5
Utilization rate of dental chairs⁽⁵⁾ (%)				
Northern China ⁽¹⁾	80.9%	65.6%	71.9%	84.8%
Eastern China ⁽²⁾	56.6%	49.5%	58.0%	67.8%
Southern China ⁽³⁾	62.5%	53.2%	55.7%	58.0%
Western China ⁽⁴⁾	58.2%	56.0%	75.6%	83.7%
Utilization rate of dentists⁽⁶⁾ (%)				
Northern China ⁽¹⁾	85.3%	72.2%	80.2%	95.0%
Eastern China ⁽²⁾	64.8%	58.8%	66.0%	75.4%
Southern China ⁽³⁾	71.7%	62.5%	63.9%	63.1%
Western China ⁽⁴⁾	66.8%	65.8%	84.8%	93.1%

Notes:

(1) Northern China covers Beijing, Tianjin, and Dalian.

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- (2) Eastern China covers Qingdao, Shanghai, Hangzhou, Jiangyin, and Jingjiang.
- (3) Southern China covers Guangzhou, Shenzhen, Xiamen.
- (4) Western China covers Chengdu, Chongqing, Changsha, and Xi'an.
- (5) Represents the actual number of visits per chair during the given period as a percentage of the maximum visit capacity per chair of our hospitals and clinics in such period. The maximum visit capacity per chair represents the maximum number of patient visits we can accommodate theoretically with each dental chair during a given period. We offer a diverse range of dental services, with the actual treatment time varying from a few minutes to hours. To calculate the maximum visit capacity per chair, we use (i) 70 minutes per visit and (ii) the maximum number of servicing hours of dental chairs (being approximately 6.5 hours per clinic day), taking into account the preparation time for each patient visit. Accordingly, each chair can theoretically accommodate up to 5.6 patient visits on each clinic day.

The following table sets forth the number of dental chairs used in calculating the utilization rate of dental chairs for the periods indicated:

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Northern China	305	381	381	387
Eastern China	282	306	306	306
Southern China	103	103	103	103
Western China	308	358	378	408

- (6) Represents the actual number of hours of service delivered by dentists during the given period as a percentage of the maximum service capacity of our dentists in such period. The actual number of hours of service delivered by dentists is calculated for illustrative purpose only. In the calculation, we have, based on our experience, estimated the average service time during each patient visit to be 55 minutes. The maximum service capacity of our dentists represents the maximum number of service hours our dentists can provide theoretically during a given period, which is based on: (i) the average number of dentists in our dental hospitals and clinics for the period; (ii) the maximum number of servicing hours per day of each dentist (being approximately 7 hours excluding the rest and preparation time for our dentists and including the time spent on writing and reviewing medical records and considering treatment plans for each patient); and (iii) 21.75 working days per month excluding weekends.

The following table sets forth the average number of dentists (including both full-time and part-time dentists) used in calculating the utilization rate of dentists for the periods indicated:

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Northern China	245	277	299	302
Eastern China	186	215	235	241
Southern China	70	77	79	83
Western China	230	251	286	308

Our visits per chair and visits per chair per day decreased from fiscal 2019 to fiscal 2020, primarily due to the temporary closures of our hospitals and clinics in February through April, 2020 amid the outbreak of the COVID-19 pandemic. Such two metrics increased from fiscal 2020 to fiscal 2021, in line with the recovery in our business as the COVID-19 pandemic came under control in China. The increased percentage of our hospitals and clinics reaching the fully-fledged stage in fiscal 2021 also drove up these two metrics. Since late May 2021, new

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regional COVID-19 outbreaks have hit certain areas in China. As a result, we had a slowdown in patient visit growth and revenue growth in the affected areas from June to September in 2021, compared to the same periods in 2020. Such recent resurgence of regional COVID-19 outbreaks may further affect our visits per chair and visits per chair per day in the affected areas for fiscal 2022.

Our yearly visits per chair were generally higher than the industry average. In 2020, we had 966, compared to the industry average of approximately 600, visits per chair. In 2019, we had 1,116, compared to the industry average of approximately 700, visits per chair. In 2018, we had 1,041, compared to the industry average of approximately 700, visits per chair.

When determining to open a new store in a particular location, we consider various criteria, including but not limited to (i) the consumer demands for high-quality dental services and the capacity of the hospitals and clinics in the area, (ii) regulatory environment, (iii) the size of talent pool of dentists, (iv) the density and economic and geographic background of population nearby, and (v) the availability of our operational and financial resources. In particular, to decide between opening a new clinic and a hospital, we also take into account the following factors:

- *Regulatory requirements and approval process.* Compared to dental hospitals, regulatory requirements relating to staff members, medical premises, medical facilities and capital resources for dental clinics are generally less rigorous, and the process for clinics to obtain regulatory approvals is relatively simpler.
- *Capital investment and preparation time.* During the initial stages of operations, a newly opened clinic typically requires less capital investment for construction, decoration and/or renovation of the premises, recruitment of suitable staff, and purchase of dental and other equipment within a shorter period of time, as compared to hospital.
- *Geographical locations.* Factors such as differences in the size and financial situation of the population, conditions of the premises, levels of rental prices and length of leases in a particular location may also affect our decisions between opening a new clinic and a hospital.
- *Facility size.* Our dental hospitals are generally larger than clinics to capture the greater middle-end dental services market.

As such, we expand our geographic footprint in new markets primarily through opening new clinics to quickly build our brand awareness and attract customers, complemented by opening new hospitals typically in locations with existing presence and established reputation with an aim to further bolster our presence in such area and to seize greater market shares. In addition, most of our hospitals and clinics under the Rytime brand are located in residential areas in Tier-1 and key Tier-2 cities, while dental clinics under the Arrail brand are primarily located at prime commercial locations and Class A office buildings in Tier-1 cities.

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We assess new locations for our hospitals and clinics based on a variety of factors, including: (i) transportation factors such as proximity to public transport, volume of foot and vehicle traffic and availability of parking, (ii) commercial viability factors such as proximity to public hospitals, distance from competitor clinics and neighboring population density and (iii) cost factors such as rental rate levels, required rental terms and landlord backgrounds. Once we have decided to open a new clinic or hospital at a particular location, we undergo various work processes such as applying for various necessary licenses and permits, renovations, equipment procurement, recruitment or relocation of dentists and other personnel, staff training, and marketing. It typically takes three to five months for clinics and six to eight months for hospitals to commence operations from the time a decision is made on a certain location.

We assess potential hospitals and clinics for acquisition based on a variety of factors, including: (i) quality of medical services, such as dentist background, patient treatment histories and levels of complaints and disputes, (ii) track record, including market share and general reputation in the targeted areas, (iii) operation and financial performance metrics.

We categorize our hospitals and clinics into three stages: (i) those with less than three years of operations, which we consider to be ramping up, (ii) those with between three and six years of operations, which we consider to be fast-growing, and (iii) those with over six years of operations, which we consider to be fully-fledged. As of September 30, 2021, we had 24, 25 and 58 hospital and clinics in the ramp-up, fast-growing and fully-fledged stages, respectively. As our hospitals and clinics move through these stages, we are able to leverage our strengths in operations to realize increasing efficiencies. These hospitals and clinics did not include four of our clinics in Changsha, China, with 19 dental chairs in total, to which we have been providing operation management services since 2017. Under the terms of the agreements we entered into with such four clinics, the operation management services we provided primarily comprise use of our standardized operational and financial management know-how, best practices and the relevant know-how for medical services and operations, continuing professional development training for dentists, dental equipment maintenance and support, and business consulting services. Such four clinics were not our subsidiaries, and we did not consolidate their financial results into our consolidated financial statements in accordance with IFRSs.

In 2017, in order to deepen our penetration in Changsha, we sought to acquire existing dental clinics. As part of the process, we identified four clinics that satisfied our criteria for potential targets. However, we were unable to acquire them due to the fact that they were incorporated in the form of sole proprietorship. As a result, we entered into exclusive consultation and service agreements with them to provide operational management services and are entitled to receive a service fee in exchange. The amount of service fees we received from the four clinics was RMB323,956, RMB197,149, RMB443,185 and RMB370,938 in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. For risks arising from such arrangement, see “Risk Factors—Risks Relating to Our Business and Industry—Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.”

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Set forth below is a summary of material terms of the exclusive consultation and service agreements we entered into with the four clinics.

Services. Each of the four clinics agreed to engage Hunan Ruitai Ke'erya Stomatology Management Co., Ltd., or Hunan Ruitai, one of our subsidiaries, as their exclusive operational management service provider in exchange for a service fee. Under the exclusive consultation and service agreements, the services to be provided by Hunan Ruitai include but are not limited to operational management consultation, financial management services, medical technology related services and medical business consultation. Each of the four clinics may further enter into technology service agreements and consultation service agreements with Hunan Ruitai or its designated person to determine the detailed services to be provided, as the case may be. In addition, without the prior written consent of Hunan Ruitai, during the term of the exclusive consultation and service agreements, each of the four clinics shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar cooperation relationships with any third party.

Service fee. In exchange for the abovementioned services, each of the four clinics shall pay a service fee annually, which equal to their respective net profits after deducting operating expenses and applicable taxes. The following elements shall be taken into consideration in adjusting or deciding the service fee: (i) the complexity and difficulty of the services, (ii) the required time of such services rendered by the personnel of Hunan Ruitai, (iii) the exact content and commercial value of the services and (iv) the market price of the services of the same kind.

Rights of Hunan Ruitai. Hunan Ruitai is entitled to, among other things, perform periodic review of the documentation, financial accounts and operating situation of each of the four clinics.

Intellectual property rights. Hunan Ruitai has exclusive proprietary rights to all the intellectual properties developed or created from the performance of the exclusive consultation and service agreements.

Terms of the agreements. The exclusive consultation and service agreements shall be effective upon signing, and shall remain valid for ten years, unless terminated in accordance with the terms therein or pursuant to other agreements entered into by Hunan Ruitai and each of the four clinics. The exclusive consultation and service agreements may be extended upon written approval of Hunan Ruitai before expiration for a period of time as determined by Hunan Ruitai.

Termination. Unless renewed in accordance with the relevant terms thereunder, the agreements shall be terminated upon the date of expiration thereof. None of the four clinics is entitled to unilaterally terminate the agreements without Hunan Ruitai's gross negligence or fraudulent conduct. Nevertheless, Hunan Ruitai shall have the right to terminate the agreements upon giving 30 days' prior written notice at any time.

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We do not intend to enter into such types of arrangements in the future. The owners of the four clinics were all Independent Third Parties when we entered into the agreements with them. Our PRC Legal Advisers have advised us that these agreements are valid, legally binding and enforceable under the PRC laws. Considering the size and purchasing power of the population in Changsha and the demand and growth potential for high-quality dental services, our Directors are of the view that there is no or minimal competition between such four clinics and us.

The four clinics should adhere to operating procedures and service standards of our Group. Dentists of the four clinics should receive standard professional training provided by us. In addition, such four clinics share our information technology system and benefit from its security and confidentiality, although they only have access to personal information and medical records of their own patients. Furthermore, given that we have established a set of internal control policies, including confidentiality and data security procedures, to manage our exposure to potential information leakage risks, there is low likelihood of information or technology leakage.

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Revenues generated from the Arrail Dental brand decreased from fiscal 2019 to 2020, while the revenue growth of Rytime Dental slowed down, primarily due to the impact of the COVID-19 pandemic. In particular, a large number of Arrail clinics are located in Beijing and subject to relatively stricter precautionary measures in line with the government guidance for containing the COVID-19. In addition, (i) gross profit margin of the Arrail clinics in the fully-fledged stage decreased from 18.5% to 11.9% from fiscal 2019 to 2020, and (ii) gross profit margin of the Arrail clinics in the fully-fledged stage in fiscal 2021 was 26.8%, slightly higher than 26.1% for the fast-growing stage, primarily due to the impact of the six clinics and hospitals, mainly being Arrail clinics in the fully-fledged stage, that experienced temporary full or partial suspension of their business operations ranging from three months to one year. For further details on the reasons for their business operations, see “Business—Our Services—Our Hospitals and Clinics.”

We monitor and analyse various operating and financial metrics of our hospitals and clinics in each stage to thoughtfully manage our business. Such metrics are also factors we consider in determining the categorization of growth stages.

The following table sets forth various operating metrics of our hospitals and clinics grouped by their years of operations from fiscal 2019 to 2021, demonstrating improvements in operating performance with the growth of hospitals and clinics. In particular, hospitals and clinics had negative gross profit per chair per month in the first two years of their operations, and turned to gross profit per chair per month in their third year of operations and exhibited an upward trend in that metric over years.

<u>Average fiscal 2019-2021</u>	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-3 years</u>	<u>3-4 years</u>	<u>4 years and above</u>
	(RMB, except for percentages)				
Revenues per chair per month	16,932	47,384	62,661	79,090	111,446
Gross profit per chair per month	(25,124)	(8,045)	580	13,027	28,075
Gross profit margin per chair per month	(148.4%)	(17.0%)	0.9%	16.5%	25.2%

Notes:

- (1) This table sets forth certain operating metrics of the 103 hospitals and clinics we operated as of March 31, 2021, excluding the four clinics in Changsha, China whose financial results are not consolidated into our consolidated financial statements in accordance with IFRSs.
- (2) The number of chairs used for calculation of each operation metric refers to the number of the dental chairs as of March 31, 2021.

While monthly breakeven status is an important indicator of business performance, whether a hospital or clinic has achieved monthly breakeven status is not one of the criteria for purposes of determining its growth stage at the time. For example, certain of our hospitals and clinics in the ramp-up stage were able to achieve positive annual gross profit in the third year of their operations, albeit at a relatively lower level compared to the gross profit of hospitals and clinics in the other growth stages.

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In addition, the table below sets forth certain key operating metrics of the three categories for the periods indicated that our management reviews on a monthly basis, showing that the performance indicators of hospitals and clinics in each growth stage was in distinct ballpark.

	For the Year Ended March 31,			Criteria
	2019	2020	2021	
	(RMB, except for visits per chair)			
Revenues per chair per month				
Fully-fledged	113,008	102,601	128,703	100,000-300,000
Fast-growing	85,697	84,539	91,444	60,000-100,000
Ramp-up	28,524	33,745	49,689	0-60,000
Gross profit per chair per month				
Fully-fledged	25,560	20,741	39,015	20,000-150,000
Fast-growing	20,072	16,368	21,700	5,000-20,000
Ramp-up	(12,305)	(9,870)	(1,885)	(20,000)-5,000
Visits per chair per day				
Fully-fledged	4.0	3.6	4.3	4-8
Fast-growing	3.4	3.3	3.7	2-4
Ramp-up	1.4	1.5	1.9	0-2

Notes:

- (1) This table sets forth certain operating metrics of the 103 hospitals and clinics we operated as of March 31, 2021, excluding the four clinics in Changsha, China whose financial results are not consolidated into our consolidated financial statements in accordance with IFRSs.
- (2) The number of chairs used for calculation of each operation metric refers to the number of registered dental chairs.

The table below demonstrates the improvements in operating and financial performance that we are able to attain as a hospital or clinic gains years of operations as of each of the dates indicated. For the movement in the number of our dental hospitals and clinics during the Track Record Period, see “Business—Our Services—Our Hospitals and Clinics.”

	Visits per chair	Total revenue (RMB'000)	Revenue per hospital or clinic (RMB'000)	Revenue per chair (RMB'000)	Utilization rate of dental chairs ⁽¹⁾ (%)	Utilization rate of dentists ⁽²⁾ (%)
For fiscal 2019						
Fully-fledged	1,262	597,343	17,067	1,386	72.4%	75.4%
Fast-growing	1,074	334,718	12,874	1,195	61.6%	63.9%
Ramp-up	525	117,640	3,921	410	38.9%	56.8%

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	Visits per chair	Total revenue	Revenue per hospital or clinic	Revenue per chair	Utilization rate of dental chairs ⁽¹⁾	Utilization rate of dentists ⁽²⁾
		(RMB'000)	(RMB'000)	(RMB'000)	(%)	(%)
For fiscal 2020						
Fully-fledged	1,132	541,341	15,467	1,256	64.9%	67.6%
Fast-growing	1,067	302,826	11,647	1,082	61.2%	63.5%
Ramp-up	538	209,005	5,225	478	36.4%	53.2%
For fiscal 2021						
Fully-fledged	1,359	979,174	18,830	1,572	78.0%	81.2%
Fast-growing	1,224	266,650	10,256	1,170	70.2%	72.9%
Ramp-up	700	223,601	8,944	705	41.6%	60.7%
For the six months ended September 30, 2021						
Fully-fledged	775	587,416	10,128	857,541	88.6%	92.5%
Fast-growing	636	125,626	5,025	523,443	72.8%	75.7%
Ramp-up	391	108,839	4,535	390,106	47.9%	70.1%

Notes:

- (1) Represents the actual number of visits per chair during the given period as a percentage of the maximum visit capacity per chair of our hospitals and clinics in such period. The maximum visit capacity per chair represents the maximum number of patient visits we can accommodate theoretically with each dental chair during a given period. We offer a diverse range of dental services, with the actual treatment time varying from a few minutes to hours. To calculate the maximum visit capacity per chair, we use (i) 70 minutes per visit and (ii) the maximum number of servicing hours of dental chairs (being approximately 6.5 hours per clinic day), taking into account the preparation time for each patient visit. Accordingly, each chair can theoretically accommodate up to 5.6 patient visits on each clinic day.

The following table sets forth the number of dental chairs used in calculating the utilization rate of dental chairs for the periods indicated:

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Fully-fledged	431	431	623	685
Fast-growing	280	280	228	240
Ramp-up	287	437	317	279

- (2) Represents the actual number of hours of service delivered by dentists during the given period as a percentage of the maximum service capacity of our dentists in such period. The actual number of hours of service delivered by dentists is calculated for illustrative purpose only. In the calculation, we have, based on our experience, estimated the average service time during each patient visit to be 55 minutes. The maximum service capacity of our dentists represents the maximum number of service hours our dentists can provide theoretically during a given period, which is based on: (i) the average number of dentists in our dental hospitals and clinics for the period; (ii) the maximum number of servicing hours per day of each dentist (being approximately 7 hours excluding the rest and preparation time for our dentists and including the time spent on writing and reviewing medical records and considering treatment plans for each patient); and (iii) 21.75 working days per month excluding weekends.

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The following table sets forth the average number of dentists (including both full-time and part-time dentists) used in calculating the utilization rate of dentists for the periods indicated:

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Fully-fledged	362	362	523	576
Fast-growing	236	236	193	202
Ramp-up	133	222	183	156

As more of our hospitals and clinics reach the fully-fledged stage, we believe that they will make increasing contributions to our business and results of operations.

The following tables provide a cohort analysis demonstrating that during the Track Record Period, increase in years of operations had drove the improvements in the revenues, gross profit and gross profit margin of the three categories of hospitals and clinics that were in operation as of March 31, 2018:

Improvement in revenues during the Track Record Period

Hospitals and clinics	Number	For the Year Ended March 31,			For the six months ended September 30,
		2019	2020	2021	2021
(RMB in thousands)					
Fully-fledged as of March 31, 2018	25	497,839	444,361	626,355	345,876
Fast-growing as of March 31, 2018	24	287,338	274,980	337,610	179,473
Ramp-up as of March 31, 2018	26	182,522	196,294	266,650	145,413
Newly Opened in fiscal 2019	16	38,457	97,820	140,143	82,102
Newly Opened in fiscal 2020	10	N/A	22,490	94,798	60,115
Newly Opened in fiscal 2021	2	N/A	N/A	3,867	5,671
Newly opened in the six months ended September 30, 2021	4	N/A	N/A	N/A	3,232
Total	107	1,006,157	1,035,944	1,469,424	821,882

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Improvement in gross profit/(loss) during the Track Record Period

Hospitals and clinics	Number	For the Year Ended March 31,			For the six months ended September 30,
		2019	2020	2021	2021
(RMB in thousands)					
Fully-fledged as of March 31, 2018	25	117,782	99,945	206,775	116,092
Fast-growing as of March 31, 2018	24	69,035	47,644	88,073	44,983
Ramp-up as of March 31, 2018	26	16,767	23,316	63,276	36,606
Newly Opened in fiscal 2019	16	(37,830)	(23,033)	1,240	5,910
Newly Opened in fiscal 2020	10	(12,568)	(42,328)	(8,022)	(11,450)
Newly Opened in fiscal 2021	2	N/A	(152)	(3,295)	409
Newly opened in the six months ended September 30, 2021	4	N/A	N/A	N/A	(1,487)
Total	107	153,186	105,392	348,048	191,063

Improvement in gross profit/(loss) margin during the Track Record Period

Hospitals and clinics	Numbers	For the Year Ended March 31,			For the six months ended September 30,
		2019	2020	2021	2021
Fully-fledged as of March 31, 2018	25	23.7%	22.5%	33.0%	33.6%
Fast-growing as of March 31, 2018	24	24.0%	17.3%	26.1%	25.1%
Ramp-up as of March 31, 2018	26	9.2%	11.9%	23.7%	25.2%
Newly Opened in fiscal 2019	16	(98.4)%	(23.5)%	0.9%	7.2%
Newly Opened in fiscal 2020	10	N/A	(188.2)%	(8.5)%	(19.0)%
Newly Opened in fiscal 2021	2	N/A	N/A	(85.2)%	7.2%
Newly opened in the six months ended September 30, 2021	4	N/A	N/A	N/A	(46.0)%
Overall gross margin		15.2%	10.2%	23.7%	23.2%

During the Track Record Period, six of our hospitals and clinics experienced temporary full or partial suspension of their business operations ranging from three months to one year, for reasons such as (i) relocation to more ideal locations, (ii) significant interior remodeling and facility upgrades to increase dental chair capacity and (iii) temporary closure due to renovations of the shopping center where the clinic was located, resulting in a decline in their financial results. These six hospitals and clinics also experienced declines in their financial results for periods after their closure due to the time incurred to ramp up to their pre-closure business pace.

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The following images show the hospitals and clinics we currently operate:



PATH TO NET PROFITABILITY

We were in operating loss position in fiscal 2019 and 2020, and swung to an operating profit in fiscal 2021 and the six months ended September 30, 2021. We recorded (i) operating loss of RMB84.0 million in fiscal 2019 and RMB133.4 million in fiscal 2020, and turned to operating profit of RMB124.5 million in fiscal 2021, and (ii) adjusted net loss (non-IFRS measure) of RMB110.1 million in fiscal 2019 and RMB179.3 million in fiscal 2020, and turned to adjusted net profit (non-IFRS measure) of RMB55.9 million in fiscal 2021, despite the adverse impact of the COVID-19 pandemic on our operating and financial performance in fiscal 2020. We had (i) operating profit of RMB66.0 million and RMB43.1 million for the six months ended September 30, 2020 and 2021, respectively, and (ii) adjusted net profit (non-IFRS measure) of RMB34.8 million and RMB31.2 million for the six months ended September 30, 2020 and 2021, respectively.

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Further, we recorded substantial net cash inflow from operating activities during the Track Record Period. Our net cash inflow from operating activities continued to grow from RMB136.8 million in fiscal 2019 to RMB154.3 million in fiscal 2020, and further to RMB242.9 million in fiscal 2021. Our net cash inflow from operating activities was RMB145.2 million for the six months ended September 30, 2021, compared to RMB124.7 million for the same period in 2020. We expect our operating cash flow to further improve, see “Financial Information—Working Capital” for more details. As of January 31, 2022, we had RMB1.0 billion in cash and cash equivalent. We are well positioned to achieve sustainable growth.

Notwithstanding the above, we had net losses during the Track Record Period, primarily due to the the rapid ramping up of our business scale and the substantial expansion of our dental clinic and hospital network, as well as the adverse effects of the COVID-19 pandemic in fiscal 2020. In addition, the following are also the primary causes for the net losses: (i) the significant losses from changes in fair value of convertible redeemable preferred shares in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, which could be attributed to the increase in the valuation of our shares; (ii) the loss arising from re-designation to Series E preferred shares from issued ordinary and preferred shares incurred in fiscal 2021; and (iii) the losses from changes in fair value of bond and warrants in fiscal 2021 and the six months ended September 30, 2021. For further details, see “Risk Factors—Risks Relating to Our Business and Industry—We have incurred net losses in the past, and may not be able to achieve or maintain profitability in the future. In addition, our financial performance may be adversely affected by fair value changes in our convertible redeemable preferred shares.” and “Financial Information—Period-to-Period Comparison of Results of Operations.”

Furthermore, we were in a net liability position as of March 31, 2019, 2020 and 2021 and September 30, 2021, and were in a net current liability position as of March 31, 2019, 2020 and 2021. For discussion in detail on the primary causes for our net current liability and net liability position, see “Risk Factors—Risks Relating to Our Business and Industry—We had net current liabilities and net liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities or net liabilities in the future, which could expose us to liquidity risks.” and “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Right-of-use assets—Net current assets/liabilities.”

We expect to further improve our financial performance and achieve net profitability in the near future through continuous revenue growth and improved cost efficiency. To grow our revenues, we will further expand our existing dental network and penetrate into new markets across China, see “Future Plans and Use of Proceeds” for more details on new hospitals and clinics we plan to open from fiscal 2022 to 2027. Fully-fledged hospitals and clinics can achieve better performance in important operating metrics such as visits and revenue per dental chair, driving improvements in key financial metrics such as revenues, gross profit and gross profit margin. They serve as a key driver for our long-term revenue and profit growth. Going forward, the percentage of our hospitals and clinics in the fully-fledged stage is expected to remain no less than 50% in the long run, driving our overall profitability, of our ramp-up

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hospitals and clinics is expected to remain around 30%, taking into account the new hospitals and clinics we plan to open with the net proceeds from the Global Offering. We will strive to strike a balance between our business expansion and the profitability.

We intend to achieve this by evaluating our expansion plans and monitoring the composition of hospitals and clinics in different growth stages on an ongoing basis:

- (i) *Board.* Our Board of Directors will conduct quarterly reviews of the business plan reports submitted by the new project committee on opening new hospitals and clinics and/or acquiring new targets, and make final investment decisions on the limit on the number of new hospitals and clinics to be opened in each quarter, by assessing a variety of factors, such as suitability of locations and/or potential acquisition targets, dilutive effect on the percentage of fully-fledged hospitals and clinics, market conditions, availability of funds, development and performance of the existing dental network, etc. Furthermore, when considering and approving annual budget for business expansion, hospitals and clinics remain no less than 50% of the number of total hospitals and clinics, taking into account the opening of new hospitals/clinics.

- (ii) *Management teams.* The Board will delegate the power and responsibility for the following matters to the management teams of the regional markets in charge of our daily operating activities: to identify and assess new locations for hospitals and clinics and potential acquisition targets; to continuously monitor changes in the percentage of hospitals and clinics in different stages taking into account new hospitals/clinics the management proposes to open or acquire and existing hospitals/clinics that experience temporary suspension of operations due to reasons such as relocation and interior remodeling; and to take other appropriate measures to execute our business objectives and expansion strategies.

Once new locations for hospitals and clinics or potential acquisition targets are identified, the strategic development departments of the regional markets will conduct market research, onsite investigation, property evaluation and evaluation on engineering design and prepare a project proposal. The proposal will be reviewed by the management teams with local knowledge and expertise. Subsequently, the management teams will submit reports to the new project committee for approval, setting forth assessment of expected return on investment, capital investment, expected opening date and other relevant factors.

- (iii) *New project committee.* We will establish a committee at our headquarters comprising our chief executive officer, chief financial officer, and other core members of our management team to review the reports submitted by management of the regional markets and approve the opening of new hospital/clinic or acquisition of a new target on a case-by-case basis, subject to the quarterly limit on the number of new hospitals and clinics previously approved by the Board. The

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committee takes into account the number of hospitals and clinics in the three growth stages and their expected development, and ensure that the proportion of fully-fledged hospitals and clinics remain no less than 50% in each fiscal year.

The following sets forth a typical process of selection of new locations and decision making on opening new hospitals/clinics:

- The strategic development departments of the regional markets are in charge of identifying and assessing suitable locations for new hospitals and clinics and potential acquisition targets in accordance with our annual expansion target. Once a potential location or potential acquisition target is identified, they will conduct market research, onsite investigation, property evaluation and evaluation on engineering design, and prepare a project proposal accordingly.
- Our management teams of the regional markets will review and conduct initial approval for the project proposal. They will prepare and submit reports to the new project committee, setting forth assessment of expected return on investment, capital investment, expected opening date and other relevant factors, for their approval.
- The new project committee will review the reports and approve the opening of new hospital/clinic or acquisition of a new target on a case-by-case basis, subject to the quarterly limit on the number of new hospitals and clinics previously approved by the Board. The committee will prepare quarterly reports on the progress of our expansion plans and submit the reports to the Board.
- Our Board will conduct quarterly review of the reports submitted by the new project committee and make decisions on the limit on the number of new hospitals and clinics for subsequent quarters.

In addition, as our hospitals and clinics reach their fully-fledged stage, our overall gross profit margin is expected to continue to improve. Our Directors believe that we will also benefit from improved cost efficiency by (i) continuing to reduce costs and expenses incurred at the hospital or clinic level as a percentage of revenues, and (ii) reducing the costs and expenses incurred at the headquarters level that are proportionately allocated to each hospital or clinic. Currently, we do not have plans on granting RSUs in the near future. We will evaluate the financial impact of any future RSU grants to ensure that grants of RSUs will not result in us failing to achieve net profitability in the future.

By balancing the scale of our network growth through opening new hospitals and clinics and the improvement on profitability and cost efficiencies through the continued maturity of our existing hospitals and clinics, we are able to thoughtfully manage our business with an aim of continuously growing our overall revenues, improving our gross profit margin and quickly achieving profitability.

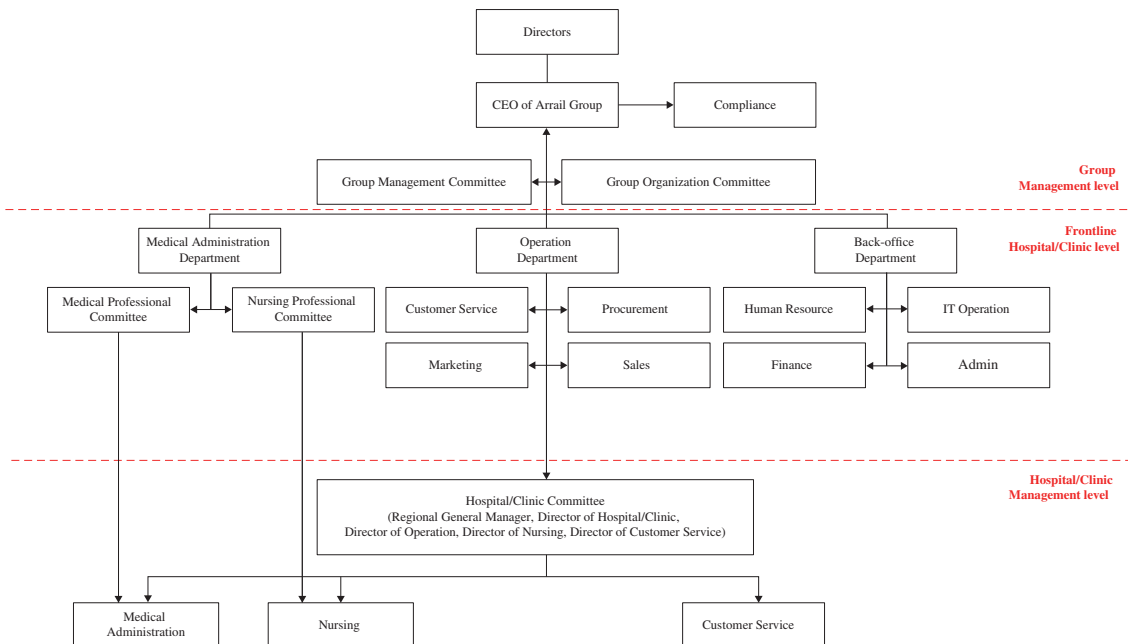
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In light of the foregoing, our Directors are of the view that we will start recording net profit in the medium term, assuming there are no changes in extrinsic factors that would materially influence the dental services market in China generally or our Group specifically such as evolvement of COVID-19.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. The relevant risks are set forth in the Risk Factors section, including “Risk Factors—Risks Relating to Our Business and Industry—Newly opened or acquired dental hospitals and clinics may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.” and “Risk Factors—Risks Relating to Our Business and Industry—Our expansion strategies across the PRC are subject to uncertainties and risks. We may not be able to implement our business strategies on schedule or within our budget or at all.”

Our Management and Reporting Structure

The diagram below illustrates the management and reporting structure of our dental network:



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OUR DENTISTS

As of September 30, 2021, we had a dental professional team comprised 882 full-time dentists. We believe that our dentists are critical to our success. Accordingly, we devote significant resources and management attention to supporting their professional growth. We have developed a broad range of systems, tools and programs, such as a knowledge sharing and teaching platform and a mentorship program, which provide resources for technical knowledge and continuing professional education. Furthermore, we invest in offering comprehensive skills training to our dentists, as we believe the level of their technical knowledge and practical skills is crucial to our ability to provide patient care at a high quality. We believe with such support infrastructure, our dentists are able to focus on serving patients and continuously enhancing their professional skills, which strengthens our competitive advantages to maintain and improve our overall performance. We also encourage and incentivize our dentists to attend external courses to upgrade their skills and familiarize themselves with technological advancements in dental healthcare as well as new dental equipment.

During the Track Record Period and up to the Latest Practicable Date, we received four administrative penalties and were fined for a total amount of RMB9,500 due to unqualified personnel providing healthcare services.

As of September 30, 2021, each of our full-time dentists is qualified with Practicing Certificate to practice as a dentist in the PRC. During the Track Record Period and up to the Latest Practicable Date, except for the aforementioned incidents, all of our dental healthcare services were provided by qualified dentists.

Our support infrastructure has enabled us to retain good talents within and acquire new talents into our dental professional team. As of September 30, 2021, 31.9% of our dentists had been working with us for more than five years.

The following table sets forth the details of our full-time dentists, retention rates and the average revenues per full-time dentist for the periods indicated.

	For the year ended March 31,			For the six months ended September 30,
	2019	2020	2021	2021
Number of full-time dentists	770	820	856	882
Retention rate				
Less than three years of work	75.4%	71.7%	71.0%	77.6%
Three years of work or more	89.0%	93.9%	87.2%	95.8%
Average revenues per full-time dentist (RMB'000)	1,376.7	1,287.9	1,874.8	958.3

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As of September 30, 2021, we also had 123 part-time dentists, accounting for 12.2% of our total full-time and part-time dentists. Our part-time dentists mainly consist of (i) former full-time dentists who have left our hospitals or clinics and choose to work part-time to complete treatment for their patients, and (ii) well-known experts in certain therapeutic areas whom we can consult with when dealing with complex and sometimes rare cases. The arrangement of our part-time employment accords with industry standard and allows us to provide high-quality, consistent services to our patients. Our part-time dentists are all registered qualified dentists and have obtained approvals and registration for multi-institution practice, and the recruitment of such part-time dentists has complied with relevant laws and regulations in the PRC. During the Track Record Period, our part-time dentists contributed 5.4%, 4.8%, 4.2% and 2.9% of our revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

Set forth below is a summary of the material terms of the agreements we enter into with our part-time dentists:

Services. Part-time dentists work part-time and provide dental services to our patients, including conducting dental diagnoses and performing dental treatments.

Remuneration. Remuneration of part-time dentists is paid on a monthly basis. Remuneration of our part-time dentists is determined based on a certain percentage of the revenues derived from the treatments where our patients receive the services of the part-time dentists, with a minimum remuneration of RMB500 or RMB1,000 for each working day with us.

Term. The term of the agreement is typically one year or longer. Each party thereto is entitled to terminate the agreement by giving 30 days' prior notice to the other party.

Qualification of Our Dentists

The qualification and expertise of our dentists plays an important role in the competitiveness of our business, and we therefore place great emphasis on recruiting, training and retaining our professional team. Our Human Resources Department recruits new dentists and other professionals based on their qualifications, experience, educational background, reputation, specialized area of study or practice, level of dedication, previous compliance records and whether they will fit into our corporate culture. We assess their credentials and suitability for the positions through conducting interviews, which are attended by our department heads, head nurses and regional general managers. As part of the onboarding process, our dentists are required to complete trainings designed to familiarize themselves with our technical standards and service quality guidelines.

We recruit our dentists through a variety of avenues, including on-campus recruitment at top-ranked dental schools in China, such as Peking University School of Stomatology, Sichuan University West China School of Stomatology and Capital Medical University. We also leverage on lateral recruitment to hire competent dentists primarily from public hospitals.

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Our dentists are required to be registered as medical practitioners with valid doctor qualification certificates. Our human resources and administrative personnel are responsible for verifying the qualification certificate issued by the PRC Ministry of Health. We closely monitor the qualification registration and licensing records on a continuing basis to ensure that our dentists comply with all applicable regulatory requirements.

We maintain high standards in recruitment of qualified members in our dental professional team and provide them with competitive compensation packages, taking into account factors such as scale of the dental outlets, number of consultation hours, responsibility, qualification, experience, reputation, and area of specialty.

As of September 30, 2021, over 50.7% of our full-time dentists had master's degrees or above, and many held titles and qualifications such as chief medical director and medical discipline leader; 208, or 23.6%, of our full-time dentists had over 15 years of experience in dental practice; 132, or 15.0%, of our full-time dentists had more than ten years and up to 15 years of experience in dental practice. Our team of full-time dentists have on average 10.2 years of experience in the industry.

Our part-time dentists generally have bachelor's degrees or above and have on average 15.2 years of post-qualification experience in the industry. They are all registered qualified dentists and have obtained approvals and registration for multi-institution practice.

During the Track Record Period, our top dentist contributed 1.6%, 1.3%, 1.5% and 1.2% of our revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. The top ten dentists contributed 7.9%, 8.2%, 7.6% and 7.3% of our total revenues for fiscal 2019, 2020, and 2021 and the six months ended September 30, 2021, respectively. All of our top ten dentists by revenue contribution were full-time dentists.

All of our top performing dentists are full-time dentists, who have on average over 10 years of experience in the dental services industry. Their respective remunerations are determined based on their performance and positions, comprising base salary and additional performance-based bonuses. We typically enter into employment contracts with each of our top performing dentists for a term of three years or for a continuous term. Dentist may terminate his or her employment at any time with one-month written notice prior.

Furthermore, our broad medical platform, cohesive culture, and extensive career opportunities has enabled us to retain our dentists. Dentists with more than five, 10 and 15 years of experience with us accounted for 31.9%, 11.2% and 4.8% of our total dentists, indicating strong retention rates.

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OUR CUSTOMERS

Our customers mainly consist of individual patients and corporate clients. Our business and profitability are not materially dependent on any single individual or any corporate contract.

Individual Patients

Individual patients settle their own dental care payments by cash or cash equivalent, such as credit cards or debit cards. Payments of individual patients include (i) where patients are not under any medical insurance, the fees incurred for the treatment received; (ii) where patients are under medical insurance but the treatment received does not fall within the scope of the insurance coverage, the uncovered fees incurred for the treatment received; or (iii) where patients are under medical insurance, the amount of co-payment for the treatment received as provided under the insurance policy.

Under the terms of our agreements with governmental medical insurance bureaus, we serve as the medical insurance designated hospitals or clinics and provide basic or essential dental services to patients who participate in such insurance programs. Prices of dental services covered under such insurance programs are determined according to the pricing guidelines set by relevant authorities. Pursuant to the agreements, we settle all or part of the fees of the dental services within the scope of the insurance coverage directly with the respective medical insurance bureaus. For the portion of the medical fees covered by the governmental medical insurance programs and payable by the local medical insurance bureaus, we typically receive reimbursement in the month when we submit the relevant medical records and receipts or the following month. Patients are required to settle the remaining balances of the medical fees for dental services outside of the scope of coverage of the governmental medical insurance programs.

Under the terms of our agreements with commercial insurance providers, we typically provide the option of direct billing settlement to individual patients who participate in the commercial insurance programs. Pursuant to such agreement, patients are required to pay none or only a portion of the medical fees for the covered dental services with the remainder settled between the insurance providers and us directly. For the medical fees for dental services outside of the scope of coverage, patients are generally required to pay out-of-pocket. The commercial insurance providers generally settle medical fees of our dental services within the scope of the insurance coverage within 30 days to 45 days upon the receipt of the relevant medical records and receipts submitted by us on a monthly basis. Prices of our dental services are typically set out in a price schedule attached to such agreements, which are generally in line with our listed prices, except that in some cases we grant an approximately 10% discount to certain commercial insurance providers.

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The government has adopted favorable policies to expand public medical insurance coverage and promote dental treatment programs, which will increase accessibility and affordability of dental care services, raise public awareness of dental care, and encourage consumers to seek better dental services. Such development will benefit our business in general. More specifically, subject to local regulations, some of our Rytme Dental hospitals and clinics are covered under the Basic Medical Insurance Schemes, consumers are only required to make out-of-pocket payments for the remaining balances on their dental treatment expenses not covered by the medical insurance schemes. This significantly reduces financial barriers to receiving dental care. As a result, the wider the coverage of the medical insurance schemes is, the larger population will be willing to seek otherwise expensive dental services offered by us, driving the needs to our services.

Despite that the dental services we provide under the Arrail Dental brand are not covered under the Basic Medical Insurance Schemes, the expansion of the coverage of such insurance schemes would not have an adverse impact on our premium private dental services, because the target consumers of Arrail Dental are affluent patients with high purchasing power who value quality of dental services and patient care over price and typically do not rely on settlement through governmental medical insurance schemes.

The following table sets forth a breakdown of our billing amount by payment methods for the periods indicated.

	For the year ended March 31,						For the six months ended September 30,	
	2019		2020		2021		2021	
	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)							
Cash	28,308	2.7%	21,256	2.0%	24,925	1.6%	13,134	1.5%
Credit cards	965,567	91.2%	970,836	91.6%	1,381,002	91.1%	767,509	90.7%
Governmental medical insurance programs	27,613	2.6%	30,516	2.9%	55,838	3.7%	35,461	4.2%
Commercial medical insurance programs	37,333	3.5%	37,014	3.5%	54,607	3.6%	30,201	3.6%
Total	1,058,820	100.0%	1,059,623	100.0%	1,516,372	100.0%	846,305	100.0%

Our individual patients account for a significant portion of our customer base. For fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, revenues generated from our individual patients represented approximately 94%, 94%, 93% and 93% of our total revenues, respectively.

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The following table sets forth a breakdown of the number of new patients and the percentage of repeat visits by age group for the periods indicated.

	Age Group	For the Year Ended March 31,			For the Six Months Ended
		2019	2020	2021	September 30, 2021
Number of new patients	Age of 20 or below	44,565	41,310	54,221	32,180
	Age between 20 and 50	204,436	193,379	210,218	126,311
	Above the age of 50	44,031	43,313	47,379	27,985
	Total	293,032	278,002	311,818	186,476
Percentage of repeat visits⁽¹⁾ (%)	Age of 20 or below	43.3%	42.1%	46.4%	52.8%
	Age between 20 and 50	39.2%	38.5%	43.0%	44.1%
	Above the age of 50	53.8%	53.3%	57.0%	57.8%
	Overall percentage of repeat visits	42.1%	41.4%	45.8%	47.6%

Note:

- (1) Repeat visits in a given period refer to the number of visits of our repeat patients after their initial visits during the period. Repeat patients refer to patients who revisit our dental hospitals or clinics beyond six months after their initial visits and exclude those who revisit for follow-up consultations of the same treatment. Percentage of repeat visits is calculated as the number of repeat visits divided by total visits of patients in each age group.

The following tables set forth details of key operating metrics of our hospitals and clinics by brands for the periods indicated:

	As of/For the Year Ended			As of/For the
	March 31,			Six Months Ended
	2019	2020	2021	September 30, 2021
Arrail Dental				
Visits per chair	1,103	977	1,063	607
Revenues per chair (RMB)	1,429,748	1,190,085	1,588,459	870,813
Rytime Dental				
Visits per chair	1,036	909	1,250	710
Revenues per chair (RMB)	750,133	724,245	1,030,806	556,994

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	For the Year Ended March 31,			For the Six Months Ended September 30,
	2019	2020	2021	2021
	Arrail Dental			
Number of patients ⁽¹⁾	262,331	261,022	252,517	174,155
Number of patient visits ⁽¹⁾	488,419	465,178	505,912	292,381
Average revenues per patient visit (RMB)	1,296.8	1,217.8	1,494.5	1,435.6
Rytime Dental				
Number of patients	231,936	248,124	325,479	224,630
Number of patient visits	575,143	610,876	865,134	512,668
Average revenues per patient visit (RMB)	723.9	796.7	824.5	784.4

	Age Group	For the Year Ended March 31,			For the Six Months Ended September 30,
		2019	2020	2021	2021
Arrail Dental					
Number of new patients	Age of 20 or below	19,909	16,725	17,381	9,501
	Age between 20 and 50	98,239	88,285	73,265	44,832
	Above the age of 50	17,918	16,918	14,810	9,413
	Total	136,066	121,928	105,456	63,746
Percentage of repeat visits⁽²⁾ (%)	Age of 20 or below	47.6%	43.1%	52.5%	58.0%
	Age between 20 and 50	42.8%	38.8%	44.3%	45.7%
	Above the age of 50	56.9%	54.7%	59.8%	61.3%
	Overall percentage of repeat visits	45.4%	41.7%	47.8%	49.7%
Rytime Dental					
Number of new patients	Age of 20 or below	24,656	24,585	36,840	22,679
	Age between 20 and 50	106,197	105,094	136,953	81,479
	Above the age of 50	26,113	26,395	32,569	18,572
	Total	156,966	156,074	206,362	122,730
Percentage of repeat visits⁽²⁾ (%)	Age of 20 or below	39.9%	41.5%	43.4%	50.4%
	Age between 20 and 50	35.9%	38.1%	42.2%	43.1%
	Above the age of 50	51.7%	52.3%	55.5%	56.0%
	Overall percentage of repeat visits	39.3%	41.2%	44.7%	46.4%

Note:

- (1) Despite the fact that the total number of our patients of Arrail Dental decreased from 261,022 in fiscal 2020 to 252,517 in fiscal 2021, the number of patient visits of Arrail Dental increased from 465,178 in fiscal 2020 to 505,912 in fiscal 2021. The increase in patient visits was primarily because we made more effort to improve customer engagement through various marketing activities to interact with, and attract more visits from, existing patients of Arrail Dental, such as conducting follow-up phone calls and organizing and inviting them to events to promote our implantology and orthodontics services. This is also demonstrated by the decline in the total number of new patients of Arrail Dental, and the increases

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in the percentages of repeat visits of Arrail Dental across all age groups from fiscal 2020 to 2021. In addition, we provided more complex dental treatments in fiscal 2021 leading to more patient visits, demonstrated by the year-over-year growth in revenues derived from the orthodontics and implantology services. See “Business—Our Services” for a revenue breakdown by service during the Track Record Period. The number of patient visits in a given period refers to the aggregate number of visits our patients have paid to our dental clinics and/or hospitals during such period. A patient may pay one or more visits to our hospitals and/or clinics.

- (2) Repeat visits in a given period refer to the number of visits of our repeat patients after their initial visits during the period. Repeat patients refer to patients who revisit our dental hospitals or clinics beyond six months after their initial visits and exclude those who revisit for follow-up consultations of the same treatment. Percentage of repeat visits is calculated as the number of repeat visits divided by total visits of patients in each age group.

During the Track Record Period, we received a total of 672 patient complaints in relation to the dental services we provided, representing 0.016% of the total number of dental treatments performed during the same period. Such rate is significantly lower than the industry average of approximately 1.00%, according to the Frost & Sullivan Report.

To ensure prompt and proper handling of patient complaints, we have implemented internal guidelines which we require our staff to strictly adhere to. Patients can make complaints to us (i) directly through our customer service hotline, and (ii) by lodging complaints with third-party e-commerce platforms that we use as sales channels of our dental services. We generally take actions within 24 hours after the receipt of the patient complaints. Our customer service team compiles detailed records of the patient complaints, and reports such to regional general managers or other designated personnel who will be in charge of coordinating and directing the complaints to relevant head of operation or head of hospital or clinic. The directors in charge will typically look into the facts of the patient complaints by retrieving medical records and discussing with relevant staff, among others, and seek to resolve the complaints reasonably and amicably in a prompt manner. In addition, our general manager of customer service team will monitor the complaint handling process until the complaint has been handled properly.

We conduct internal review on typical patient complaints and the appropriate rectification measures on a weekly basis, aiming to prevent occurrence of complaints of a similar nature. We also maintain monthly reports on customer satisfaction review and complaint rates to review the performance of our dentists.

Corporate Clients

We sell dental care services to our corporate clients, including industry-leading corporations, banks and insurance companies, who are our direct or end customers, to further expand our potential patient base. We are able to reach broader patient base through our corporate clients who purchase our dental care services for their employees, credit card holders, or insurance policy members.

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Currently more than 200 corporations, including top international technology companies, purchase our dental services as benefits to their employees. We believe that those corporations choose our services because our premium brand and services match well with their corporate images and the level of benefits that they expect to give to their employees. Under the terms of our agreements with those corporations, we offer their employees or other designated beneficiaries certain dental treatment package specified in the agreements, such as oral examination, tooth cleaning and fluoride treatment services. These employees or beneficiaries typically enjoy the services for free through presentation of dental service vouchers when visiting our hospitals and clinics. Such dental service vouchers are purchased from us by our corporation customers, the payment of which shall be settled by the corporations before we issue the vouchers to them and based on the actual number of orders placed. Under certain agreements, we also allow employees and designated beneficiaries to receive treatments for free without the need to use any voucher, as long as they make an appointment through a special hotline and verify their identities as the designated persons before the treatments. In such cases, corporations are required to settle the bills, typically on a quarterly basis, based on the number of individuals who have received the services. Payments should be settled within 10 to 15 days upon their receipt of invoices submitted by us. In addition to the specified dental services, employees or designated beneficiaries of our corporation customers may enjoy other treatments not covered in the package at discounted prices in our clinics or hospitals, in which case they are required to settle the fees for dental treatments themselves at discounted rates.

In addition, we partner with industry-leading banks, to run a variety of customer reward programs, with an aim to attract their high-net-worth and ultra-high-net-worth clients to become our long-term dental care customers. For example, since 2012, through our partnership with a leading commercial bank in China, we have converted an average of 6,700 platinum card holders into our patient pool per year, generating significant long-term value to us. Under the terms of our agreements with those banks, we offer dental services, such as oral examination, tooth cleaning and pit and fissure sealant services, to certain card holders of those banks for free. Banks partnered with us are required to settle the bills, on a monthly or quarterly basis, based on the actual number and type of services provided their card holders. Payments should be settled within 10 to 20 days upon their receipt of invoices submitted by us. In addition to the specified dental services, designated card holders of our bank customers may enjoy other treatments not covered in the package at discounted prices in our clinics or hospitals, in which case they are required to settle the fees for dental treatments themselves at discounted rates.

Furthermore, we have built close business relationships with 10 leading insurance companies, who incorporate our services in their premium insurance products. These relationships allow us to cross-sell our services to a large number of high-quality, insured consumers. We had agreements with 33 insurance companies to offer direct billing service to our patients as of September 30, 2021. Under the terms of our cooperation agreements with insurance companies, we provide dental services for individuals who purchase the premium insurance products from such insurance companies. We are entitled to charge the insurance companies directly for the dental service fees incurred by insured customers, who are required to pay none or only a portion of the medical fees for the covered dental services under the direct billing settlement arrangement. The insurance companies generally settle medical fees of

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dental services within the scope of the insurance coverage with us within 30 to 45 days upon their receipt of invoices accompanied by supporting materials on a monthly basis. For the portion of the bill outside the scope of the insurance coverage provided by the insurance companies, we typically directly settle the out-of-pocket expenses with the insured individuals. For more details on settlement of dental care payments by patients under commercial medical insurance, please see “Business—Our Customers—Individual Patients.”

The following table sets forth our revenues attributable to each type of our corporate clients as percentages of total revenues, during the Track Record Period.

	For the Year Ended March 31,			For the Six Months
	2019	2020	2021	Ended September 30, 2021
Revenues (%)				
Corporations	1.8%	1.7%	2.6%	2.4%
Banks	0.6%	0.5%	0.4%	0.7%
Insurance companies	3.5%	3.4%	3.6%	3.6%

Given the dispersed base of our customers, we do not have a concentration risk. During the Track Record Period, revenues from our top five customers in aggregate accounted for 1.6%, 1.7%, 1.9% and 1.7% of our total revenues in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

Top Five Customers

The following table sets forth the details of our five largest customers during the Track Record Period.

Customer	Products/ services provided	Principal business	Year of commencement of business relationship	Transaction amount	Percentage of our total revenues
				(RMB'000)	
<i>For the year ended March 31, 2019</i>					
Customer A	Dental care services	Media advertising services	2015	4,925	0.46%
Customer B	Dental care services	Credit card services	2003	4,052	0.38%
Customer C	Dental care services	Human resources services	2017	3,279	0.30%
Customer D ⁽¹⁾	Dental products	Dental care services	2018	2,640	0.25%
Customer E	Dental care services	Management consulting and outsourcing services	2013	1,864	0.17%

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Customer	Products/ services provided	Principal business	Year of commencement of business relationship	Transaction amount (RMB'000)	Percentage of our total revenues
<i>For the year ended March 31, 2020</i>					
Customer A	Dental care services	Media advertising services	2015	8,188	0.74%
Customer B	Dental care services	Credit card services	2003	3,366	0.31%
Customer D ⁽¹⁾	Dental products	Dental care services	2018	2,729	0.25%
Beijing Songbai Langqin Dental Clinic Company Limited ⁽²⁾	Dental products and IT system services	Dental care services	2016	2,346	0.21%
Customer F	Dental care services	Commercial health insurance services	2017	1,932	0.18%
<i>For the year ended March 31, 2021</i>					
Hangzhou Shengchao Medical Technology Company Limited ⁽³⁾	Dental products	Procurement platform	2017	10,334	0.68%
Customer D ⁽¹⁾	Dental products	Dental care services	2018	6,337	0.42%
Customer A	Dental care services	Media advertising services	2015	5,885	0.39%
Customer B	Dental care services	Credit card services	2003	3,790	0.25%
Customer G	Dental care services	Commercial health insurance services	2017	2,708	0.18%
<i>For the six months ended September 30, 2021</i>					
Customer D ⁽¹⁾	Dental products	Dental care services	2018	5,033	0.60%
Customer B	Dental care services	Credit card services	2003	3,002	0.36%
Customer G	Dental care services	Commercial health insurance services	2017	2,293	0.27%
Hangzhou Shengchao Medical Technology Company Limited ⁽³⁾	Dental products	Procurement platform	2017	1,897	0.23%
Customer A	Dental care services	Media advertising services	2015	1,675	0.20%

Notes:

- (1) Customer D is a dental care services provider in which we own minority interests. Since we became a minority shareholder of it, Customer D started to leverage our centralized procurement capabilities and strong bargaining power to procure dental products such as orthodontic brackets from us according to their business needs. The terms of our sales to Customer D are generally consistent with those to other customers.

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- (2) Beijing Songbai Langqin Dental Clinic Company Limited (“**Songbai Langqin**”) invested in one of our subsidiaries and owns minority interests in it. Since it became a minority shareholder of our subsidiary, Songbai Langqin started to leverage our centralized procurement capabilities and strong bargaining power to procure dental products such as orthodontic brackets from us based on their business operation needs. We also provide IT system services to Songbai Langqin by granting them limited access to our SaaS system, which helps them to optimize operations, procurement and management. The terms of our sales to Songbai Langqin are generally consistent with those to other customers.
- (3) During the Track Record Period, Hangzhou Shengchao Medical Technology Company Limited (“**Hangzhou Shengchao**”) mainly purchased dental instruments, such as metal orthodontic brackets, orthodontic anchorage devices, dental turbines and root canal filling materials, from us. Apart from Hangzhou Shengchao, we only sell such dental instruments to our hospitals and clinics that are our subsidiaries.

Hangzhou Shengchao is a subsidiary of Hangzhou Jarvis Medical Technology Company Limited, a connected person of us. Hangzhou Shengchao leverages our strong procurement capabilities to procure from us certain dental products according to their business demands. Incidentally, we consider Hangzhou Shengchao to be a reliable procurement platform and purchase various dental products from them. Negotiations of the terms of sales to and purchases from Hangzhou Shengchao were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our transactions with Hangzhou Shengchao were conducted on normal commercial terms after arm’s length negotiations, in line with market practice. The sales prices we charge Hangzhou Shengchao and gross profit margin of our sales to it were at the same level as those for the other purchasers during the Track Record Period.

Our fourth largest customer in fiscal 2020, Beijing Songbai Langqin Dental Clinic Company Limited, a connected person of us, contributed 0.21% of our total revenues in fiscal 2020. Our largest customer in fiscal 2021 and our fourth largest customer in the six months ended September 30, 2021, Hangzhou Shengchao Medical Technology Company Limited, a connected person of us, contributed 0.68% and 0.23% of our total revenues during such periods, respectively. Hangzhou Shengchao was also a major supplier of us in fiscal 2021 and the six months ended September 30, 2021. To the best knowledge of our directors, other than Beijing Songbai Langqin and Hangzhou Shengchao, none of our directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering held any interests in any of our five largest customers during the Track Record Period. Customer A was one of our top five customers during the Track Record Period, and was also our supplier providing media advertising services in fiscal 2019, 2020 and 2021. During the Track Record Period, Customer A contributed 0.46%, 0.74%, 0.39% and 0.20% of our total revenues in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, and purchases from Customer A accounted for 4.01%, 2.56% and 1.11% of our total purchases in fiscal 2019, 2020 and 2021, respectively.

OUR SUPPLIERS

Our suppliers primarily consist of our suppliers for human resources service, dental equipment, consumable and dental supplies, including anesthetics and other medicine, dental prosthesis (such as crowns, bridges and dentures), materials used in dental procedures (such as impression materials, filling materials and cements), dental instruments (such as extraction forceps, injection needles, root canal files and orthodontic brackets and aligners), and consumables (such as facial masks, disposable gloves, dental bibs, plastic cups and gauze). We implement a centralized procurement process and purchase from suppliers predominantly located in China. We procure dental instruments and equipment that are manufactured by foreign manufacturers through domestic distributors who are licensed to import them. We

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generally enter into agreements with our major suppliers on a short-term and non-exclusive basis, which would allow us to evaluate and select new suppliers that are able to provide the highest quality products and services to us at competitive pricing.

In selecting our suppliers, we perform assessment on the potential suppliers, including the quality of their products, pricing, services, production capacity, timeliness of delivery, and suppliers' reputation in the industry. Our procurement team regularly monitors the market price of our material supplies. We conduct regular reviews of our suppliers and will remove any suppliers who do not meet our supply standards or requirements from our list of approved suppliers. We usually have more than one supplier for each kind of our supply need to ensure we maintain sufficient inventory levels and bargaining power to deal with price fluctuations. In addition, we do not rely on any single supplier for any of our major pharmaceuticals, dental consumables or dental devices. During the Track Record Period, we did not enter into any exclusive supply contracts with any suppliers, and we did not experience any shortage of supplies that could materially and adversely affect our business, financial condition or results of operations. We believe that we are generally capable of negotiating our purchase prices to our advantage to control our costs.

In addition, we collaborate with third-party dental specialists who are experienced experts in certain therapeutic areas. They provide consultancy services to the Company and its subsidiaries. Specifically, they provide dental diagnoses and treatments for complex and sometimes rare cases of our patients, and conduct other complex professional dental services for our patients, including anesthesia, oral and maxillofacial surgery and other treatment procedures. Our Directors confirm that such professional suppliers do not have any past and/or present relationship with the Company and its subsidiaries, our shareholders, our Directors and senior management or their close associates.

We primarily enter into (i) consultation service agreements and (ii) human resources service agreements with such professional suppliers.

- (i) Set forth below is a summary of the material terms of the consultation service agreements:

Services. Under the consultation service agreements, the services to be provided by such professional suppliers primarily include professional dental services such as dental diagnoses and treatments for complex and sometimes rare cases of our patients, and professional trainings on dental services and technologies.

Service fee. In exchange for the abovementioned services, we shall pay a service fee on a monthly basis, based on a certain percentage of the total medical fees paid by patients.

Terms of the agreements. The consultation service agreements shall be effective upon signing, and shall remain valid for one year or longer. The agreements will be renewed automatically upon expiry if the parties thereto have no objections.

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- (ii) Set forth below is a summary of the material terms of the human resources service agreements:

Services. The human resources service providers are responsible for recruiting and providing training to contract workers who are dentists and/or nurses and will provide services at our hospitals and clinics from time to time. The contract workers are employees of the human resources services providers and do not enter into employment contract with us.

Service fee. In exchange for the abovementioned services, we shall pay a service fee on a monthly basis to such human resources service providers, based on the compensation paid to the contract workers and an additional management fee representing a certain percentage of such compensation.

Terms of the agreements. The term of the agreements is typically one year. The agreements will be renewed automatically upon expiry if the parties thereto have no objections.

As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had 11, 31, 44 and 51 contract workers, respectively, engaged under such human resources service agreements who served as dentists and nurses. These contract workers are not included in the number of employees disclosed in the section headed “Business—Employees” in this Prospectus.

For further details on the dental professional service fee paid to such professional suppliers during the Track Record Period, see “Financial Information—Description of Major Consolidated Statements of Comprehensive Income Items—Cost of revenues” in this prospectus.

During the Track Record Period, purchases attributable to our largest supplier accounted for 17%, 20%, 10% and 16% of our total purchase, and purchases of our top five suppliers in the aggregate accounted for 47%, 41%, 33% and 31% of our total purchase in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

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Top Five Suppliers

The following table sets forth the details of our five largest suppliers during the Track Record Period.

Supplier	Products/ services purchased	Principal business	Year of commencement of business relationship	Transaction amount (RMB'000)	Percentage of our total purchases
<i>For the year ended March 31, 2019</i>					
Supplier A	Human resources services	Human resources services	2014	55,565	17%
Supplier B	Dental products	INVISALIGN® Invisible braces	2012	33,419	10%
Supplier C	Dental devices	Dental chair and devices	2017	25,360	8%
Supplier D	Dental devices	Dental chair and devices	2007	20,007	6%
Supplier E	Human resources services	Human resources services	2016	15,610	5%
<i>For the year ended March 31, 2020</i>					
Supplier A	Human resources services	Human resources services	2014	70,826	20%
Supplier B	Dental products	INVISALIGN® Invisible braces	2012	33,321	9%
Supplier E	Human resources services	Human resources services	2016	20,917	6%
Supplier C	Dental devices	Dental chair and devices	2017	9,789	3%
Supplier F	Dental products	Implants	2015	9,662	3%
<i>For the year ended March 31, 2021</i>					
Supplier A	Human resources services	Human resources services	2014	41,434	10%
Supplier B	Dental products	INVISALIGN® Invisible braces	2012	36,250	9%
Supplier E	Human resources services	Human resources services	2016	25,545	6%
Hangzhou Shengchao Medical Technology Company Limited ⁽¹⁾	Dental products	Procurement platform	2017	16,611	4%
Supplier C	Dental devices	Dental chair and devices	2017	16,397	4%

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Supplier	Products/ services purchased	Principal business	Year of commencement of business relationship	Transaction amount (RMB'000)	Percentage of our total purchases
<i>For the six months ended September 30, 2021</i>					
Supplier B	Dental products	INVISALIGN® Invisible braces	2012	37,870	16%
Hangzhou Shengchao Medical Technology Company Limited ⁽¹⁾	Dental products	Procurement platform	2017	11,781	5%
Supplier G	Dental products	Sale of medical devices	2021	10,618	5%
Supplier F	Dental products	Implants	2015	6,842	3%
Supplier H	Dental products	Sale of medical devices	2014	6,427	3%

Note:

- (1) During the Track Record Period, we procured dental consumables such as root canal sealer, dental restorative composite materials, impression materials, and disposable medical isolation gowns from Hangzhou Shengchao Medical Technology Company Limited.

Hangzhou Shengchao is a subsidiary of Hangzhou Jarvis Medical Technology Company Limited, a connected person of us. Hangzhou Shengchao leverages our strong procurement capabilities to procure from us certain dental products according to their business demands. Incidentally, we consider Hangzhou Shengchao to be a reliable procurement platform and purchase various dental products from them. Negotiations of the terms of sales to and purchases from Hangzhou Shengchao were conducted separately, and the sales and purchases were neither connected nor conditional upon each other. Our transactions with Hangzhou Shengchao were conducted on normal commercial terms after arm's length negotiations, in line with market practice.

Our fourth largest supplier in fiscal 2021, Hangzhou Shengchao, a connected person of us, accounted for 4% of our total purchase in fiscal 2021. Hangzhou Shengchao was our second largest supplier in the six months ended September 30, 2021 and accounted for 5% of our total purchase during the same period. Hangzhou Shengchao was also a major customer of us in fiscal 2021 and the six months ended September 30, 2021. See “Connected Transactions—Continuing Connected Transactions” for details. To the best knowledge of our directors, other than Hangzhou Shengchao, none of our directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the Global Offering held any interests in any of our five largest suppliers during the Track Record Period.

SERVICE QUALITY CONTROL

Providing quality dental healthcare services and building long-lasting relationships with our patients are two of our management priorities. We consider service quality control a key factor that contributes to achieving those ends. We have comprehensive service quality control measures in place throughout the process of patient visits at our dental hospitals and clinics, from appointment booking, patient registration, consultation and dental care, to collecting post-consultation patient feedback.

We implement our service quality control from two perspectives – medical control and service control. For medical control, our focus is on enforcing complete clinical supervision through stringent control measures to deliver a high standard of medical services and ensure patient safety. This is complemented by our service control which lays out standards, procedures and protocols to ensure patients receive the needed attention, dedication, convenience and flexibility throughout our service flow. Ultimately, by having in place comprehensive internal management framework and designated personnel in charge of service quality in our dental professional and non-medical staff team, we are able to ensure that our service quality guidelines and standards are adhered to.

Treatment Quality

To uphold high standards of clinical practice, we implement and adhere to a set of guidelines and adopt a “red line” management system to ensure that the dental care we provide conform to industry technical standards and that standard operation procedures are implemented at our dental hospitals and clinics.

We ensure the attending dentists are competent and capable of handling and meeting the patients’ needs. This is achieved through leveraging our extensive network of professional and friendly dentists, and our internal evaluation system which determines their level of competence and the complexity of the treatment procedure. To develop an appropriate and tailored treatment plan for each patient, we assign experienced dentists with the necessary specialty background and grade of seniority to handle treatments within their domain of competence.

- Dentists are evaluated and assigned different grades of seniority based on a standard set of core competencies, including their area of specialty, working experience, the complexity of the treatments they have undertaken, the quality of their treatments and the number of treatments they have carried out. The evaluation and grading is conducted by the Company’s medical and personnel department.
- Treatment complexity are evaluated based on the area of dental service required, the nature of the treatment, the standard operating procedure and the patients’ medical history.

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Our red line management system ensures patient safety and treatment quality by specifying a set of guidelines and requirements on clinical practices for the treatment procedure. To ensure completeness of the patients' profile, the system stipulates and notifies the dentists of the required annexation to the medical records. Where such records are amiss, the dentists will be notified by our medical and compliance department. This ensures that all necessary preparations and standards are met, such as X-ray/CT requirements, informed consent requirements and oral photo requirements. To ensure our standards are met, the mandatory "pre-operation verification" will again ask the dentist to confirm the nature and method of the treatment before commencing the operation. We also have in place a stringent infection control protocol which ensures that our patients are well protected from cross-infection of diseases.

Complex Cases

We leverage our network of experienced and specialized dentists for complex cases through on-site and remote consultation. The patient will attend on-site consultation where the attending dentists will write an opinion on their case and the treatment procedure. This will be circulated along with relevant medical records to a panel of our dentists for remote consultation. The panel, which consists of dentists selected for their specialty and experience, will provide their opinion. The opinion will be circulated back to the attending dentist for further handling of the treatment, enabling full synergistic cooperation.

To strengthen the knowledge and skills of our dentist team, all complex cases are automatically shared to our Medical Record Platform for other dentists to view, and are required to be analyzed and discussed among dentists during our morning sessions led by clinic directors. The outcome of such discussions is also recorded and shared in our Medical Record Platform. Through this practice, we are able to promote holistic professional progression of all dentists.

Quality Inspection

We regularly initiate inspection over the quality of medical records at individual clinics, at the regional level and at the Group level. When conducting quality inspection at an individual clinic, we review and assess the quality and completeness of each of the patients records. Regional and Group level inspection involves randomly selecting medical records for quality assessment. The progress and results of the regional and Group level inspection are displayed on the Dashboard.

Service Quality***Appointment Booking and Patient Registration***

We deploy software solutions to maintain an efficient system to handle patient appointment and registration. Patients mainly make appointments through online bookings, over the phone or onsite. Once an appointment is made, our staff will follow-up with a reminder to our patients the day before their appointment through SMS, short-message-system, or phone call.

For new patients, we request them to fill out a comprehensive medical history questionnaire. The questionnaire is uploaded to our cloud-based system which is complemented by our image recognition software that automatically synchronize the examination result with other relevant information such as the treatment plan, auxiliary examination and consent confirmation, enabling our dentists to undertake appropriate treatment planning.

Consultation and Dental Care

The qualification, experience and expertise of our professional team is crucial for us to consistently provide high quality dental healthcare services, see “—Our Dentists—Qualification of Our Dentists” and the aforementioned section on medical control.

Patient Feedback

We proactively seek patients’ feedback on our services in order to improve. To assess our patient experience, we encourage patients to fill out a brief customer satisfaction survey after each clinic visit. Patients are requested to give their rating on a scale of level 1 (being the lowest) to level 5 (being the highest). Where patients rate their experience lower than level 5, our patient feedback team will contact the patients promptly for more details and identify areas of improvement. Our patients can also direct their feedback to our dentists and other staff. In addition, a customer service hotline is in place whereby patients can make inquiries and complaints to the customer service team.

INVENTORY CONTROL

Our inventories comprise mainly oral treatment materials. Most of our inventories are stored at our dental hospitals and clinics, and each dental hospital or clinic is responsible for its own inventory management. We regularly monitor the level of inventory at each dental outlet, maintain vigorous control over our inventory, and have implemented an inventory control policy to meet procurement needs. The objectives of such policy is to provide guidelines on safeguarding and disposal of inventory, to eliminate any potential misuse and misappropriation of inventory, and to control the cost of oral surgery materials and oral care products.

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We have put in place a digitalized inventory management system, which tracks the movement of inventory items on a real-time basis. Our finance department performs a complete inventory count on an annual basis. During the Track Record Period, we did not experience any significant write-offs of our inventory.

PATIENTS' DATA PRIVACY MANAGEMENT

Maintaining confidentiality of personal information and medical records of our patients is one of our top priorities. We have implemented data protection policies and patient information policy designed to ensure that our professional team and staff handle and dispose patients' information properly. According to such policies, we collect our patient information on an as-needed basis to fundamentally reduce privacy abuse risks and limit access to sensitive patient information and medical records to certain authorized personnel. To safeguard the security of our patient's information and data integrity of our system, our patient's dental healthcare records are protected by regular back-ups. Furthermore, we implement appropriate levels of access rights for our professional team and staff on our computer systems to safeguard our patients' information. In addition, there are some recent updates to the PRC laws and regulations in relation to data privacy and cybersecurity, such as the Data Security Law and the Personal Information Protection Law. Please refer to the section headed "Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC—Laws and Regulations Related to Data Security and Data Privacy" in this prospectus for further details. As the regulatory oversight in this area becomes more stringent, we may be subject to more stringent compliance requirements. Accordingly, we intend to increase our compliance costs as needed.

We adopt a variety of rigorous data security practices and technologies to protect patient data. We have appropriate technical and organizational measures in place to overcome exposure to potential data security risks. Among the efforts we have made, we take the following measures to ensure our data security practice is solid and beyond what is necessary.

- *Data encryption.* With the Secure Sockets Layer technology, we encrypt and desensitize data to protect data generated from our business operations being intercepted and/or tampered with.
- *Data system upgrade.* We update our operational systems timely and regularly to guard against cyber-attacks, hackers and other security attacks.
- *Restricted data access.* Based on the overall IT infrastructure and the restriction on access to data, our employees can only access data to the extent necessary with proper authorization using IP address listed on the white-list.
- *Data back-up.* To safeguard the security of our patient information and data integrity of our system, medical records of our patients are protected by regular back-ups.

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- *Additional preventive measures.* We adopt various preventive measures to detect and minimize potential risks of security breaches. For example, we have formulated plans to engage third-party institutions specializing in data security to provide training for the IT department.

We routinely evaluate our data protection and security practices against internationally recognized standards. In addition, we have obtained ISO27001 certification on our SaaS system. Such certification is a recognition by ISO and its issuing committee that we have adopted strong privacy practice for our services, testifying to our dedication in protecting patient data.

During the Track Record Period and up to the Latest Practicable Date, we (i) collected personal information only after obtaining our patients' authorization; (ii) used personal information and their medical data only for the purpose of providing medical services or other purposes that our patients agree to; (iii) adopted various measures to protect such data from being misused, attacked, or leakage; (iv) stored our patient data in the PRC; (v) did not transmit our patients data abroad during the course of our operations; (vi) did not experience any incidents on breach of patients' confidential information or any other relevant issues which could cause a material adverse effect on our reputation, business, financial condition or results of operations; and (vii) were not subject to any enquiry, notice, review, warning or investigation by the SCNPC or any other government authorities in respect of any recently promulgated laws, regulations or policies. As advised by our PRC Legal Advisers, the collection, storage and usage of our patients' personal and medical data was in compliance with applicable PRC laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Based on the foregoing, our Directors believe that the recent updates to the PRC laws and regulations in relation to data privacy and cybersecurity will not have a material adverse effect on us.

BRANDING AND MARKETING

We consider that our success depends to a significant extent on the goodwill of our brand and reputation in the dental services industry as a leading and trustworthy service provider. Successful branding through marketing strategies is vital for us to establish our brand recognition and awareness for attracting new customers and retaining existing ones.

Dual-Brand Strategy

Currently, we operate under the brand names of "Arrail Dental" and "Rytime Dental" to provide professional, personalized, one-stop dental healthcare services across China. See "—Our Services—Dual-Brand Operations." As part of a continuing effort to build our brand recognition and awareness, we usually apply our brand names "Arrail Dental" and "Rytime Dental" to our printed materials.

Marketing

We believe that our growth depends on, among others, expanding our network. To continue to maintain and promote our brand as a leading private dental services provider in China, we aim to increase our publicity and promote our brand awareness by engaging brand consultant, sponsoring academic activities, providing oral health education to the public, and updating our information channels. We have sponsored large offline events such as globally-renowned conferences, including Arrail Group Orthodontics Summit Forum and Arrail Group Implantology International Summit Forum. These initiatives could bolster our brand image and attract potential professionals to our team, promoting our industry footprint and attracting new patients to our services whilst bringing overall value to our community. Additionally, our Wechat Official Account serves as an important marketing channel and contains comprehensive information of our business profile, contact details, location of our dental hospitals and clinics, and our dental healthcare service offerings.

RESEARCH AND DEVELOPMENT

We believe research and development is critical to our future growth and our ability to remain competitive, and continuously invest in building our research and development team and improving our information technology system. Our research and development team is responsible for the development, management and maintenance of our information technology system, internal clinical studies and practical applications. We have invested significant research and development resources in the development and upgrade of our SaaS system to streamline our daily operational and administrative matters, such as organizing electronic medical records, scheduling client appointments, monitoring payment of medical fees, maintaining our CRM software and Weixin mini program, and processing digital receipts. We had research and development expenses of RMB19.1 million, RMB27.5 million, RMB27.3 million, RMB8.7 million and RMB10.3 million in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively, demonstrating our strong commitment in research and development activities. Our research and development expenses incurred during the Track Record Period mainly consist of employee benefits expenses for our research and development staff. Research and development expenses attributable to our largest IT supplier accounted for nil, 1.5%, 2.7% and 2.8% of our total research and development expenses in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, while research and development expenses attributable to our top five IT contractors in the aggregate accounted for 4.6%, 11.9%, 15.7% and 24.9% of our total research and development expenses during the same period, respectively.

INFORMATION TECHNOLOGY SYSTEM

We believe that the breadth and sophistication of our information technology system contribute to our competency and operational efficiency. As part of our effort in modernizing our information system, we worked closely with our software vendors in the past few years and developed different applications to handle our administrative and operational workflow in our dental clinics network. Our customized dental clinics management software is designed for internal control and workflow procedure and assists the management of our dental clinics.

With our sophisticated information system, guidelines, requirements and reminders on clinical practices for treatment procedures, our dentists are able to meet the high operating standards we set. This is complemented by our customized dental clinics management software which allows us to handle and store the electronic medical records of our patients. The software also enables us to arrange our specialist appointments and capture the needs from our existing patient base efficiently. Our customized dental clinics management software plays a key role in the management of our daily dental clinic operation, enabling us to provide high-quality and consistent service, ensuring patient safety and overall operational efficiency.

Our information technology systems are critical to our platform-based model. They extensively empower hospitals and clinics in our dental network by streamlining various aspects of our dental care operations and improving our service quality. For example, our SaaS System has become an integral part of our daily operations and benefits the entirety of our staff ranging from frontline health workers at hospitals and clinics to customer service team stationed at our headquarters. The SaaS System has made it much easier and faster for our dentists and staff to attend to daily operational and administrative matters such as scheduling client appointments, purchasing materials and supplies, monitoring inventory level, organizing medical records, and maintaining client relationship. Our IT department is in charge of the operations and maintenance of the SaaS System, and strive to continuously upgrading it to adapt to our business growth and the developments in the dental industry.

Meanwhile, the SaaS System is an important component of our Arrail Ecosystem which covers every component that is integral to our operations, including but not limited to our IT infrastructure, our training systems, our accumulated know-hows, and our corporate culture. See “Business—Our Strategies—Continue developing our Arrail Ecosystem to drive internal and external improvements.” Our client-centric SaaS system is expected to contribute to the Arrail Ecosystem through enabling an online-to-offline management platform that connects us with external dental hospitals and clinics and allows players in the broader dental industry to benefit from improved operational efficiency, training and knowledge sharing, and supply chain optimization.

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INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had registered 16 patents, 52 trademarks, five copyright, and 13 registered domain names in China. See “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights” in Appendix IV to this prospectus for more details.

During the Track Record Period and up to the Latest Practicable Date, we were not engaged in or threatened with any material disputes or claims of infringement of any intellectual property rights with third parties, whether as a claimant or as a defendant. We believe that we have taken reasonable measures to protect our intellectual property rights and ensure compliance with applicable intellectual property laws.

SEASONALITY

Our business is subject to minor seasonal fluctuations, normally with relatively weaker performance during long public holidays such as Chinese new year, primarily due to the fact that our dental hospitals and clinics typically have fewer patient visits shortly before and after long public holidays, in line with the dental services market in the PRC.

AWARDS AND RECOGNITIONS

The following table sets forth some of our major awards and recognitions during the Track Record Period and up to the Latest Practicable Date.

Award/Recognition	Issuing Entity	Time of Receipt
Consumption Medical KunPeng Plan Value Contribution Award (消費醫療鯤鵬計劃價值貢獻獎)	JD Health (京東健康)	2021
Professional Content Contribution Award (專業內容共建獎)	Parents BEST (父母世界)	2020
People’s Choice Award (最佳人氣機構)	Alibaba Local Life (阿里巴巴本地生活)	2019
Golden Deer Award for Best User Experience (健康金鹿獎年度最佳用戶體驗品牌)	AliHealth (阿里健康)	2018
Annual China Entrepreneurship Award (年度企業家)	University of Pennsylvania Wharton Entrepreneurship (賓夕法尼亞大學沃頓商學院)	2018
Diplomats’ Choice Award (最受外交官喜愛的醫療服務機構)	Global Times Diplomat Forum (環球時報外交官論壇)	2018
Annual Public Welfare Practice Award (年度公益踐行獎)	The 7th China Charity Festival (年度中國公益節)	2017

COMPETITION

China's private dental services market is highly competitive and fragmented. According to the Frost & Sullivan Report, as of December 31, 2020, there were five private dental services providers, including us, that led the market and ahead of their competitors by a great margin in terms of overall capability of dental services measured by revenues, the number of dental chairs and the number of dental outlets. In the aggregate, the top five players accounted for only a small portion of the private dental services market in China. According to the Frost & Sullivan Report, we were the largest private dental services group in the premium dental services in China in terms of total revenues in 2020. In addition, we were the third largest dental services provider in the overall private dental services market in China in terms of revenues in 2020.

We believe that our ability to compete effectively depends on many factors, including our ability to expand our network, maintain our high-quality dental healthcare service, our pricing strategies, our patient satisfaction, our marketing efforts, and the strength and goodwill of our brand. We intend to leverage our market leadership, deep understanding of the market, a wide spectrum of dental service offerings and stellar reputation to remain as a leading private dental services provider in China. See "Industry Overview" for more information.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

As one of the leading dental services providers in China, we understand that environmental, social and governance (the "ESG") management is of great importance for our long-time development and growth, particularly under the background of ambitious carbon and climate national targets announced by the PRC government.

We have identified several key ESG areas, including environmental and resources management, product and service quality, occupational health and work safety, and patients' data privacy management. We have established a set of ESG policies to mitigate risks in these areas to ensure that we comply with local laws and regulations. We also realize there are some meaningful ESG opportunities to support our sustainable development, including transition to low carbon operations, resources reduction and recycling, green technology innovations and digitalization.

We realize that a top-down ESG governance framework is necessary for an effective and efficient ESG management. Currently, our Board of Directors is responsible for our ESG management agenda, which includes making relevant decisions and monitoring our ESG performance. Furthermore, we plan to establish our ESG management team which will be composed of employees from all related departments to implement our ESG strategies and policies. We will organize ESG capability trainings for our Board of Directors and relevant employees to support their ESG related work.

Environmental and Resources Management

We are subject to applicable PRC national and local environmental laws and regulations, the implementation of which involves regular inspections by local environmental protection authorities. See “Regulatory Overview—Applicable Laws and Regulations to Our Business in the PRC—Regulations on Environmental Protection related to Medical Institutions” for more details.

Solid waste and sewage management

We have implemented internal policies and procedures in this regard. We have formulated policies to regulate our disposal of medical waste and discharge of wastewater and other pollutants. There are primarily three types of waste generated from our business operations, namely, medical solid waste, medical wastewater and domestic waste. We endeavor to reduce negative impact on environment through strictly adhering to regulatory requirements and our internal policies. We have also engaged qualified third-party service providers for the disposal of our clinical waste, which is temporarily stored in accordance with the principle of medical waste classification, then transferred and processed by qualified logistics company. Each hospital or clinic has sewage purification equipment to treat the comprehensive wastewater generated from the medical treatments that take place in our hospitals and clinics, to make sure the comprehensive wastewater is discharged after having been treated legally. Routine domestic waste generated from the daily operation of our hospitals and clinics is stored in the hospital or clinic according to the local garbage classification requirements and then will be transferred to waste treatment plant by our local property management department.

Our Directors confirm that we have obtained applicable permits and licenses under PRC environmental laws and regulations that are material to our operations. See “Business—Licenses, Permits and Approvals—Water Discharge Licenses” for more details. We have not received any fines or penalties associated with the breach of any environmental laws or regulations since the commencement of our operations except as otherwise disclosed in this prospectus. For fiscal 2019, 2020, 2021 and the six months ended September 30, 2021, the total amount of medical waste generated was 144.7 tons, 166.5 tons, 169.4 tons and 86.2 tons, respectively. During the same periods, our annual cost of medical waste disposal in compliance with environmental protection rules and regulations was approximately RMB0.7 million, RMB0.8 million, RMB0.6 million and RMB0.5 million, respectively.

Noise control

In terms of noise control, our plant in Qingdao complies with the Class 1 standard in Table 1 of the “Environmental Noise Emission Standards for Industrial Enterprises” (GB12348-2008), namely, daytime: 55dB(A) and nighttime: 45dB(A). To meet compliance requirements, we implement the following noise control measures, among others:

- (i) Installing indoor equipment to reduce noise value with building sound insulation;
- (ii) Adding vibration damping pads to mechanical equipment to reduce noise value with physical vibration damping;
- (iii) Placing noise-producing equipment away from the boundaries of the plant to reduce noise value through distance attenuation.

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Resources management

Our energy consumption is mainly derived from electricity consumption of our hospitals, clinics and offices. Our electricity consumption is also the main source of our indirect greenhouse gases emissions. We also use water during our daily operations. We have implemented measures to increase energy and water efficiency in our operations to fulfill our environmental and social responsibility. For instance, all the newly founded hospitals and clinics are equipped with LED lights, automatic temperature control air-conditioning system and sensor-type faucets. The table below sets forth our electricity and water consumption data for the periods indicated.

	For the Year Ended March 31,			For the Six Months Ended September 30,
	2019	2020	2021	2021
Electricity consumption (kWh in millions)	9.1	10.4	10.6	5.4
Water consumption (ton in thousands)	149.7	172.2	175.2	89.2

Tackle with climate change

Echoing the increasing international focus on climate change, we have identified certain climate change risks which could adversely affect our business operations through studying governmental policies and benchmarking our practices against industry peers.

The potential climate change risks can be categorized into transition risks and physical risks. In response to transition risks, particularly the evolving environmental and climate regulatory requirements that could increase our environmental compliance costs, we plan to perform environmental and climate due diligence to ensure our operations comply with the requirements. In addition, we will make climate change an important topic and actively communicate with our shareholders and patients during the course of low-carbon economy transformation. We also plan to purchase more environmentally friendly appliances and assets per the evolving environmental and climate standards. With respect to physical risks, such as the increase of extreme weather events which may disrupt our normal operations, destroy our equipment or cut our supply chain, we plan to reinforce our practices of disaster drills to avoid potential losses.

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For further discussion on the other key ESG areas we have identified, namely, the areas of product and service quality, occupational health and work safety, and patients' data privacy management, see “—Service Quality Control”, “—Occupational Health, Work Safety and Environmental Protection” and “—Patients' Data Privacy Management.”

To sum up, we attach great importance to our ESG management and recognize that an effective and efficient ESG management requires our continuous efforts and investment and contribution from a variety of departments and subsidiaries. We endeavor to further improve the environmental and social data metrics. Furthermore, we plan to prepare and launch our first ESG report which will include more qualitative and quantitative ESG information and analysis by the first half of 2022.

EMPLOYEES

As of September 30, 2021, we had a total of 3,337 full-time employees, all of whom were based in various cities in China. Our employees reflect the geographic footprint we currently serve. The following table sets forth our employees by functions as of September 30, 2021:

Function	Number of Employees	% of Total
Dentists	882	26.4%
Nursing Staff	1,264	37.9%
Customer Service Staff	634	19.0%
General Administrative Staff	371	11.1%
Marketing Team	186	5.6%
Total	3,337	100.0%

We believe that maintaining a stable and motivated employee force is critical to the success of our business. We invest in staff training as we believe the level of technical knowledge and skill of our dentists plays an important role in our continued success. We organize various training programs on a regular basis for our employees to constantly enhance their knowledge and improve their professional skills. We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We adopt comprehensive assessment criteria when selecting candidates, taking into account a number of factors such as experience, skills, and competencies. We assess the credentials and suitability of candidates through interviews and aptitude tests as appropriate.

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We offer our employees different remuneration packages based on their positions. Generally, the remuneration structure of our employees includes salary, benefits and bonus. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. We maintain standard employee benefit plans required by PRC laws and regulations, including housing fund contribution, pension insurance, medical insurance, workplace injury insurance, unemployment insurance, and maternity insurance. During the Track Record Period, we failed to make payment of social insurance and housing provident fund contributions in full for certain of our employees. Accordingly, we made a provision of RMB2.8 million, RMB3.7 million, RMB2.4 million and RMB2.2 million for the outstanding social insurance and housing provident fund contributions for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. We will formulate a plan to make full contribution pursuant to relevant laws and regulations. In addition, we have enhanced our internal policies and procedures to ensure compliance with the relevant laws and regulations. Our human resources department will follow the rules and policies on social insurance and housing reserve fund contributions for any update. In addition, we will (i) regularly consult outside counsel to understand whether we are at risk of non-compliance with the relevant laws and regulations; (ii) regularly prepare reports regarding our contribution amounts for review by our Board; and (iii) conduct internal trainings for our Directors, members of senior management and certain employees on the relevant laws and regulations.

We also employ dispatched workers from employment agencies in the PRC who work as administrative staff and receptionists, to support our business operations. During the Track Record Period, we entered into service agreements with certain independent human resources service providers to engage dispatched workers. According to the service agreements, the individuals dispatched by the service providers are employees of such providers. The service providers are therefore required to bear the costs of salaries, social insurance and housing provident funds or other employee benefits of these dispatched workers, while we are responsible for paying service fees to such employment agencies.

As of March 31, 2019, 2020, 2021 and September 30, 2021, we had 725, 729, 377 and 111 dispatched workers from employment agencies, respectively. The staff costs attributable to the dispatched workers accounted for 12.0%, 12.7%, 8.5% and 2.5% of our total employee benefits expenses during fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021. According to the Interim Provisions on Labour Dispatch (勞務派遣暫行規定, the “**Interim Provisions**”) issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, the number of the dispatched workers shall not exceed 10% of the total number of the employees.

During the Track Record Period, the number of dispatched workers engaged by us had exceeded the 10% regulatory threshold. The Company had taken rectification actions for such non-compliance by directly entering into employment contracts with dispatched workers. As of the Latest Practicable Date, the number of dispatched workers engaged by us had been reduced to the percentage below the regulatory limit respectively.

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Pursuant to the Interim Provisions, employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold.

During the Track Record Period and up to the Latest Practicable Date, none of our subsidiaries had received any notice of rectification from the labor administrative departments. Given that we have not received any notice of rectification and have taken measures to make the rectification, our PRC Legal Advisers are of the view that the risk that our relevant subsidiaries are exposed to pecuniary penalties imposed by the labor administrative authorities resulting from the fact that our percentage of dispatched workers exceeded 10% of the total number of workers during the Track Record Period is remote.

The use of dispatched workers grants us access to a greater labor market, brings flexibility to our labor structure and decreases the risk of liabilities related to regular employments. Collaboration with employment agents also helps to alleviate tedious hiring process and minimize the risks of labor shortage. However, employing dispatched workers may also implicate potential risks, particularly due to the uncertainty in quality of labor supply and changes in the relevant regulatory regime in China. In addition, dispatched workers may lack sense of belonging toward our Company, which could lead to an increase in employee turnover and additional expenses relating to recruitment and training of new staff.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strikes or labor disputes that had any material adverse effect to our operations.

INSURANCE

In line with general market practice, we maintain public liability insurance and business insurances covering damages to our properties and IT infrastructures, but do not maintain any business interruption insurance or key person life insurance, which are not mandatory under the applicable laws. We have not ever had or applied for any medical liability insurance previously. According to Frost & Sullivan, since the frequency of medical liability claim filed against dental services providers, the probability of getting sued, and the number of claims won by the defendants in dental services industry are relatively low in China, it is an industry norm for dental services providers in China to not to maintain medical liability insurance nor product liability insurance, and therefore our lack of medical liability insurance and product liability insurance is in line with industry practice. In addition, the total amount of medical dispute settlement and other types of monetary compensation paid to our patients and/or their families by us was less than RMB615,000 during the Track Record Period, which can be sufficiently covered by our internal resources and funds without any medical liability insurance. As advised by our PRC Legal Advisers, our dental hospitals and clinics are not required by any applicable laws or regulations of the PRC to maintain medical liability insurance or product liability

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insurance. For a discussion of risks relating to our insurance coverage, see “Risk Factors—Risks Relating to Our Business and Industry—Our professional indemnity insurance coverage and other insurance coverage may not be sufficient to cover the risks related to our business and operations.”

Our Directors believe that our insurance coverage is adequate for our existing operations and is in line with industry norm. We periodically review our insurance coverage to ensure that it remains to be sufficient.

As of the Latest Practicable Date, there was no legal, arbitral or administrative proceedings current or pending against the Company and its subsidiaries regarding claims arising out of patient complaints.

PROPERTIES

We are headquartered in Beijing, China. As of the Latest Practicable Date, we leased 225 properties in China with an aggregate gross floor area of approximately 104,883.69 square meters. Our leased properties are primarily used as premises for our dental hospitals, clinics and office space.

The relevant lease agreements have lease expiration dates ranging from March 2022 to March 2041, some with renewal options. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. During the Track Record Period, we did not experience any material difficulty in renewing our lease agreements or exploring new premises for our dental clinics.

As of September 30, 2021, none of our properties has a carrying amount of 15% or more of our consolidated total assets. Therefore, according to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our interests in land or buildings.

Title Defects

As of the Latest Practicable Date, among the leased properties used for our dental hospitals and clinics and denture manufacturing plants, the actual usage of two leased properties (with an aggregate gross floor area of approximately 3,592.22 square meters, representing approximately 3.4% of the total leased gross floor area) was inconsistent with the usage set out in their title certificates or relevant authorization documents. The two leased properties in question are used for the operation of a hospital and a clinic, respectively. Revenues generated from the aforementioned clinic and hospital in aggregate were RMB5.5

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million, RMB12.4 million, RMB23.2 million and RMB15.1 million in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, representing 0.5%, 1.1%, 1.5% and 1.8% of our total revenues during the respective periods.

The denture manufacturing plants are operated through Qingdao Donghe Denture Manufacturing Co., Ltd., or Donghe Denture, a majority-controlled subsidiary of Beijing Ruisheng founded in 2001. The line of business of Donghe Denture includes manufacturing of a broad spectrum of dentures, artificial teeth, and orthodontic appliances. Donghe Denture supplies its dental products to a wide range of dental institutions including many public hospitals in Shandong Province, China. During the Track Record Period, revenues generated from Donghe Denture accounted for a minimal portion of our total revenues.

As of the Latest Practicable Date, 14 of our leased properties in China with an aggregate gross floor area of approximately 2,412.1 square meters were subject to potential title defects, representing approximately 2.3% of the total gross floor area of our leased properties. These leased properties are used as dental hospitals and clinics, office space and employee dormitories. The lessors of such leased properties had not provided us with the relevant title ownership certificates for the leased properties. Among such 14 leased properties, two are used for our dental hospital and clinic. One houses a clinic. Revenues generated from the clinic were RMB2.1 million, RMB2.6 million, RMB8.2 million and RMB3.7 million in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, representing 0.2%, 0.2%, 0.5% and 0.4% of our total revenues during the same periods. The other is with a gross floor area of approximately 9.1 square meters and is a tiny part of the leased property comprising of multiple commercial units where we operate a hospital. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to these defective leased properties. Failure of our lessors to provide title ownership certificates does not result in any discount on the rents we contracted to pay. Based on our experience and knowledge, proper title ownership certificates does not result in any material premium on the rents charged by the lessors.

As advised by our PRC Legal Advisers, our use of these defective leased properties may be affected by authorities or third parties' claims or challenges against the lease. In addition, if the lessors do not have the requisite rights to lease these defective leased properties, the relevant lease agreements may be deemed invalid. As a result, we may be required to vacate these defective leased properties and relocate our dental hospitals and clinics. However, in the event that we are unable to continue using these defective leased properties, according to the lease agreements or relevant laws, we, as the tenant, will not need to continue to pay the rents or the full amounts of such rents. Additionally, it is the responsibility of the lessors to obtain the title certificates to enter into the leases, and, as a tenant, we will not be subject to any administrative punishment or penalties in this regard. These statutory protections significantly mitigate our risks arising from these defective leased properties due to claims for vacation from the legal owners of the properties.

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Having considered the foregoing, our Directors believe that the title defects described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) during the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our leases with respect to these defective leased properties had never been challenged by any third parties, (ii) considering these defective leased properties are geographically dispersed across China under the jurisdiction of different local governmental authorities, we believe it is unlikely that we would be at the same time subject to claims of rights from various third parties or required by the governmental authorities to relocate with respect to these defective leased properties, (iii) we maintain a pool of dental hospitals and clinic site candidates, and believe we would be able to relocate to a different site relatively easily should we be required to do so, and (iv) we have enhanced our internal control measures and procedures to prevent leasing properties with title defects.

We have adopted internal policies to govern the procedures in relation to lease of properties. When assessing whether to lease a property, we conduct inspections by way of site visits and reviewing the necessary documents and title certificates, and take into account factors including but not limited to expenses, size of the site, land use restrictions, whether the lessor possesses the relevant title certificates and permits such as building construction permits and valid property right certificate and whether the conditions of the property fits the purpose of our operations. Moreover, we require our lessors to register our lease agreements with the relevant housing administrative authorities. Upon expiry of lease agreements, we assess potential legal risks and will not renew such lease agreements if we believe the risks associated with the title defects are too high. In the event that any title defect or non-compliance is identified, such issues must be reported to the compliance department for rectification measures. We keep records of relevant licenses and documentation. We also seek PRC legal advice to determine whether to lease such property as needed.

OCCUPATIONAL HEALTH, WORK SAFETY AND ENVIRONMENTAL PROTECTION

We are subject to the health and safety requirements under PRC law. We have put in place various workplace safety policies and guidelines aiming to protect the safety, health, and welfare of our employees, and have required all of our professionals and staff to comply with those rules. During the Track Record Period and up to the Latest Practicable Date, there has not been any material incident concerning occupational health or safety, and we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE**Legal Proceedings**

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings, including any bankruptcy or receivership proceedings, that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. Our Directors are not involved in any actual or threatened claims or litigations. There are no material legal, arbitral or administrative proceedings before any court current or pending against, or involving the properties, or the businesses of our Group or to which any of the properties or members of our Group is subject. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

Compliance

During the Track Record Period, we failed to fully make social insurance and housing provident fund contributions for certain of our employees, which was primarily due to (i) inconsistent implementation of the PRC laws and regulations by local authorities, (ii) the lack of sufficient knowledge on understanding the relevant local laws and regulations by the responsible staff, and (iii) some employees' unwillingness to make full contributions to the funds. We estimate that the shortfall in social insurance and housing provident fund contributions were approximately RMB2.8 million, RMB3.7 million, RMB2.4 million and RMB2.2 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively.

As advised by our PRC Legal Advisers, if any of the relevant social insurance authorities is of the view that we failed to make full social insurance contributions for our employees in accordance with the relevant laws and regulations, it may order us to pay outstanding amounts within a prescribed time limit, and we may be subject to a late charge at the daily rate of 0.05% on the outstanding amounts from the date on which such amounts are payable. If such payment is not made within the prescribed period, the competent authority may further impose a fine from one to three times the amount of any overdue payment.

As advised by our PRC Legal Advisers, if any of the relevant housing reserve fund authorities is of the view that we failed to make full housing reserve fund contributions for our employees in accordance with the relevant laws and regulations, it may order us to make outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement.

We have not historically received any notification from the relevant authorities alleging that we had not fully made social insurance and/or housing provident fund contributions, nor have we received any request for payment of any outstanding amounts by the relevant authorities. Our PRC Legal Advisers have further advised us that the risk we will be imposed

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any administrative penalties by the relevant authorities is remote, provided that, when ordered by the relevant authorities, we fully pay the outstanding amounts and late charges (where applicable) within the prescribed time period.

Accordingly, we made a provision of RMB2.8 million, RMB3.7 million, RMB2.4 million and RMB2.2 million to cover the shortfall in social insurance and housing provident fund contributions for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. We made a provision of RMB7.6 million to cover the shortfall in social insurance and housing provident fund contributions prior to the Track Record Period.

In addition, we have taken the following internal control rectification measures to prevent future occurrences of such non-compliance:

- We have enhanced our human resources management policies, which explicitly require social insurance and housing provident fund contributions to be made in full in accordance with applicable local requirements;
- We will keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds;
- We will consult our PRC Legal Advisers on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments;
- We will regularly prepare reports regarding our contribution amounts for review by our Board; and
- We will conduct internal trainings for our Directors, members of senior management and certain employees on the relevant laws and regulations.

Having considered the foregoing, our Directors believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering, considering that: (i) we had not been subject to any administrative penalties during the Track Record Period and up to the Latest Practicable Date, (ii) we were neither aware of any employee complaints filed against us nor involved in any labor disputes with our employees with respect to social insurance and housing provident funds during the Track Record Period and up to the Latest Practicable Date, (iii) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident funds, and (iv) as advised by our PRC Legal Advisers, the risk we will be imposed any administrative penalties by the relevant authorities is remote, provided that, when ordered by the relevant authorities, we fully pay the outstanding amounts and late charges (where applicable) within the prescribed time period.

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Except for the subsidiaries in Chongqing where we can only adjust the contribution base in the first half of a year according to local practice, currently we fully comply with the laws and regulations on social insurance and housing provident fund contributions. We expect to fully comply with the relevant PRC laws and regulations for social insurance and housing provident fund contributions once we can adjust the contribution base no later than May 2022.

During the Track Record Period, we also did not have any non-compliance with the laws or regulations which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operations.

During the Track Record Period, we were fined or otherwise penalized by relevant government authorities for certain isolated non-compliance incidents in the ordinary course of business. 43 of our PRC subsidiaries received 75 administrative penalties by the relevant government authorities during the Track Record Period, of which 53 incidents were subjected to fines, amounting to an aggregate of RMB852,180, among which: (i) RMB112,300 (resulting from 35 incidents against 27 subsidiaries) was fined due to the violation of regulations and rules related to healthcare administration. The maximum amount of each single incident was RMB20,000; (ii) RMB1,600 (resulting from five incidents against five subsidiaries) was fined due to the violation of regulations and rules related to tax administration. The maximum amount of each single incident was RMB1,000; (iii) RMB460,300 (resulting from five incidents against five subsidiaries) was fined due to the violation of regulations and rules related to environmental protection administration. The maximum amount of each single incident was RMB200,000; (iv) RMB258,980 (resulting from six incidents against four subsidiaries) was fined due to the violation of regulations and rules related to medical advertisement administration. The maximum amount of each single incident was RMB174,480; and (v) RMB19,000 (resulting from two incidents) was fined due to the violation of regulations and rules related to fire safety administration.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are exposed to various risks during our operation. Key operational risks faced by us include, among others, changes in general dental services market conditions, changes in the regulatory environment in the PRC private dental services industry, our ability to offer quality services to our customers, our potential expansion into other regions in PRC, availability of financing to fund our expansions and business operations, and competition from other market players. See “Risk Factors” for disclosure on various risks we face. In addition, we face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. See “Financial Information—Financial Risk Disclosure” for details.

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We are dedicated to the establishment and maintenance of risk management and internal control systems consisting of policies, procedures and risk management methods that we consider to be appropriate for our business operations, to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. In addition, we have adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have designated responsible personnel to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to implement anti-bribery and anti-corruption measures to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. We also offer continuing training to our employees to enhance their knowledge and awareness of the relevant rules and regulations.

We have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform a review (the “**Internal Control Review**”) over our internal controls over financial reporting, covering various processes, including entity-level controls, financial reporting and disclosure controls, sales accounts receivable and collection, procurement account payable and payment, assets management, human resources and payroll management, cash and treasury management, inventory management, information technology, taxation management, and insurance management. The Joint Sponsors, the Internal Control Consultant and our Directors have agreed upon the scope of the Internal Control Review and the long form report issued by the Internal Control Consultant.

The Internal Control Consultant performed the initial Internal Control Review in April 2021 and identified certain areas that require improvements. The high priority recommendations identified by the Internal Control Consultant include, amongst others: (i) the need to establish the required terms of reference of the Board of Directors and its sub-committees, including the Audit Committee and the Remuneration Committee; (ii) the need to develop a formal internal audit management framework including Internal Audit Charter, Audit Plan and seek applicants for qualified audit managers; (iii) the need to enhance the regulatory compliance management functions.

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We have subsequently taken remedial measures in response to the findings. We have drawn up the required terms of reference of the Board of Directors and its sub-committees, including the Audit Committee and the Remuneration Committee; we have developed a formal internal audit management framework and posted job advertisements to seek applicants for qualified audit managers; we have enhanced the regulatory compliance management functions including publishing the “Clinic Opening Inspection Policy” and “Advertising Management Regulation Policy”. The Internal Control Consultant performed follow-up review in June 2021 to review the status of the management actions taken by the Group to address the findings of the Long Form Review. The Internal Control Consultant did not have any further recommendation in the Follow-Up Review. The Long Form Review and the Follow-up Review were conducted based on information provided by the Group and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

As of the Latest Practicable Date, there were no material outstanding issues relating to our internal control.

LICENSES, PERMITS AND APPROVALS

Our Directors, as advised by our PRC Legal Advisers, confirm that, as of the Latest Practicable Date, except as otherwise disclosed, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China. Further, information on the material licenses and permits necessary for the operation of our business is set out in the section headed “Regulatory Overview” in this prospectus.

Water Discharge Licenses

As of the Latest Practicable Date, we have obtained water discharge licenses for all of our dental institutions which are required to be obtained by us.

Fire Safety Filings

During the Track Record Period, some of our dental institutions did not obtain fire safety filings required by relevant regulatory authorities for their operations.

As of the Latest Practicable Date, we had not obtained the required fire safety filings for two dental clinics. Revenues generated from the two clinics were RMB13.4 million, RMB15.2 million, RMB22.3 million, and RMB12.2 million in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively, representing 1.2%, 1.4%, 1.5% and 1.5% of our total revenues during the respective periods.

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The fire safety consultant has conducted a comprehensive review and inspection of the following aspects of the operations of the two clinics through on-site inspection, surveys and document review, which has covered substantially similar inspection scope that would be conducted by a competent government authority for us to obtain the relevant fire safety approval: (i) the compliance of our fire protection system with laws and regulations and industry standards, (ii) the adequacy of the fire safety equipment and system and emergency evacuation plan of the clinics, and (iii) the knowledge of our staff in relation to fire protection management.

According to the reports issued on May 31, 2021 and June 8, 2021, respectively by the fire safety consultant, these two clinics have no major fire hazards.

We were not able to obtain fire safety filings for these two clinics due to various practical difficulties, including (i) the former owners of our clinics had not completed the required as-built acceptance check on fire prevention or fire safety filing before we commenced business operations, and the relevant local governmental authority currently does not accept any applications for fire safety inspections that are submitted after the commencement of business operations and (ii) in the course of the transfer of fire safety-related regulatory authority from the local fire department to the urban-rural construction department, our fire safety-related documents were lost and cannot be reissued.

With respect to each of the two dental institutions, as advised by our PRC Legal Advisers, the maximum exposure for such non-compliance incident includes a penalty in an amount of up to RMB5,000 and/or being ordered by relevant authorities to suspend the operations of such dental institutions if they fail to pass the random inspection of the competent authorities.

Having considered the foregoing, our Directors believe that such non-compliance would not have a material adverse effect on our business, results of operations or financial condition on the grounds that (i) we had not been subject to any material administrative penalties during the Track Record Period, except that in one incident one of our dental institutions in Changsha was imposed a penalty of RMB4,000 for not making fire safety filings in a timely manner; (ii) the maximum aggregate potential penalty of RMB10,000, if occurred, would only account for approximately 0.001% of our revenues in fiscal 2021, which would exert an insignificant impact on our financial conditions; (iii) due to the insignificant revenue contribution of the aforementioned dental institutions to our Group, we would be subject to minimal adverse financial or operational impact, had they been ordered to suspend operations by the competent authorities; and (iv) we have enhanced our internal control measures and procedures to prevent re-occurrence of such non-compliance incidents.

Remedial Measures and Internal Controls

We aim to enhance our internal control measures and procedures with respect to the foregoing to manage associated risks and prevent re-occurrence of such non-compliance incidents. Set forth below are the key efforts we have made:

- *Employee trainings.* We provide regular trainings on fire safety to our staff, which cover key aspects of our daily operations. We also organize fire drills on a regular basis to increase fire safety awareness of our employees.
- *Management of licenses and certificates.* We have devised our license and certificate management policies, which govern the timely applications for the required water discharge licenses and fire safety filings. The license and certificate management policies explicitly require every new clinic to be opened only after the required licenses and certificates have been obtained.
- *Designated personnel.* According to our license and certificate management policies, we designate dedicated personnel to manage licenses and certificates required for our business operation, who are responsible for monitoring the status and renewal of such licenses and certificates in a timely manner.

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BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We primarily engage in the provision of leading dental services through dental clinics and dental hospitals in China.

As advised by our PRC Legal Advisers, according to the Negative List, medical institutions fall within the “restricted” investment category, and therefore may not be held 100% by foreign investors, and foreign investments are restricted to the form of sino-foreign joint venture. In view of the foreign investment restriction, our provision of dental medial services is subject to foreign investment restriction in accordance with the Negative List. According to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), which came into effect on July 1, 2000, foreign investors are allowed to partner with Chinese entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture, and the equity held by Chinese partner in the joint venture shall not be less than 30%. On January 25, 2011, the Ministry of Health (the predecessor of NHC) promulgated the Circular on the Adjustment of Approval Authority of Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (衛生部關於調整中外合資合作醫療機構審批權限的通知), according to which, health administration at the provincial level is entitled to approve the establishment of sino-foreign equity medical and/or cooperative medical institutions. On April 15, 2012, the Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province (四川省中外合資、合作醫療機構管理辦法) came into effect, according to which, the equity held by Chinese partner in the joint venture medical institution in Sichuan province shall not be less than 10%. Furthermore, the PRC Legal Advisers consulted officers of NHC and Beijing MOFCOM in May 2021 and June 2021, the officers confirmed that, other than medical institutions in Sichuan Province, where foreign investors are allowed to hold up to 90% equity interest in a medical institution, foreign investors in other provinces are not allowed to hold, either directly or indirectly, more than 70% equity interest in a medical institution in the PRC (the “**Foreign Ownership Restriction**”). For further details of the limitations on foreign ownership in PRC companies conducting medical services business under PRC laws and regulations, please see the section headed “Regulatory Overview—Domestic Regulations on Establishment of Foreign Invested Medical Institutions” in this prospectus.

Our VIE Entities are Beijing Shengbin, Beijing Ruicheng, Shanghai Yazheng, Shenzhen Ruier, Shanghai Ruitai, Hangzhou Shengbin, Shanghai Shengbin, Qingdao Ruiqi, Chongqing Jinmei, Chongqing Jiuyue, Chongqing Ruitai, Chengdu Wuhou Ruitai, Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司), Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司), Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. (廣州越秀瑞泰口腔醫院有限公司) and their respective subsidiaries, which were established under the laws of the PRC.

In light of the Foreign Ownership Restriction, we determined that it was not viable for our Company to (i) directly or indirectly hold more than 90% equity interest in medical institutions in Sichuan province such as Chengdu Wuhou Ruitai and its subsidiaries; or (ii) directly or indirectly hold more than 70% equity interest in medical institutions of other provinces including Chongqing. As such, upon completion of the reorganization, we through the

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Contractual Arrangements indirectly hold 90% equity interest in Chengdu Wuhou Ruitai and 70% equity interest in (i) Beijing Shengbin, (ii) Beijing Ruicheng, (iii) Shanghai Yazheng, (iv) Shenzhen Ruier, (v) Shanghai Ruitai, (vi) Hangzhou Shengbin, (vii) Shanghai Shengbin, (viii) Qingdao Ruiqi, (ix) Chongqing Ruisheng (through Chongqing Jinmei), (x) Chongqing Jiuyue, (xi) Chongqing Ruitai, (xii) Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司), (xiii) Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司) and (xiv) Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. (廣州越秀瑞泰口腔醫院有限公司). Since the nationality of Mr. Zou is Chinese Hong Kong, he is prevented from having the eligibility as the Registered Shareholder under the prevailing PRC laws and regulations, therefore the remaining equity interests of these entities are held by Shenzhen Ruijian, a company wholly-owned by Ms. ZOU Lifang (“**Ms. Zou**”) (as the Registered Shareholder), who is a PRC Citizen and the sister of our chairman Mr. ZOU Qifang. Therefore, as of the date of this prospectus, we hold equity interest directly or indirectly in medical institutions attributed to us under 90% in Sichuan Province and 70% in other provinces. Apart from being the Registered Shareholder of Shenzhen Ruijian who entered into the Contractual Arrangements on behalf of herself and Shenzhen Ruijian with the WFOE, Ms. Zou does not have any other roles in our Group (including Shenzhen Ruijian and the VIE entities). No salaries, share awards or any other forms of benefits have been conferred on Ms. Zou in this regard. For further details, please refer to the sub-section headed “Our Contractual Arrangements” in this section.

In order to comply with PRC laws and regulations, as well as to maintain maximum equity control over and to obtain all of the economic benefits derived from the operation of VIE Entities, on August 20, 2020, Beijing Ruier (as WFOE) entered into a series of contractual arrangements with the Registered Shareholder and Shenzhen Ruijian. Through the Contractual Arrangements, except that some of our VIE Entities have minority equity interest held by other Independent Third Parties, we have maintained maximum equity control over the financial and operational management and results of the VIE Entities and have become entitled to all the economic benefits derived from their operations. Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Operation Services Agreements (as defined below) with the WFOE, our VIE Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restriction in the PRC. In the event that MOFCOM and/or other relevant government authorities promulgate any measures for the administration of foreign-invested enterprises engaging in operation of medical institutions, depending on the maximum percentage of equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Entities as soon as practicable and to the extent permissible; and if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors, we will fully unwind and terminate the Contractual Arrangements and directly or indirectly hold 100% equity interests in our VIE Entities (except for those that are not wholly owned or controlled by us).

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PRC Laws and Regulations Related to Overseas Listing

On December 24, 2021, the CSRC released the Draft Regulations on Listing for public comments. Pursuant to the Draft Regulations on Listing, PRC domestic companies (including (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests) that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. There are uncertainties regarding the final form of Draft Regulations on Listing as well as the interpretation and implementation thereof after promulgation.

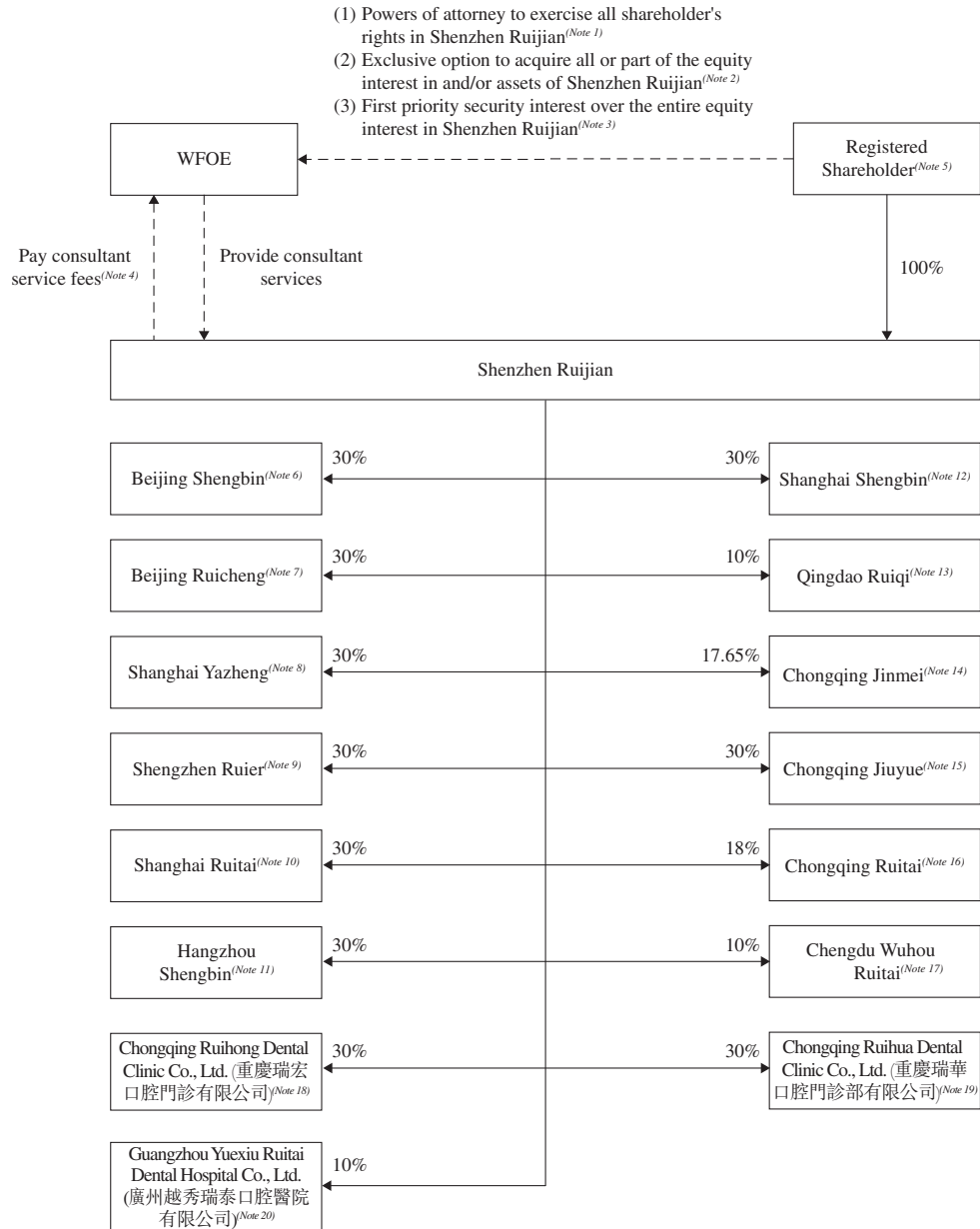
According to Article 6 of the 2021 Negative List which took effect on January 1, 2022, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. As confirmed by our PRC Legal Advisers, according to the 2021 Negative List, medical institutions like us do not fall within the prohibited areas provided in the 2021 Negative List, and therefore the requirements stipulated in the aforementioned Article 6 are not applicable to us.

Our PRC Legal Advisers are of the view that, (i) given the Draft Regulations on Listing are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to this Listing as of the date of this prospectus, and (ii) according to the 2021 Negative List, medical institutions like us do not fall within the prohibited areas provided in the 2021 Negative List, and the requirements stipulated in Article 6 of the 2021 Negative List are not applicable to us. Further, as of the date of this prospectus, we had not received any inquiry, notice, warning, or sanctions regarding the proposed Listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime or with respect to the VIE structure. Based on the foregoing, our Directors do not foresee the Draft Regulations on Listing would have any material adverse impact on our business operations, our VIE structure or our ability to operate our business through the VIE structure.

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OUR CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our VIE Entities to our Group under the Contractual Arrangements:



Notes:

- (1) Please refer to “—Entrustment Agreement and Powers of Attorney” below for details.
- (2) Please refer to “—Exclusive Option Agreement” below for details.
- (3) Please refer to “—Equity Pledge Agreement” below for details.
- (4) Please refer to “—Exclusive Operation Services Agreement” below for details.

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- (5) The Registered Shareholder is Ms. Zou Lifang, who is a PRC citizen and the sister of our founder Mr. ZOU Qifang. Ms. Zou holds 100% interest of Shenzhen Ruijian.
- (6) The remaining 70% interest of Beijing Shengbin was held by Beijing Ruisheng, a wholly-owned subsidiary of the WFOE.
- (7) The remaining 70% interest of Beijing Ruicheng was held by Beijing Ruisheng.
- (8) The remaining 70% interest of Shanghai Yazheng was held by Shanghai Ruicheng, a wholly-owned subsidiary of the WFOE.
- (9) The remaining 70% interest of Shenzhen Ruier was held by the WFOE.
- (10) The remaining 70% interest of Shanghai Ruitai was held by Shanghai Ruicheng.
- (11) The remaining 70% interest of Hangzhou Shengbin was held by Shanghai Ruicheng.
- (12) The remaining 70% interest of Shanghai Shengbin was held by Shanghai Ruicheng.
- (13) The remaining 70% and 20% interest of Qingdao Ruiqi was held by Beijing Ruisheng and Chengdu Ruibowen Hospital Management Center LLP (成都瑞勃文醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. QU Bo and Mr. HU Yunfan, who are senior management of the Company.
- (14) The remaining 82.35% interest of Chongqing Jinmei was held by the WFOE.
- (15) The remaining 70% interest of Chongqing Jiuyue was held by Chongqing Ruijing, a wholly-owned subsidiary of the WFOE.
- (16) The remaining 70% and 12% interest of Chongqing Ruitai was held by Chongqing Ruijing and Chongqing Ruibang Xingtai Hospital Management Center LLP (重慶瑞邦興泰醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. HU Xing, who is our senior management.
- (17) The remaining 90% interest of Chengdu Wuhou Ruitai was held by Chongqing Ruijing.
- (18) The remaining 70% interest of Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司) was held by Chongqing Ruijing.
- (19) The remaining 70% interest of Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司) was held by Chongqing Ruijing.
- (20) The remaining 90% interest of Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. (廣州越秀瑞泰口腔醫院有限公司) was held by Zhuhai Hengqin Ruiertai Hospital Investment Co., Ltd. (珠海橫琴瑞爾泰醫院投資有限公司), a wholly-owned subsidiary of the WFOE, and Hainan Yongrui Enterprise Management Center (Limited Partnership) (海南雍瑞企業管理中心(有限合夥)), a third party independent to the Company, as to 70% and 20%, respectively.

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SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

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

(1) Exclusive Operation Services Agreement

Beijing Ruier, the Registered Shareholder, Shenzhen Ruijian and subsidiaries directly held by Shenzhen Ruijian entered into an exclusive operation services agreement on August 20, 2020 (the “**Exclusive Operation Services Agreement**”), pursuant to which, *inter alia*, Shenzhen Ruijian agreed to engage Beijing Ruier as the exclusive operation service consultant and service provider in exchange for a service fee.

Under the Exclusive Operation Services Agreements, the services to be provided include but are not limited to (i) formulation and implementation of plans in relation to current and future assets and business operation matters of Shenzhen Ruijian and the VIE Entities; (ii) provision of opinions, advices and management to the human resources and operations of Shenzhen Ruijian and the VIE Entities, including but not limited to improvement measures on employee management and continuing staff training plan; (iii) relevant technical and commercial information collection and market research, providing industry information and management decision; (iv) client referral and providing advice and decision on marketing promotion; (v) appointment of technical staff for Shenzhen Ruijian and the VIE Entities, providing overall technical operation monitoring and market strategies research; (vi) provision of opinions and advices on the corporate structure and management system of Shenzhen Ruijian and the VIE Entities; (vii) providing comprehensive solutions on medical technologies required by Shenzhen Ruijian and the VIE Entities including medical technologies management consultancy services, medical resources sharing, recruitment and training of professional staff; (viii) selection and referral of eligible supplier, quality control of medicine and medical devices; (ix) appointment of technical staff to monitor quality of medical services provided by the VIE Entities; (x) other technical services, operation maintenance, equipment supply and management consultancy services as requested by Shenzhen Ruijian and the VIE Entities from time to time to the extent permissible under the PRC laws. Beijing Ruier has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreement, Beijing Ruier may use the intellectual property rights owned by Shenzhen Ruijian and the VIE Entities free of charge and without any conditions. Shenzhen Ruijian and the VIE Entities may also use the intellectual property work created by Beijing Ruier in the course of provision of services in accordance with the Exclusive Operation Service Agreement.

Under the Exclusive Operation Services Agreements, the service fee shall be an amount equal to the annual distributable profits of the VIE Entities obtained by Shenzhen Ruijian, after deducting the losses from the previous financial years (if any) and the statutory reserves (if applicable), subject to the applicable PRC laws and regulations. Apart from the service fees,

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the VIE Entities shall reimburse all reasonable costs, payments and out-of-pocket expenses incurred by Beijing Ruier in connection with the performance of the Exclusive Operation Services Agreement and provision of services thereunder.

In addition, without the prior written consent of Beijing Ruier, during the term of the Exclusive Operation Services Agreement, the Registered Shareholder, Shenzhen Ruijian and the subsidiaries directly held by Shenzhen Ruijian shall not enter into any written or oral agreement with any third party for provision of the same or similar services as those provided thereunder. Beijing Ruier has the right to appoint any third party to provide any or all of the services, or to fulfill any of its obligations under the Exclusive Operation Services Agreement.

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

The Exclusive Operation Services Agreement can only be terminated in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to indirectly or directly hold all the equity interests in the VIE Entities as permitted by the PRC laws then in force, and upon duly transfer of all the equity interests or assets of the the VIE Entities directly or indirectly owned by Shenzhen Ruijian have been transferred to Beijing Ruier or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian owned by the Registered Shareholder to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (iii) Beijing Ruier unilaterally terminates the agreement, or (iv) continuing performance of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(2) Exclusive Option Agreement

On August 20, 2020, Beijing Ruier, the Registered Shareholder and Shenzhen Ruijian entered into an exclusive option agreement (the “**Exclusive Option Agreement**”).

Pursuant to the Exclusive Option Agreement, Beijing Ruier was granted an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. The Registered Shareholder and Shenzhen Ruijian agreed to refund all amount received in the transfer of equity interests or assets, as the case maybe, under the Exclusive Option Agreement to Beijing Ruier or any designee.

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The Registered Shareholder, among other things, has covenanted that, without the prior written consent of Beijing Ruier:

- (i) she will not transfer or otherwise dispose or create any encumbrances on any of her equity interest in Shenzhen Ruijian;
- (ii) she will not increase, decrease or change the structure of the registered capital of Shenzhen Ruijian, and shall not approve Shenzhen Ruijian to merge, consolidate with, acquire or invest in any entity;
- (iii) she will not dispose or cause the management of Shenzhen Ruijian to dispose any material assets with a fair value above RMB500,000;
- (iv) she will not terminate or cause the management of Shenzhen Ruijian to terminate any material contracts with a value above RMB500,000, or enter into any agreements that contradicts with the material contracts that currently in force;
- (v) she will not appoint or change any director, supervisor or any other management personnel of Shenzhen Ruijian that should be appointed by the Registered Shareholder;
- (vi) she will not cause or permit the distribution of any distributable profits and dividends;
- (vii) she will not amend the articles of association of Shenzhen Ruijian;
- (viii) she will not cause or permit Shenzhen Ruijian to provide any loan or guarantee in any kind, or undertake any substantive duties other than in the ordinary course of business;
- (ix) she will not cause or permit Shenzhen Ruijian to enter into any transaction or take any action that may affect its assets, rights, duties and operation; and
- (x) she will not directly or indirectly engage, possess or acquire any business which competes or is likely to compete with the business of Shenzhen Ruijian.

According to the articles of associations of Shenzhen Ruijian and the Contractual Arrangements, any disposal of assets or termination of contracts of Shenzhen Ruijian, shall be decided by Shenzhen Ruijian, rather than its shareholder, i.e. Ms. Zou. Further, as disclosed in the sub-section headed “—(3) Entrustment Agreement and Powers of Attorney” below, pursuant to the Entrustment Agreement and the Powers of Attorney, the Registered Shareholder has irrevocably authorized the WFOE or its designated person(s), i.e. Mr. Zou, to exercise all of Ms. Zou’s rights and powers as a shareholder of Shenzhen Ruijian on behalf of her. In order to further protect Shenzhen Ruijian’s business and assets, Beijing Ruier requires Ms. Zou to further undertake not to take a series of action including but not limited to dispose of or cause

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the management of Shenzhen Ruijian to dispose of any material assets or terminate any material contracts. The reason for setting out the threshold of RMB500,000 in the Exclusive Option Agreement is merely to clarify the scope of material assets and material contracts. Such threshold of materiality set out in the contractual arrangements for disposal of assets and entering into or termination of contracts was determined with reference to the financial performance of our Group on a consolidated basis. In practice, all the decisions relating to the management and operation of Shenzhen Ruijian and the VIE Entities will be made by the WFOE or its designated person(s) pursuant to the Entrustment Agreement and the Powers of Attorney regardless of monetary value involved. As advised by the PRC Legal Advisers, according to the Contractual Arrangements, the aforementioned RMB500,000 threshold in the undertakings of Ms. Zou in the Exclusive Option Agreement will not in turn entitles Ms. Zou the right to dispose of any assets or terminate any contract under the amount of RMB500,000 in Shenzhen Ruijian. Based on the above, we believe that Ms. Zou's interest over Shenzhen Ruijian and the VIE Entities does not conflict with other shareholders of our Company.

The Registered Shareholder further undertakes that, upon Beijing Ruier issuing the notice to exercise the option in accordance with the Exclusive Option Agreement, the Registered Shareholder will take all necessary actions to procure the transfer and relinquish the pre-emptive right (if any). Each of the parties to the Exclusive Option Agreement confirms and agrees that (i) in the event of a dissolution or liquidation of Shenzhen Ruijian under the PRC laws, all the residual assets attributable to the Registered Shareholder in Shenzhen Ruijian shall be transferred to Beijing Ruier or its designated person(s) at the minimum purchase price permitted under PRC laws, and the Registered Shareholder undertakes that she shall refund all amount received in the transfer to Beijing Ruier or any designee. Each of Beijing Ruier, the Registered Shareholder and Shenzhen Ruijian confirmed and agreed that, in the event of bankruptcy, reorganization, merger or shareholder change of Shenzhen Ruijian which affects the Registered Shareholder's equity interest in Shenzhen Ruijian, the successor of the Registered Shareholder shall be bound by the Exclusive Option Agreement, and any disposal of interests (including but not limited to equity interest, debt and asset) in Shenzhen Ruijian contained in any debt arrangement, reorganization agreement and any other legal documents shall not contradict with the Exclusive Option Agreement unless otherwise with the prior written consent of Beijing Ruier.

The Exclusive Option Agreement shall be effective upon execution and have an indefinite term unless terminated in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as permitted by the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian or all of the assets of Shenzhen Ruijian owned by the Registered Shareholder to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) Beijing Ruier unilaterally terminates the agreement, or (iii) continuing performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

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(3) Entrustment Agreement and Powers of Attorney

On August 20, 2020, Beijing Ruier and the Registered Shareholder entered into a shareholders' rights entrustment agreement (the "**Entrustment Agreement**") with Shenzhen Ruijian and executed a powers of attorney (the "**Powers of Attorney**") in favor of Mr. ZOU Qifang (the "**Attorney**").

Pursuant to the Entrustment Agreement and the Powers of Attorney, (i) the Registered Shareholder irrevocably authorizes Beijing Ruier or its designated person(s) (namely the Directors and liquidator or other successor who acts in the capacity of a Director but excluding any non-independent persons or persons with potential conflicts of interests) and the Attorney to exercise all of her rights and powers as a shareholder of Shenzhen Ruijian on behalf of her, including without limitation:

- to execute shareholder resolutions as her proxy;
- to exercise all shareholder's voting rights in accordance with PRC laws and the constitutional documents of Shenzhen Ruijian, including but not limited to the appointment of legal representative, director and supervisor of Shenzhen Ruijian, amendment of the articles of association of Shenzhen Ruijian, decision on the increase and decrease of registered capital, merger, split and transfer of equity interests in Shenzhen Ruijian as her proxy; and
- to receive any residual assets of Shenzhen Ruijian as her proxy in the event of dissolution or liquidation of Shenzhen Ruijian.

The Registered Shareholder undertakes that, the authorization granted under the Entrustment Agreement will not result in any potential conflicts of interests between her and Beijing Ruier or its designee. If any potential conflicts of interests arises, the Registered Shareholder shall protect and not harm the interests of Beijing Ruier, its subsidiaries or its indirect offshore shareholders. If there is any conflict of interests, the Registered Shareholder shall take action to eliminate such conflict of interests in a timely manner and as approved by Beijing Ruier or its designee. In the event that the Registered Shareholder refuses to take such action, Beijing Ruier is entitled to exercise the option under the Exclusive Option Agreement in accordance with the relevant PRC laws and regulations.

As Beijing Ruier is an indirect wholly-owned subsidiary of our Company, the terms of the Entrustment Agreement give our Company full control over all corporate decisions made by such attorney and exercise management control over Shenzhen Ruijian.

The Entrustment Agreement and Powers of Attorney shall be effective upon signing and have an indefinite term unless terminated in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as permitted by the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian or all of the assets of Shenzhen Ruijian owned by the Registered Shareholder to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) Beijing Ruier unilaterally terminates the agreements, or (iii) continuing performance of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

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(4) Equity Pledge Agreement

On August 20, 2020, Beijing Ruier, Shenzhen Ruijian and the Registered Shareholder entered into an equity pledge agreement (the “**Equity Pledge Agreement**”), pursuant to which (i) the Registered Shareholder agrees to pledge all of her equity interest in Shenzhen Ruijian to Beijing Ruier as a security interest to guarantee the performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

If the Registered Shareholder receives any dividend from Shenzhen Ruijian during the term of the Equity Pledge Agreement, the Registered Shareholder agrees to give all the dividends she received to Beijing Ruier as a gift. In the event of any breach of obligations by Shenzhen Ruijian or the Registered Shareholder, Beijing Ruier, upon issuing a written notice to the Registered Shareholder, will be entitled to all remedies available under PRC laws and the Contractual Arrangements, including but not limited to disposing of the equity interests pledged in its favor.

Pursuant to the Equity Pledge Agreement, the Registered Shareholder undertakes to Beijing Ruier, among others, not to transfer the equity interests pledged and not to create or permit the creation of any other pledge or encumbrance without Beijing Ruier’s prior written consent. Shenzhen Ruijian further undertakes to Beijing Ruier not to assist or permit any transfer of the equity interests pledged or to assist or permit the creation of any other pledge or encumbrance without Beijing Ruier’s prior written consent.

The Equity Pledge Agreement shall remain effective unless terminate in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as permitted by the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian or all of the assets of Shenzhen Ruijian to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) Beijing Ruier unilaterally terminates the agreement, or (iii) continuing performance of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

We have registered the equity pledge contemplated under the Equity Pledge Agreement with the competent authority pursuant to the PRC laws and regulations.

Common terms of the Contractual Arrangements

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements and such dispute can not be resolved by the parties thereto within thirty days through negotiation, any party has the right to submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

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The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of the Registered Shareholder and the VIE Entities (where applicable) or permanent and interlocutory injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of the Shenzhen Ruijian and the VIE Entities (where applicable); any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of registration of our Company), the PRC and the places where the principal assets of the Shenzhen Ruijian or the VIE Entities (where applicable) are located for order and execution of interim remedies or injunctive relief.

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

As a result of the above, in the event that the Registered Shareholder, Shenzhen Ruijian or the VIE Entities breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert fully effective control over Shenzhen Ruijian and the VIE Entities, and to conduct our business could be materially and adversely affected. See the section headed “Risk Factors—Risks Relating to Our Contractual Arrangements” for further details.

Succession

As advised by our PRC Legal Advisers, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholder as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In the case of a breach, Beijing Ruier can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the Registered Shareholder that may affect her shareholder’s rights in Shenzhen Ruijian, any successor(s) of the Registered Shareholder shall assume any and all rights and obligations of the Registered Shareholder under the Contractual Arrangements as if such successor was a signing party to the relevant agreements.

Our PRC Legal Adviser are of the view that the Contractual Arrangements provide sufficient protection to the Group in the event of loss of capacity, death, bankruptcy, marriage or divorce of the Registered Shareholder because the provisions set out in the Contractual Arrangements provided that in the event of loss capacity, death, bankruptcy (for enterprises), divorce, and/or other reasons may affect equity interests of Shenzhen Ruijian or the VIE Entities, the Contractual Arrangements are also binding on any successors.

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Spouse Undertakings

Spouse undertaking is not applicable to the Contractual Arrangements since Ms. Zou did not have a spouse when she entered into the Contractual Arrangements. According to the Civil Code of the PRC, the premarital property of one spouse constitutes separate property of one of the spouses, therefore, the equity interests held by Ms. Zou in Shenzhen Ruijian do not fall within the scope of communal properties even if she entered into a spousal relationship subsequently. Pursuant to the Exclusive Option Agreement, Beijing Ruier was granted an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. As advised by our PRC Legal Adviser, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholder as if such successors were a signing party to the Contractual Arrangements. Moreover, to further protect the benefit of our Company, Ms. Zou signed an undertaking on November 8, 2021, which provides that if Ms. Zou would have a spouse in the future, she will urge her spouse to sign a spousal undertaking, which, among other terms, provides that the respective interests of the Registered Shareholder in Shenzhen Ruijian do not fall within the scope of communal properties.

Conflicts of Interests

The Registered Shareholder, Shenzhen Ruijian and VIE Entities (where applicable) undertake that, as long as the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Beijing Ruier or its direct or indirect shareholders. If there is any conflict of interest, Beijing Ruier shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Registered Shareholder, Shenzhen Ruijian and the VIE Entities (where applicable) will unconditionally follow the instructions of Beijing Ruier to take any action to eliminate such conflict of interest.

In the Equity Pledge Agreement, the Registered Shareholder and Shenzhen Ruijian undertake that they shall not take or allow any action that may adversely affect the interests of the Beijing Ruier or the pledged equity under the Contractual Arrangements.

Loss Sharing

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

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Liquidation

Pursuant to the Equity Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholder shall give the proceeds she received from liquidation as a gift to Beijing Ruier or its designee(s) to the extent permitted by PRC laws.

Insurance

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

Our Confirmation

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

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisers conducted interviews with officers of NHC and Beijing MOFCOM in respect of the Contractual Arrangements. According to the officers, (i) no approval from the respective authority is required for the execution of the Contractual Arrangements; (ii) the execution of the Contractual Arrangements does not fall into its current supervision concerning foreign investment activities; and (iii) the Contractual Arrangements do not violate the PRC Foreign Investment Law. Our PRC Legal Advisers are of the view that NHC and Beijing MOFCOM are the competent authorities to give such confirmations in respect of our investment of medical institutions in the PRC.

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

- the parties to each of the Contractual Arrangements have full civil and legal capacity to execute each agreement under the Contractual Arrangements;
- each of the agreements under the Contractual Arrangements, taken individually and collectively, does not violate the mandatory provisions under existing PRC laws and regulations and constitutes legal, valid and binding obligations of the parties thereto, subject to the enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally, the discretion of relevant Government Agencies in exercising their authority in connection with the interpretation and implementation thereof and the application of relevant PRC Laws and policies thereto, and to general equity principles; except that (a) the Beijing Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding-up of Shenzhen Ruijian and the VIE Entities pursuant to the

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current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

- The agreements under the Contractual Arrangements, as confirmed by the parties thereto, were entered into for the purpose of realizing the commercial purpose of the parties and to the extent possible to avoid conflict with the existing PRC laws and regulations and the Contractual Arrangements was the reflection of their true intention. As such, each of the agreements under the Contractual Arrangements do not, individually or collectively, violate the mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) and shall not be deemed as “civil juristic act performed by the actor and the counterparty based on false expression of intention” resulting in the invalidity of the agreements under the Contractual Arrangements;
- none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Beijing Ruier, Shenzhen Ruijian and the VIE Entities that signed the agreements; and
- according to the relevant competent authorities, the execution and performance of the Contractual Arrangements do not require their approvals except that the Equity Pledge Agreements are subject to registration requirements with the local SAMR and the exercising of the exclusive options by Beijing Ruier according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

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

- (a) revoking the relevant operating licenses of Beijing Ruier, Shenzhen Ruijian and the VIE Entities;
- (b) restricting or prohibiting the Contractual Arrangements;
- (c) imposing fines or other requirements with which our Company, Shenzhen Ruijian and the VIE Entities may find difficult or impossible to comply; and
- (d) requiring us, Shenzhen Ruijian and the VIE Entities to restructure the relevant ownership structure or operations.

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

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

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On March 15, 2019, the NPC adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL**”) at the closing meeting of the second session of the 13th NPC. The FIL took effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese- Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《外資企業法》), became the legal foundation for foreign investment in the PRC. For details of the Foreign Investment Law and the Foreign Investment Law Implementing Regulations, see “Regulatory Overview—Laws and Regulations Related to Foreign Investment in the PRC.”

Impact and Potential Consequences of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our VIE Entities, through which we operate our business in the PRC. The FIL stipulates four forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by our PRC Legal Advisers, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents and policies on contractual arrangements has been issued and enacted the possibility that the legal effectiveness of the Contractual Arrangements become materially adversely affected due to the coming into effect of the FIL, is relatively low.

Furthermore, the FIL stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council.” Although the FIL or its Implementing Regulation does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual

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Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the VIE Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us that may have a material adverse effect on the trading of our Shares. Please refer to the section headed “Risk Factors—Risks Relating to Our Contractual Arrangements.”

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update our Shareholders and potential investors; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Beijing Ruier and the VIE Entities to deal with specific issues or matters arising from the Contractual Arrangements.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

On 20 August 2020, Beijing Ruier, Shenzhen Ruijian, the Registered Shareholder and each of the companies, which Shenzhen Ruijian directly holds equity interests in, entered into the Contractual Arrangements pursuant to which the Group is able to:

- (i) receive substantially all of the economic interest returns generated by Shenzhen Ruijian in consideration for the business support and consultancy services provided by Beijing Ruier;
- (ii) obtain an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. The Registered Shareholder and Shenzhen Ruijian agreed to refund all amount received in the transfer of equity interests or assets, as the case maybe, to Beijing Ruier;

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- (iii) exercise the equity holders' voting rights of Shenzhen Ruijian; and
- (iv) obtain a pledge over all of nominee shareholder's equity interest in Shenzhen Ruijian to Beijing Ruier as a security to guarantee the performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

As a result of the Contractual Arrangements, we considered to control Shenzhen Ruijian as it has rights to exercise power over Shenzhen Ruijian, receive variable returns from its involvement with Shenzhen Ruijian, and have the ability to affect those returns through its power over Shenzhen Ruijian. Consequently, we regarded Shenzhen Ruijian as controlled entity and consolidated the financial position and results of operations of Shenzhen Ruijian in our consolidated financial statements.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board of Directors will comprise seven Directors, including four executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon reelection and/or reappointment.

The following table sets out information in respect of the Directors of the Company:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
ZOU Qifang (鄒其芳)	68	Executive Director, Chairman of the Board, and chief executive officer	April 19, 1999	May 23, 2001	Overall strategic planning and business direction planning, supervising and management of the Group's business
Qin Jessie XIN	52	Executive Director, chief financial officer	July 20, 2015	August 25, 2017	Supervising accounting and financing of the Group
ZHANG Jincai (章錦才)	59	Executive Director, chief medical officer, general manager of hospitals and clinics	June 27, 2019	June 22, 2021	Overseeing medical services of the Group and operations of our dental hospitals and clinics
ZOU Jianlong (鄒劍龍)	59	Executive Director, vice president	April 19, 1999	March 5, 2020	Overseeing procurement and supply, administration, compliance and other departments of the Group
LIU Xiaomei Michelle	53	Independent non- executive Director	November 25, 2021	November 25, 2021	Providing independent opinion and judgment to the Board
SUN Jian (孫健)	66	Independent non- executive Director	November 25, 2021	November 25, 2021	Providing independent opinion and judgment to the Board
ZHANG Bang (張磅)	53	Independent non- executive Director	November 25, 2021	November 25, 2021	Providing independent opinion and judgment to the Board

DIRECTORS AND SENIOR MANAGEMENT

Save as may be disclosed in this section, none of our Directors are related to other Directors or members of our senior management, and none of our Directors held any directorships in public companies, whose securities were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

Executive Directors

Mr. ZOU Qifang (鄒其芳), aged 68, is our founder, chairman of the Board and chief executive officer. He has been our Director since May 2001 and was re-designated as an executive Director in June 2021. Mr. Zou founded our Group in April 1999. He is responsible for overall strategic planning and business direction planning, supervising and management of the Group's business. Prior to founding our Group, Mr. Zou served as an associate in Bankers Trust Company, a commercial bank providing wholesale financial services, from July 1994 to April 1995. He served as a management consultant in A.T. Kearney (Hong Kong) Limited (科爾尼(香港)有限公司), a global management consulting firm, from June 1995 to September 1996. Mr. Zou served as a manager in Tianjin Smith Kline & French Laboratories Ltd. (中美天津史克製藥有限公司) from 1982 to August 1990.

Mr. Zou received a bachelor's degree in English from Tianjin Foreign Studies University (天津外國語大學) (formerly known as Tianjin Foreign Studies College (天津外國語學院)) in Tianjin, the PRC in July 1982. Mr. Zou received a master's degree in business administration from the Wharton School of University of Pennsylvania, in Pennsylvania, the US in May 1994. Mr. Zou has been a member of the board of advisors of School of Dental Medicine of the University of Pennsylvania since October 2010 and a member of the executive board for Asia of the Wharton School of the University of Pennsylvania from 2008 to 2018. Mr. Zou is an advisor to the dean of School of Dental Medicine of the Harvard University since 2019 and a director of the 2005 committee of WRSA Chamber of Commerce since 2005. Mr. Zou has also been a member of CEO Organization since 2013 and a Trustee of Center for Excellence in Education (CEE, a global education foundation) since 2019. He received the Annual China Entrepreneurship Award from the Wharton School of the University of Pennsylvania in 2018.

Ms. Qin Jessie XIN, aged 52, is our executive Director and chief financial officer. Ms. Xin joined our Group in July 2015. She has been our Director since August 2017 and was re-designated as an executive Director in June 2021. She is responsible for supervising accounting and financing of the Group. Prior to joining our Group, Ms. Xin served as a deputy general manager of finance in iKang Healthcare Group (愛康國賓集團), the shares of which are listed on the NASDAQ (stock code: KANG), from May 2011 to June 2015.

Ms. Xin received a bachelor's degree in commerce from McGill University in Quebec, Canada in October 1997 and a master's degree in business administration from the California State University in California, the US in March 2008. Ms. Xin has been a public accountant certified by the State Board of Accountancy of State of Delaware since October 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Jincai (章錦才), aged 59, is our executive Director and chief medical officer. He is responsible for overseeing medical services of the Group and operations of our dental hospitals and clinics. Mr. Zhang joined our Group in June 2019 and served as our executive president of medical affairs from June 2019 to May 2020. He has served as the chief medical officer of our Group and general manager of hospitals and clinics since June 2020. Prior to joining our Group, Mr. Zhang served as the chairman of the board of Zhejiang Tongce Dental Medical Management Co., Ltd. (浙江通策口腔醫院投資管理集團有限公司), a subsidiary of TC Medical (通策醫療股份有限公司) which was listed on Shanghai Stock Exchange with stock code: 600763, from June 2015 to May 2019. He was a professor of oral medicine in the West China Medical Center of Sichuan University (四川大學華西醫學中心) (formerly known as the West China Medical University (華西醫科大學)) from January 1989 to May 2001.

Mr. Zhang obtained a physician's practicing certificate from the NHC in December 2001. He received a government special allowance from the State Council of the PRC in March 1998. He also received the 7th Chinese Physician Prize issued by the Chinese Medical Doctor Association (中國醫師協會) in November 2010. He was the vice president of the 4th Council of the Chinese Stomatological Association (中華口腔醫學會第四屆理事會) and the chairman of the 4th Periodontology Professional Committee of the Chinese Stomatological Association (中華口腔醫學會第四屆牙周病學專業委員會).

Mr. Zhang received a bachelor's degree in medicine from the School of Medicine of the Zhejiang University (浙江醫科大學) (formerly known as Zhejiang Medical University (浙江醫科大學)) in Zhejiang Province, the PRC in August 1983. He obtained a master's degree in medicine in December 1986 and a doctoral degree in clinical medicine in June 1989 from the West China Medical Center of Sichuan University (四川大學華西醫學中心) (formerly known as the West China Medical University (華西醫科大學)) in Sichuan Province, the PRC. Mr. Zhang completed the postdoctoral training from the School of Dentistry of the University of California, San Francisco in California, the US in December 1992.

Mr. ZOU Jianlong (鄒劍龍), aged 59, is our executive Director and vice president. Mr. Zou joined our Group in April 1999. He has been our Director since March 2020 and was re-designated as an executive Director in June 2021. He is responsible for overseeing procurement and supply, administration, compliance and other departments of the Group. As one of our most senior employees, Mr. Zou helped our Group in market development in Shenzhen and Shanghai and served as head of operations. He took the lead in the establishment and daily operation of various middle office departments such as marketing, human resources, investment development, engineering management and compliance, and has made a significant contribution to the development of our Group over the past 20 years. Prior to joining our Group, Mr. Zou served as a manager of administration and human resources department in Shenzhen Haibin Pharmaceutical Co., Ltd. (深圳海濱製藥有限公司) from July 1995 to June 1998.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zou received a bachelor's degree in science from Jiangxi Normal University (江西師範大學) (formerly known as Jiangxi Normal College (江西師範學院)) in Jiangxi Province, the PRC in July 1983. He obtained a master's degree in engineering from the University of Science and Technology Beijing (北京科技大學) in Beijing, the PRC in January 1991.

Independent Non-executive Directors

Ms. Xiaomei Michelle LIU, aged 53, was appointed as our independent non-executive Director with effect from November 25, 2021. She is responsible for providing independent opinion and judgment to the Board.

From December 2003 to December 2010, she served as a managing director at Beijing Lianban Investment Management Co., Ltd. (北京聯辦投資管理有限公司) and responsible for investment and financing activities. Since December 2010, Ms. Liu has served as the chief financial officer in Hexun Information Technology Co., Ltd. (和訊信息科技有限公司), which focuses on internet services and responsible for the financial management and strategic investment and financing of the company.

Ms. Liu received her bachelor's degree in finance from the University of International Business and Economics (對外經濟貿易大學) (formerly known as the China Institute of Finance (中國金融學院)) in July 1991. She further received her master of business administration degree (MBA) from the Wharton School of the University of Pennsylvania in May 1997.

Mr. SUN Jian (孫健), aged 66, was appointed as our independent non-executive Director with effect from November 25, 2021. He is primarily responsible for providing independent opinion and judgment to the Board. Mr. Sun currently serves as an executive director of Brayn International Corporation Limited (栢睿國際股份有限公司), a company principally engaged in business consultancy services, since January 2020. He was appointed as a partner emerita (終身名譽合夥人) of A.T. Kearney Inc. (科爾尼管理諮詢公司) in April 2018. Mr. Sun served as a senior global partner of A.T. Kearney (Hong Kong) Limited (科爾尼(香港)有限公司) and A.T. Kearney (Shanghai) Management Consulting Co., Ltd. (科爾尼(上海)企業諮詢有限公司) from December 1994 to March 2018. Prior to that, he served as a business analyst in Eastman Kodak Company Medical Imaging Branch (柯達公司醫療影像分公司) from July 1994 to November 1994.

Mr. Sun received a bachelor's degree in engineering from the East China University of Science and Technology (華東理工大學) (formerly known as the East China Institute of Chemical Technology (華東化工學院)) in Shanghai, the PRC in May 1982. He obtained a master's degree in economics through on job learning from the Shanghai Academy of Social Sciences (上海社會科學院) in Shanghai, the PRC in August 1986. Mr. Sun received a master's degree in business administration (MBA) from the Simon Business School at the University of Rochester in New York, the US in June 1994. He received a doctoral degree of arts from China Academy of Art (中國美術學院) in Zhejiang Province, the PRC in June 2019.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZHANG Bang (張磅), aged 53, was appointed as our independent non-executive Director with effect from November 25, 2021. He is primarily responsible for providing independent opinion and judgment to the Board.

Mr. Zhang is currently the chief corporate officer of Octave (Shanghai) Enterprise Management Company Limited (音昱(上海)企業管理有限公司), having held that position since April 2018. Mr. Zhang served as the chief financial officer of DG Group (雙志偉業集團) from February 2016 to February 2018 and Golden Jaguar Group (金錢豹餐飲集團) from November 2013 to November 2015. He served as the senior vice president and chief financial officer of Mai Wang Information Technology (Shanghai) Co., Ltd. (麥網信息技術(上海)有限公司), a subsidiary of MecoxLane Co. Ltd. (麥考林集團), a company previously listed on the NASDAQ with stock code MCOX, from July 2009 to October 2013.

Mr. Zhang was an independent director of ChinaCache International Holdings Limited, a company listed on NASDAQ with stock code CCIH, from July 2017 to November 2020. Currently, Mr. Zhang holds directorships in the following listed companies: (i) independent director of Jupai, a company listed on NYSE with stock code JP and since July 2015; and (ii) independent non-executive director of E-House (China) Enterprise Holdings Limited, a company listed on the Stock exchange with stock code 2048 since July 2018.

He received his master's degree in business administration in June 2001 from Jinan University (暨南大學) in China. Mr. Zhang is both a fellow of the Chartered Institute of Management Accountants and a chartered global management accountant of the Association of International Certified Professional Accountants.

General

Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of our Directors that are required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules, and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about our senior management:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
ZOU Qifang (鄒其芳)	68	Chief executive officer	April 19, 1999	April 19, 1999	Overall strategic planning and business direction planning, supervising and management of the Group's business
Qin Jessie XIN	52	Chief financial officer	July 20, 2015	July 20, 2015	Supervising accounting and financing of the Group
ZHANG Jincai (章錦才)	59	Chief medical officer, general manager of hospitals and clinics	June 27, 2019	July 2, 2020	Overseeing medical services of our Group and operations of our dental hospitals and clinics
ZOU Jianlong (鄒劍龍)	59	Vice president	April 19, 1999	November 1, 2008	Overseeing procurement and supply, administration, compliance and other departments of the Group
QU Bo (曲勃)	53	Vice president, chief operation officer	May 1, 2007	October 9, 2020	Overseeing operations of the Group
CHENG Xiaolin (程小林)	57	Vice president, general manager of hospitals and clinics	December 1, 2015	October 9, 2020	Overseeing operations and management of our dental hospitals and clinics

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
HU Yunfan (胡雲帆)	44	Deputy general manager of hospitals and clinics	April 23, 2009	October 30, 2020	Overseeing the daily operations and management of our dental hospitals and clinics
HU Xing (胡星)	38	Deputy general manager of hospitals and clinics	August 21, 2015	October 30, 2020	Overseeing the operations and management of our dental hospitals and clinics in west China

Mr. ZOU Qifang (鄒其芳), aged 68, also acts our chief executive officer. He is responsible for overall strategic planning and business direction planning, supervising and management of the Group’s business. See “—Board of Directors—Executive Directors” for details.

Ms. Qin Jessie XIN, aged 52, also acts our chief financial officer. She is responsible for supervising accounting and financing of the Group. See “—Board of Directors—Executive Directors” for details.

Mr. ZHANG Jincai (章錦才), aged 59, also acts our chief medical officer and general manager of hospitals and clinics. He is responsible for overseeing medical services of the Group and operations of our dental hospitals and clinics. See “—Board of Directors—Executive Directors” for details.

Mr. ZOU Jianlong (鄒劍龍), aged 59, is one of our vice presidents. He is responsible for overseeing, procurement and supply, administration, compliance and other departments of the Group. See “—Board of Directors—Executive Directors” for details.

Mr. QU Bo (曲勃), aged 53, was appointed as our vice president and chief operation officer in October 2020. He is responsible for overseeing operations of the Group. Mr. Qu joined our Group in May 2007.

Prior to joining our Group, Mr. QU served as a lawyer at Liaoning Fada Law Firm (遼寧法大律師事務所) (formerly known as Dalian Fada Law Firm (大連法大律師事務所)) from December 1992 to June 1995. He served as a manager of mainland China business in Van Yu Trading Company Limited (香港萬友貿易有限公司) from June 1997 to January 2002.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Qu received his bachelor's degree in law from the Law School of the Jilin University (吉林大學) in China in July 1990. He further received his master's degree in international business from the Ohio State University in the US in March 1998. He received his master of business administration (MBA) degree from the York University, Canada in June 2004 and recognized by the Chinese Service Center for Scholarly Exchange of the Ministry of Education in November 2006.

Mr. CHENG Xiaolin (程小林), aged 57, was appointed as our vice president and general manager of hospitals and clinics in October 2020. He is responsible for overseeing operations and management of our dental hospitals and clinics. Mr. Cheng joined our Group in December 2015.

Prior to joining our Group, he served as a doctor at Beijing Stomatological Hospital (北京口腔医院) from July 1987 to August 1994. He served as the dean of the Beijing Southern District Stomatological Hospital (北京南區口腔醫院) from December 2008 to May 2014. Mr. Cheng served as the assistant president and the dean of Taikang Bybo Medical Group Co., Ltd (泰康拜博醫療集團有限公司) from July 2014 to November 2015.

Mr. CHENG has been a committee member of the Chinese Hospital Association Stomatological Hospitals Branch (中國醫院協會口腔醫院分會) and a committee member of the Stomatological Council of Beijing Medical Doctor Association (北京醫師協會口腔專科醫師分會) since December 2020. He received an attending doctor certificate in stomatology in October 1992 from Beijing Technology Officer Bureau (北京科技幹部局). Mr. Cheng received physician's practicing certificate from the Beijing Health Bureau in May 1999.

Mr. Cheng received his bachelor's degree in stomatology from the Peking University Health Science Center (北京大學醫學部) (formerly known as the Beijing Medical University (北京醫科大學)) in China in July 1987. He further received his executive master of business administration (EMBA) degree from the University of International Business and Economics (對外經濟貿易大學) in June 2011. Mr. Cheng attend the Progressive Orthodontic Seminar from May 1994 to Oct 1995.

Mr. HU Yunfan (胡雲帆), aged 44, was appointed as the deputy general manager of hospitals and clinics in October 2020. He is responsible for overseeing the daily operations and management of our dental hospitals and clinics. Mr. Hu joined our Group in April 2009.

Prior to joining our Group, Mr. Hu served as the director in charge of international liaison department of the National Olympic Committee Liaison Office of the Beijing Organizing Committee for the Games of the XXIX Olympic (北京第29屆奧林匹克運動會組織委員會) from June 2006 to April 2009. He was awarded the excellent staff of 2007 and 2008 by the Beijing Organizing Committee for the Games of the XXIX Olympic (北京第29屆奧林匹克運動會組織委員會).

Mr. Hu received his bachelor's degree in science from the University of Auckland in May 2004.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hu Xing (胡星), aged 38, was appointed as the deputy general manager of hospitals and clinics in December 2020. He is responsible for overseeing the operations and management of our dental hospitals and clinics in west China. Mr. Hu served as a deputy general manager at Chongqing Huaxi Dental Clinic Co., Ltd. (重慶市華西口腔門診有限公司, currently known as Chongqing Ruisheng) from April 2009 to December 2014 and Chongqing Jiuyue from December 2014 to January 2016. Upon completion of the acquisition of Chongqing Ruisheng and Chongqing Jiuyue in August 2015, Mr Hu joined our Group.

Prior to joining our Group, he served as an auditor in KPMG, London from 2006 to 2007. Mr. Hu served as an analyst of ECM and merger and acquisition department in ABN AMRO, Hong Kong from June 2007 to March 2009.

Mr. Hu received his bachelor's degree in mathematics and business management from the University of Warwick in July 2005. He further received his master's degree in finance from University of Cambridge in July 2006.

Save as may be disclosed in this section, none of our senior management members are related to our Directors or other members of our senior management, and none of the members of our senior management held any directorship in public companies, whose securities were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

Mr. WONG Keith Shing Cheung (“Mr. Wong”), has been appointed as our company secretary in June 2021. He has been a senior manager of SWCS Corporate Services Group (Hong Kong) Limited (“SWCS”) since March 2020, mainly responsible for managing the company secretarial and compliance work for companies listed on The Stock Exchange of Hong Kong Limited. Prior to joining SWCS, Mr. WONG worked at the international accounting firm KPMG, China Huajun Group Limited (formerly known as Huajun Holdings Limited, a company listed on the Stock Exchange, stock code: 0377), and the Listing Division of the Stock Exchange. Mr. Wong obtained a bachelor's degree in finance, accounting and management from University of Nottingham in July 2009. He is currently a member of the Hong Kong Institute of Certified Public Accountants.

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant to the laws and regulations of the PRC and corporate governance practice requirements under the Hong Kong Listing Rules, including the Audit Committee, Remuneration Committee and Nomination Committee.

DIRECTORS AND SENIOR MANAGEMENT

Audit committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Ms. LIU Xiaomei Michelle, Mr. SUN Jian and Mr. ZHANG Bang. Mr. ZHANG Bang, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises three independent non-executive Directors, namely Mr. SUN Jian, Ms. LIU Xiaomei Michelle and Mr. ZHANG Bang. Mr. SUN Jian is the chairman of the committee.

Nomination committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises three independent non-executive Directors, namely Mr. SUN Jian, Ms. LIU Xiaomei Michelle and Mr. ZHANG Bang. Mr. SUN Jian is the chairman of the committee.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For details on the service contracts and appointment letters signed between the Company and our directors, please refer to the section “Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors’ service contracts and appointment letters” in Appendix IV to this prospectus.

For the years ended March 31, 2019, 2020, 2021 and the six months ended September 30, 2021, the total amount paid by us for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to directors were approximately RMB5.6 million, RMB5.4 million, RMB5.1 million and RMB3.9 million, respectively. For remuneration details of all directors during the Track Record Period, please refer to Note 36 to the Accountant’s Report as set out in Appendix I to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to directors for the financial year ending March 31, 2022 is expected to be approximately RMB7.0 million.

The remuneration of directors has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

For the years ended March 31, 2019, 2020, 2021 and the six months ended September 30, 2021, the five highest remuneration individuals of our Company included 2, 1, 1 and 1 directors, respectively, their remunerations were included in the total amount paid by us for the emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) of the relevant directors. For the years ended March 31, 2019, 2020, 2021 and the six months ended September 30, 2021, the total amount of remuneration and benefits in kind (if applicable) paid by us to the five highest remuneration individuals were approximately RMB10.6 million, RMB10.9 million, RMB12.9 million and RMB7.0 million, respectively.

During the Track Record Period, no remuneration was paid by us nor receivable by directors or the five highest remuneration individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by directors, past directors or the five highest remuneration individuals as compensation for leaving positions relating to management affairs in any subsidiary of the Company.

During the Track Record Period, none of our directors have waived any remuneration. Save as disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the directors or the five highest remuneration individuals.

Save as disclosed above, no director is entitled to receive other special benefits from the Company.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance because these are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the Listing, except for the following:

Pursuant to code provision A.2.1 in the Corporate Governance Code as set out in Appendix 14 to the Listing rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

DIRECTORS AND SENIOR MANAGEMENT

Mr. ZOU Qifang is currently serving as the chairman of the Board as well as the chief executive officer of our Company. As Mr. ZOU is the founder of our Group and has been managing our Group's business and overall strategic planning since its establishment, our Directors consider that vesting the roles of chairman and chief executive officer in Mr. ZOU is beneficial to the business prospects and management of our Group by ensuring consistent leadership within our Group. Taking into account all the corporate governance measures that we are going to implement upon Listing, our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Accordingly, our Company had not segregated the roles of its chairman and chief executive officer. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at an appropriate time if necessary, taking into account the circumstances of our Group as a whole.

Saved as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, the Directors are not aware of any deviation from provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purpose of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this prospectus for further details.

BOARD DIVERSITY POLICY

We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in maintaining our competitive advantage. The nomination committee will review annually the structure, size and composition of our Board and where appropriate, make recommendations on changes to our Board to complement our corporate strategy.

In relation to reviewing and assessing our Board composition, our nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, length of service and industry and regional experience. Meanwhile, our Company will consider the above factors based on our business mode and our specific needs, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Our nomination committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. We aim to maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. In particular, we recognise that gender diversity at our Board level can be improved given two out of seven of our Directors are female upon the Listing. We will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole, and we have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to the Board and the management levels. After the Listing, we will strive to achieve gender balance of the Board through certain measures to be implemented by our nomination committee in accordance with our board diversity policy. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to achieve a target of 40% female representation in our Board, during the period of which we are listed on the Stock Exchange. To further ensure gender diversity of our Board in a long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be reviewed by our nomination committee quarterly in order to develop a pipeline of potential successors to our Board to promote gender diversity of our Board. We will also disclose in our annual corporate governance report a summary of the board diversity policy together with information regarding the implementation of the same.

COMPLIANCE ADVISER

We have appointed First Shanghai Capital Limited as our compliance adviser (the “**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Mr. Zou is the founder and largest shareholder of our Company. On June 25, 2021, the Board has approved to set up a platform in the BVI to hold incentive shares in a total amount of 4,798,904 Ordinary Shares, representing approximately 22.42% of the total issued share capital of the Company immediately prior to the Global Offering, for the participants under an RSU Scheme adopted by the Company on August 3, 2021. In order to maintain a stable ownership of the Company as well as the dynamics between our founder and the Pre-IPO Investors, the voting rights of the ESOP BVI is held by Mr. Zou by way of proxy. Taking into account the Shares held by the ESOP BVI, Mr. Zou is interested in approximately 34.29% of the total share capital of the Company, and therefore he is a controlling shareholder (as defined under the Listing Rules) as at the date of this prospectus. Following the completion of the Global Offering (assuming the Over-allotment Option is not exercised), Mr. Zou will be interested in an aggregate of approximately 31.55% of the total issued share capital of our Company, comprising: (i) Shares representing approximately 5.19%, 3.18% and 1.71% of the share capital of our Company held through Rise Day Holdings Limited, Mingda International Limited and Beier Holdings Limited, respectively, (ii) Shares representing approximately 0.85% of the share capital of our Company held by Mr. Zou directly, and (iii) the voting rights conferred upon Mr. Zou by ESOP BVI through proxy representing approximately 20.63% of the share capital of the Company. Therefore, Mr. Zou, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI will be treated as a group of Controlling Shareholders before the Global Offering, and Mr. Zou, Rise Day Holdings Limited, Mingda International Limited, Beier Holdings Limited and the ESOP BVI will, collectively, remain as our Controlling Shareholders after the completion of the Global Offering.

COMPETITION

As of the Latest Practicable Date, none of the Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from the Controlling Shareholders and their respective close associates after completion of the Global Offering:

Management Independence

The Board and our senior management team make our daily operational and management decisions in a collective manner. The Board comprises four executive Directors and three independent non-executive Directors.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Each of our Directors is aware of his or her fiduciary duties as a director of our Company that requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their managerial roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Listing.

Operational Independence

Our Group possesses all the relevant material licenses, qualifications, intellectual properties and permits required for conducting our Group's business. We have an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities. Our Group has sufficient capital, facilities and employees to operate our business independently from the Controlling Shareholders and their respective close associates. Our Group also has independent access to our customers and an independent management team to operate our business. We have also established a set of internal control procedures and adopted corporate governance practices to facilitate the effective operation of our business. For details, please refer to the sub-section "—Corporate Governance Measures" in this section.

Based on the above, our Directors believe that we are capable of carrying on our business independently of the Controlling Shareholders and their respective close associates. Our Directors confirmed that our Group will be able to operate independently from Mr. Zou and his close associates after the Listing.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Controlling Shareholders, as well as a sound and independent financial system, and makes independent financial decisions according to our business needs. Our Company maintains bank accounts independently and does not share any bank account with the Controlling Shareholders. Our Group makes tax registration and pays tax independently with our own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of the Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Pursuant to a loan agreement originally dated December 22, 2017 (as amended by an amendment agreement dated January 29, 2021) and entered into between the Company as lender and Beier Holdings Limited as borrower (the “**Borrower**”), the Company granted to the Borrower a US\$ term loan facility (“**Original Facility**”) in the aggregate principal amount of US\$12 million to finance Borrower’s the acquisition of 359,000 Class 1 Ordinary Shares (“**Management Shares**”). The Original Facility was drawn in full on December 29, 2017. The Original Facility was secured by a share mortgage over the Management Shares originally dated December 22, 2017 and supplemental share mortgage over the Management Shares dated January 29, 2017 (the “**Security for Original Facility**”).

On June 28, 2021, the Company and the Borrower executed a loan agreement to confirm the terms of an additional US\$ term loan facility (the “**Second Facility**”, together with the Original Facility, the “**Facilities**”) in the aggregate principal amount of US\$1,264,349, which was granted by the Company to the Borrower on December 29, 2017 to finance the Borrower’s purchase of the additional 37,827 Class 1 Ordinary Shares. Such Second Facility was utilized in full on December 29, 2017.

The interest rate applicable to both Facilities is 3%. The Borrower shall repay all the outstanding principal amount and all accrued interests under each Facility in full on the earlier of (i) the date falling on 12 months from the completion date of the initial public offering of the Company; and (ii) December 31, 2023. As of the Latest Practicable Date, the Facilities have been fully repaid by the Borrower.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates will be outstanding as of the Listing Date. Based on the aforesaid, our Directors believe that we have the ability to conduct our business independently from Mr. Zou and his close associates from a financial perspective and are able to maintain financial independence from Mr. Zou and his close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. The following corporate governance measures would be adopted to manage potential conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the relevant resolutions and shall not be counted in the quorum for the voting;
- (b) our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors, to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience. They are committed to providing impartial and professional advice to protect the interest of our minority Shareholders;

- (c) we have appointed First Shanghai Capital Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance;
- (d) our Directors will act honestly and in good faith in the interests of our Group as a whole and apply reasonable skill, care and diligence;
- (e) we will provide trainings for our Directors and our senior management members on a regular basis to ensure that they understand their obligations under the Listing Rules; and
- (f) pursuant to the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules, our Directors, including our independent non-executive Directors, will be entitled to seek independent professional advice from external parties in appropriate circumstances at the costs of our Company.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and the Controlling Shareholders to protect minority Shareholders' rights after the Listing.

CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain agreements and arrangements with certain individual and entities that will, upon the Listing, become our connected persons (as defined under Chapter 14A of the Listing Rules). Following the Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth the parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

Name of our connected persons	Connected Relationship
Mr. Zou	Mr. Zou Qifang is our executive Director, chairman and chief executive officer as well as a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Ms. Zou	Ms. Zou Lifang is the sister of Mr. Zou, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Hangzhou Jarvis (together with its subsidiaries including Hangzhou Shengchao Medical Technology Company Limited* (杭州盛朝醫療科技有限公司), “Hangzhou Jarvis Group”)	Hangzhou Jarvis Medical Technology Company Limited* (杭州佳沃思醫療科技有限公司) is owned as to approximately 65% by Ms. Zou Jin, the daughter of Mr. Zou, and is therefore an associate of Mr. Zou and a connected person of our Company under Rule 14A.07 of the Listing Rules.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending March 31,		
			2022 (RMB'000)	2023 (RMB'000)	2024 (RMB'000)
Partially exempt continuing connected transactions					
Medical Product Procurement Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	22,000	33,000	39,000
Non-exempt continuing connected transactions					
Contractual Arrangements	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from (i) announcement requirement, circular and independent shareholders' approval requirements; (ii) setting annual cap; and (iii) limiting the period of agreement to a fixed term	N/A	N/A	N/A

Partially Exempt Continuing Connected Transactions

Medical Product Procurement Framework Agreement

Principal terms

Our Company entered into a Medical Product Procurement Framework Agreement with Hangzhou Jarvis in December 2021, pursuant to which we agreed to procure medical products such as protective gown and teeth whitening gel from Hangzhou Jarvis Group.

The term of the Medical Product Procurement Framework Agreement is three years commencing from the Listing Date. We have the right to terminate the Medical Product Procurement Framework Agreement by serving a thirty (30) Business Days' prior written notice to Hangzhou Jarvis.

CONNECTED TRANSACTIONS

Historical amounts

For the three years ended March 31, 2019, 2020, 2021 and the six months ended September 30, 2021, the total amount of procurement made by our Group to Hangzhou Jarvis Group was approximately RMB0 million, RMB7.04 million, RMB16.03 million and RMB11.42 million, respectively.

Annual cap

For the three years ending March 31, 2022, 2023 and 2024, the total amount payable by our Group to Hangzhou Jarvis Group under the Medical Product Procurement Framework Agreement is not expected to exceed RMB22 million, RMB33 million and RMB39 million, respectively.

Basis of annual cap

The above proposed annual caps are set based on the following factors: (i) the historical transaction amount paid by our Group to Hangzhou Jarvis Group during the Track Record Period; (ii) the expected need of our Company for the relevant medical products at approximately 25% yearly increment, which is in line with the estimated growth rate of the business of the Group; and (iii) the expansion plan of our Group in the future.

Pricing policy

The procurement price is on normal commercial terms as determined based on arm's length negotiation between the parties with reference to the prevailing market price of similar medical products supplied by other independent suppliers in the market taking into account the quality of the products and its logistics capabilities. We will obtain quotation from not less than two independent suppliers that provide similar medical products through our customized e-platform for procurement before we place our orders to Hangzhou Jarvis Group. Based on the fee quotes provided by other independent suppliers and taking into account other factors such as unit price, type of products, scope of services and delivery arrangement, we will be able to ensure that the purchase price to be paid to Hangzhou Jarvis Group by our Group represents the prevailing market price and on normal commercial terms.

Reasons for and benefits of the transactions

Hangzhou Jarvis Group has good reputation in providing various medical products with good quality and logistics capabilities. The founding group of Hangzhou Jarvis Group has extensive experience in supply chain management. The clinics under our Group have been using the medical products provided by Hangzhou Jarvis Group given the convenience resulted from the good working relationship between the parties as well as their logistics capabilities throughout the PRC. The self-developed supply chain system of Hangzhou Jarvis Group, as upgraded from time to time and even customized for the Group, has been performing well and fits the commercial needs of the Group during previous business cooperation. It is crucial to

CONNECTED TRANSACTIONS

maintain a legal, stable and quality supply of medical products for our Group's existing and future operation. Hangzhou Jarvis Group is a reliable supplier and can efficiently fulfill our Group's requirements with stable and quality supply of medical products.

Listing Rules Implications

As the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Medical Product Procurement Framework Agreement will not exceed 5%, the transactions conducted under the Medical Product Procurement Framework Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

Non-Exempt Continuing Connected Transactions

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements", the business operations of the VIE Entities constitute a business restricted to foreign investment in the PRC. Therefore, we cannot directly acquire the entire equity interest in the VIE Entities. In light of such restriction and in order to exercise effective control over our VIE Entities, we have entered into the Contractual Arrangements with Shenzhen Ruijian and the Registered Shareholder (namely, Ms. Zou) and others on August 20, 2020, pursuant to which our Group receives substantially all of the economic benefits from our VIE Entities in consideration for the services provided by Beijing Ruier to the VIE Entities; (ii) exercise effective control over our VIE Entities through the Beijing Ruier; and (iii) hold an exclusive option to purchase all or part of the equity interests in Shenzhen Ruijian when and to the extent permitted by the PRC laws.

See the section headed "Contractual Arrangements" in this prospectus for details of the key terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders

CONNECTED TRANSACTIONS

as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

WAIVER APPLICATIONS

Medical Product Procurement Framework Agreement

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions under Medical Product Procurement Framework Agreement will constitute continuing connected transactions subject to reporting, annual review, announcement but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above partially exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirement would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirement in respect of the above partially exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the partially exempt continuing connected transactions. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this prospectus, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

The Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the

CONNECTED TRANSACTIONS

Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No Change without Independent Shareholders' Approval

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed.

The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (c) below) will however continue to be applicable.

(c) Economic Benefits Flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the VIE Entities through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the VIE Entities; (ii) the business structure under which the net profits generated by the VIE Entities (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to Beijing Ruier under the Exclusive Operation Services Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the VIE Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the VIE Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section

CONNECTED TRANSACTIONS

headed “Contractual Arrangements” in this prospectus. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing Reporting and Approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that:
 - (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
 - (ii) no dividends or other distributions have been made by the VIE Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
 - and (iii) any new contracts entered into, renewed or reproduced between our Group and the VIE Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the VIE Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person” the VIE Entities will be treated as the Company’s wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the VIE Entities and its associates will be treated as the Company’s “connected persons.” As such, transactions between these connected persons and our Group (including, for this purpose, the VIE Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

The VIE Entities further undertake that, for so long as the Shares are listed on the Stock Exchange, the VIE Entities will provide our Group's management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors' on the connected transactions.

CONFIRMATION FROM THE DIRECTORS

Our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions as set out above have been entered into in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for those transactions (as applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, our Directors are also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above partially exempt and non-exempt continuing connected transactions, (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group, our independent industry consultant, and our PRC Legal Advisers. Based on the above, the Joint Sponsors are of the view that the partially exempt and non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of our Company's business, on normal commercial terms, are fair and reasonable and in the interest of our Company and our Shareholders as a whole. Further, the Joint Sponsors are also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Subdivision and the Global Offering (assuming that the Over-allotment Option is not exercised), the following persons will have interests and/or short positions (as applicable) in the Shares or underlying Shares of our Company, which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Nature of interest	Shares held as at the date of this prospectus ⁽¹⁾		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾	
		Number ⁽²⁾	Approximate percentage	Number ⁽²⁾	Approximate percentage
Mr. ZOU Qifang	Beneficial owner	196,659 Class 2 Ordinary Shares	0.92%	4,916,475 Shares	0.85%
	Interest in controlled corporations ⁽³⁾	1,603,668 Class 1 Ordinary Shares	7.49%	58,591,700 Shares	10.07%
		740,000 Class 2 Ordinary Shares	3.46%		
	Interest of a party to an agreement ⁽⁴⁾	4,798,904 Ordinary Shares	22.42%	119,972,600 Shares	20.63%
Elbrus Investments Pte. Ltd.	Beneficial owner ⁽⁵⁾	2,329,507 Series E Preferred Shares	10.88%	58,237,675 Shares	10.01%
Total Success Investment Ltd.	Beneficial owner ⁽⁶⁾	2,209,156 Series C Preferred Shares	10.32%	55,228,900 Shares	9.50%
Broad Street Investments Holding (Singapore) Pte. Ltd.	Beneficial owner ⁽⁷⁾	831,020 Series D-1 Preferred Shares	3.88%	36,719,500 Shares	6.31%
		637,760 Series D-2 Preferred Shares	2.98%		
Stonebridge 2017 (Singapore) Pte. Ltd.	Beneficial owner ⁽⁷⁾	166,204 Series D-1 Preferred Shares	0.78%	7,343,900 Shares	1.26%
		127,552 Series D-2 Preferred Shares	0.60%		
KPCB China Fund, L.P.	Beneficial owner ⁽⁸⁾	465,254 Series B Preferred Shares	2.17%	31,406,450 Shares	5.40%
		791,004 Series C Preferred Shares	3.70%		
KPCB CHINA FOUNDERS FUND, L.P.	Beneficial owner ⁽⁸⁾	6,142 Series A-1 Preferred Shares	0.03%	2,075,950 Shares	0.36%
		47,356 Series B Preferred Shares	0.22%		

SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Shares held as at the date of this prospectus ⁽¹⁾		Shares held immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised) ⁽¹⁾	
		Number ⁽²⁾	Approximate percentage	Number ⁽²⁾	Approximate percentage
		29,540 Series C Preferred Shares	0.14%		
KPCB China Management Fund, L.P.	Beneficial owner ⁽⁸⁾	20,778 Series A-1 Preferred Shares	0.10%	519,450 Shares	0.09%
Qiming Venture Partners II, L.P.	Beneficial owner ⁽⁹⁾	859,107 Series A-1 Preferred Shares	4.01%	26,902,975 Shares	4.63%
		217,012 Series B Preferred Shares	1.02%		
Qiming Venture Partners II-C, L.P.	Beneficial owner ⁽⁹⁾	75,228 Series A-1 Preferred Shares	0.35%	2,355,750 Shares	0.41%
		19,002 Series B Preferred Shares	0.09%		
Qiming Managing Directors Fund II, L.P.	Beneficial owner ⁽⁹⁾	12,502 Series A-1 Preferred Shares	0.06%	391,500 Shares	0.07%
		3,158 Series B Preferred Shares	0.01%		
HH AGL Holdings Limited	Beneficial owner ⁽¹⁰⁾	498,612 Series D-1 Preferred Shares	2.33%	27,423,650 Shares	4.72%
		598,334 Series D-3 Preferred Shares	2.80%		

Notes:

- (1) The voting rights of ESOP BVI is held by Mr. Zou by way of proxy.
- (2) All the Class 1 and Class 2 Ordinary Shares and the Preferred Shares will be converted into Shares on a one to one basis by way of re-designation to Shares on the Listing Date. It is expected that the Share Subdivision will be conducted before the Listing pursuant to which one Share with par value US\$0.5 each in our issued and unissued share capital will be subdivided into 25 Shares with par value US\$0.02 each.
- (3) Each of Rise Day Holdings Limited, Mingda International Limited and Beier Holdings Limited is wholly owned by Mr. ZOU Qifang, among which, Mingda International Limited is in turn wholly owned by Rise Day Holdings Limited. Therefore, Mr. ZOU is deemed to be interested in the Shares held by each of them under the SFO.

On June 10, 2021, Mr. Zou transferred 1 share of Rise Day Holdings Limited, being the total share capital of it, to United Culture Assets Limited, which is a BVI company wholly owned by an independent trustee entrusted by Mr. Zou. A family trust was established over United Culture Assets Limited for the benefits of Mr. Zou and his family members accordingly, of which Mr. Zou acts as the protector and settlor.

- (4) On June 25, 2021, the Board has approved to set up a platform in the BVI to hold incentive shares in a total amount of 4,798,904 Ordinary Shares, representing approximately 22.42% of the total issued share capital of the Company immediately before the Global Offering, for the participants under an RSU Scheme adopted by the Company on August 3, 2021. The voting rights of the ESOP BVI is held by Mr. Zou by way of proxy.

SUBSTANTIAL SHAREHOLDERS

- (5) Elbrus Investments Pte. Ltd. is a company incorporated in Singapore, which is wholly owned by Temasek Life Sciences Private Limited, which is in turn wholly owned by Fullerton Management Pte Ltd, which is in turn wholly owned by Temasek Holdings (Private) Limited. Under the SFO, each of Temasek Life Sciences Private Limited, Fullerton Management Pte Ltd and Temasek Holdings (Private) Limited is deemed to be interested in the entire Preferred Shares held by Elbrus Investments Pte. Ltd.
- (6) Total Success Investment Ltd. is an investment holding company incorporated in the Cayman Islands and is wholly owned by 19 Growth Capital Fund LP, a limited partnership registered in the State of Delaware. Under the SFO, 19 Growth Capital Fund LP is deemed to be interested in the entire Preferred Shares held by Total Success Investment Ltd.
- (7) Broad Street Investments Holding (Singapore) Pte. Ltd. is a company incorporated under the laws of the Republic of Singapore and is wholly owned by BSPI Holdings, L.L.C.. Stonebridge 2017 (Singapore) Pte. Ltd. is a company incorporated under the laws of the Republic of Singapore. Stonebridge is held by multiple employee funds of The Goldman Sachs Group, Inc., among which, the general partner of the funds is a wholly-owned subsidiary of The Goldman Sachs Group, Inc.. Under the SFO, each of Broad Street Investments Holding (Singapore) Pte. Ltd., BSPI Holdings, L.L.C. (as the sole shareholder of Broad Street Investments Holding (Singapore) Pte. Ltd.), Broad Street Principal Investments, L.L.C. and BSPI Intermediate Holdings, L.L.C. (each as a 50% shareholder of BSPI Holdings, L.L.C.), Broad Street Principal Investments, L.L.C. (as the sole shareholder of BSPI Intermediate Holdings, L.L.C.), Broad Street Principal Investments Superholdco LLC (as the sole shareholder of Broad Street Principal Investments, L.L.C.) and The Goldman Sachs Group, Inc. (as the sole shareholder of Broad Street Principal Investments Superholdco LLC) is deemed to be interested in the entire Preferred Shares held by Broad Street Investments Holding (Singapore) Pte. Ltd..
- (8) KPCB China Fund, L.P. (“**KPCB CF**”) and KPCB China Founders Fund, L.P. (“**KPCB CFF**”) are exempted limited partnerships established under the laws of Cayman Islands and are venture capital funds. The general partner of KPCB CF and KPCB CFF is KPCB China Associates, Ltd., which is a Cayman Islands exempted company. The voting and investment power of shares held by KPCB CF and KPCB CFF is exercised by the board of KPCB China Associates, Ltd. (“**KPCB China**”), which consists of Tina Lin-chi Ju, Theodore Schlein, Brook Byers, L. John Doerr and Raymond Lane. KPCB China Management Fund, L.P. is an exempted limited partnership established under the laws of Cayman Islands in 2010 whose general partner is KPCB China Holdings, Ltd. Tina Lin-chi Ju is the sole director of KPCB China Holdings, Ltd. Under the SFO, KPCB China Associates, Ltd. is deemed to be interested in the entire Preferred Shares held by KPCB CF upon the Listing.
- (9) Each of Qiming Venture Partners II, L.P., Qiming Venture Partners II-C, L.P. and Qiming Managing Directors Fund II, L.P. (collectively the “**Qiming Funds**”) is registered as an exempted limited partnership in the Cayman Islands. Qiming GP II, L.P. is the general partner of both Qiming Venture Partners II, L.P. and Qiming Venture Partners II-C, L.P., whereas Qiming Corporate GP II, Ltd. is the general partner of both Qiming GP II, L.P. and Qiming Managing Directors Fund II, L.P. The voting and investment power of shares held by the Qiming Funds is exercised by Qiming Corporate GP II, Ltd.. Under the SFO, each of Qiming GP II, L.P., Qiming Corporate GP II, Ltd. and Qiming Corporate GP II, Ltd. is deemed to be interested in the entire Preferred Shares held by Qiming Venture Partners II, L.P. upon the Listing.
- (10) HH AGL Holdings Limited (“**HH AGL**”) is an exempted company with limited liability incorporated under the laws of Cayman Islands and is engaged in investment holding. HH AGL is wholly owned by Hillhouse Fund III, L.P. and ultimately managed and controlled by Hillhouse Capital Management, Ltd.. Under the SFO, each of Hillhouse Fund III, L.P. and Hillhouse Capital Management, Ltd. is deemed to be interested in the entire Preferred Shares held by HH AGL Holdings Limited.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the total number of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and, collectively the “**Cornerstone Investment Agreements**”) with the cornerstone investors set out below (each a “**Cornerstone Investor**”, and, collectively the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) that may be purchased for an aggregate amount of US\$65 million (or approximately HK\$507.86 million, calculated based on the conversion rate of US\$1.00 to HK\$7.8133 (the “**Cornerstone Placing**”). The aggregate amount of the investment contributed by the Cornerstone Investors does not include brokerage, SFC transaction levy, FRC transaction levy and Hong Kong Stock Exchange trading fee which the Cornerstone Investors will pay in respect of the International Offer Shares to be subscribed by them.

The total number of Offer Shares to be subscribed by the Cornerstone Investors at the Offer Price of HK\$14.62 would be 34,736,500 Offer Shares, representing approximately 74.66% of the Offer Shares pursuant to the Global Offering and approximately 5.97% of our total issued share capital immediately upon completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised).

OrbiMed Funds (as defined hereunder) are Pre-IPO Investors and existing Shareholders of our Company. We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rule 10.04 and Paragraph 5(2) of Appendix 6 to the Listing Rules in respect of the allocation of Offer Shares to OrbiMed Funds.

Our Company is of the view that, leveraging on the Cornerstone Investors’ investment experience, in particular in the healthcare sectors, the Cornerstone Placing will help raise the profile of our Company and to signify that such investors have confidence in our business and

CORNERSTONE INVESTORS

prospect. Other than the Cornerstone Investor which is our existing Shareholder as described above, our Company became acquainted with each of the Cornerstone Investors through introduction by the Joint Global Coordinators in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreements. The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company; and none of the Cornerstone Investors will become a Substantial Shareholder of our Company. The Cornerstone Investors do not have any preferential rights in the Cornerstone Investment Agreements compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

As confirmed by each of the Cornerstone Investors, there are no side agreements or arrangements between the Company, any member of the Group, or any of their respective affiliates, directors, officers, employees, agents or representatives in the Global Offering and the Cornerstone Investors, any of their affiliates, directors, officers, employees, agents or representatives, or any benefit, direct or indirect, conferred on the Cornerstone Investors, any of their affiliates, directors, officers, employees, agents or representatives by virtue of or in relation to the Cornerstone Placing other than a guaranteed allocation of the relevant Offer Shares at the Offer Price.

In addition to the closing conditions as set out in “—Closing Conditions” below, the obligation of OrbiMed Funds and Hudson Bay to subscribe for the Offer Shares under the relevant Cornerstone Investment Agreement is subject to the respective representations, warranties, undertakings, acknowledgements and confirmations of our Company under the relevant Cornerstone Investment Agreement being accurate and true as of the date of the relevant Cornerstone Investment Agreement and as of the date of closing in all material respects and not misleading and that there being no material breach of the Cornerstone Investment Agreement on the part of our Company. The representations and warranties of our Company contained in the relevant Cornerstone Investment Agreement include, among other things, (i) our Company has been duly incorporated and is validly existing under laws of the Cayman Islands, (ii) our Company has the full power and authority to enter into the relevant Cornerstone Investment Agreement, and (iii) the Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue. The Cornerstone Investors have agreed to pay for the relevant Offer Shares that they have subscribed before dealings in the Company’s Shares commence on the Stock Exchange. There will be no delayed delivery or delayed settlement of the Offer Shares to be subscribed by the Cornerstone Investors. To the best of the knowledge, information and belief of our Company, (i) each Cornerstone Investor’s subscription under the Cornerstone Placing will be financed by their internal or external financial resources (as confirmed by the Cornerstone Investor, in the event that external financial resources would be utilized in the subscription under Cornerstone Placing, no pledge of Offer Shares is required for obtaining such external financial resources); (ii) none of the subscription of the Offer Shares by the Cornerstone Investors is financed by

CORNERSTONE INVESTORS

our Company, our subsidiaries, the Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders (excluding OrbiMed Funds) or any of their respective close associates; and (iii) none of the Cornerstone Investors is accustomed to take instructions from our Company, our subsidiaries, the Directors, chief executive of our Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Offer Shares.

The total number of Offer Shares to be subscribed by the Cornerstone Investors pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure and Conditions of the Global Offering—The Hong Kong Public Offering—Reallocation and Clawback.”

To the best knowledge of our Company, save as disclosed above, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party, is not a connected person of our Company and each of the Cornerstone Investors and their respective ultimate beneficial owners, except for OrbiMed Funds, which are existing Shareholders of our Company, is not an existing Shareholder or its close associate (as defined in the Listing Rules). In addition, to the best knowledge of our Company, each of the Cornerstone Investors is independent from each other and makes independent investment decisions.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by our Cornerstone Investor in connection with the Cornerstone Placing.

Abax

Abax Asian Structured Private Credit Fund III, LP (“**Abax**”) is an exempted limited partnership registered in the Cayman Islands on March 16, 2018 and it is one of the funds managed by Abax Global Capital. The general partner of Abax is AASPCFIII GP, LP. Abax has a size of US\$134.7 million. Abax Global Capital is an alternative investment manager headquartered in Hong Kong. Founded in 2007, Abax Global Capital manages a number of funds that primarily invests in profitable and growing middle-market companies in China and Southeast Asia. The total amount of assets managed by Abax Global Capital is approximately US\$700 million. Shenzhen Boquan Enterprise Management Center (Limited Partnership) (深圳博泉企業管理中心(有限合伙)), being our Bondholder, is controlled by Abax. For details of the Bond Investor, please refer to “History, Reorganization and Corporate Structure—Pre-IPO Investments—Pre-IPO Bond Financing.”

CORNERSTONE INVESTORS

Harvest

Harvest International Premium Value (Secondary Market) Fund SPC on behalf of Harvest Great Bay Investment SP is a fund established in February 2022. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited (“**HGI**”) and 9% of the management shares are held by Harvest Global Capital Investments Limited (“**HGCI**”), HGI and HGCI are the general partner of Harvest International Premium Value (Secondary Market) Fund SPC. Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd (“**HFM**”). HFM is one of the first ten public fund management companies approved to be established within China. HGCI is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The participating shareholder of Harvest Great Bay Investment SP is Navigator Technology Limited (“**NTL**”), and the ultimate beneficial owner of NTL is Zheng Fuhua, an Independent Third Party.

Hudson Bay

Hudson Bay Master Fund Ltd. (“**Hudson Bay**”) is a Cayman Islands Limited Company incorporated on June 27, 2007 and is managed by Hudson Bay Capital Management LP (“**HBC**”), a multi-billion-dollar asset management firm operating in New York and London. The only shareholders of Hudson Bay are Hudson Bay Fund LP and Hudson Bay Intermediate Fund Ltd. Hudson Bay Intermediate Fund LP is wholly owned by Hudson Bay International Fund Ltd. and Hudson Bay International Levered Fund Ltd. There is no single investor owns more than 20% interest in any of Hudson Bay Fund LP, Hudson Bay International Levered Fund Ltd. and Hudson Bay International Fund Ltd. The only entity that indirectly owns 30% or more of Hudson Bay is Hudson Bay International Fund Ltd. With over 100 employees, HBC has been managing assets on behalf of outside investors since 2006. The firm invests across multiple strategies by utilizing rigorous fundamental analysis and seeks to identify value and growth opportunities that are uncorrelated to each other and market indices. HBC promotes an integrated team culture emphasizing collaboration and cross-pollination of ideas across sectors and strategies. HBC’s dedicated investment team seeks to achieve outstanding performance by investing in companies that are poised for growth or are undervalued while maintaining a focus on risk management. The assets under management of Hudson Bay is over US\$13 billion.

OrbiMed Funds

OrbiMed Genesis Master Fund, L.P. (“**Genesis**”) is an exempted limited partnership established under the laws of the Cayman Islands on November 5, 2019. It is a pooled-investment fund with OrbiMed Advisors LLC acting as the Investment Manager. Securities are held of record by Genesis. OrbiMed Genesis GP LLC is the general partner of Genesis. OrbiMed Advisors LLC is the managing member of OrbiMed Genesis GP LLC. OrbiMed Advisors LLC exercises investment and voting power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and W. Carter Neild.

CORNERSTONE INVESTORS

Worldwide Healthcare Trust PLC (“**WWH**”) is a publicly listed trust organized under the laws of England. OrbiMed Capital LLC is the portfolio manager of WWH. OrbiMed Capital LLC exercises voting and investment power through a management committee comprised of Carl L. Gordon, Sven H. Borho, and W. Carter Neild.

As of January 31, 2022, the assets under management of each of Genesis and WWH are approximately US\$313 million and US\$2.9 billion, respectively.

Top Vast (Hong Kong) Limited (“**TVHKL**”)

Top Vast (Hong Kong) Limited (“**TVHKL**”) is an indirect wholly owned subsidiary of Modern Dental. Modern Dental Group Limited (“**Modern Dental**”) is incorporated as an exempted limited liability company under the laws of Cayman Islands in 2012. Modern Dental is a current supplier of the Company and a leading global dental prosthetic device provider. Modern Dental is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 3600.HK). Modern Dental has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from the Stock Exchange or its shareholders is required for the relevant cornerstone investment.

The table below sets forth the details of the Cornerstone Placing:

Based on the Offer Price of HK\$14.62

Cornerstone Investor	Total Investment Amount	Number of Offer Shares to be acquired ⁽¹⁾	Assuming the Over-allotment Option is not exercised			Assuming the Over-allotment Option is fully exercised		
			Approximate % of the Offer Shares	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering	Approximate % of the International Offer Shares	Approximate % of Shares in issue immediately upon completion of the Share Subdivision and the Global Offering	
	<i>(US\$ in million)</i>							
Abax	25	13,360,500	28.72%	31.91%	2.30%	24.97%	27.35%	2.27%
Harvest	20	10,688,000	22.97%	25.52%	1.84%	19.98%	21.88%	1.82%
Hudson Bay	10	5,344,000	11.49%	12.76%	0.92%	9.99%	10.94%	0.91%
OrbiMed Funds	5	2,672,000	5.74%	6.38%	0.46%	4.99%	5.47%	0.45%
TVHKL	5	2,672,000	5.74%	6.38%	0.46%	4.99%	5.47%	0.45%

Note:

(1) Subject to rounding down to the nearest whole board lot of 500 Shares.

CORNERSTONE INVESTORS

CLOSING CONDITIONS

The obligation of each Cornerstone Investor to acquire the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iii) no laws shall have been enacted or promulgated which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there being no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (iv) the representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investors under the Cornerstone Investment Agreement are accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the relevant Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that without the prior written consent of our Company, the Joint Sponsors and the Joint Global Coordinators, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (including the date falling six months after the Listing Date) (the “**Lock-up Period**”), directly or indirectly dispose of, in any way, any of the Offer Shares it has purchased, pursuant to the respective Cornerstone Investors Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised). All Preferred Shares in the Company held by the Pre-IPO Investors and the Class 1 and Class 2 Ordinary Shares will be converted into Shares on a one to one basis by way of re-designation to Shares on the Listing Date.

	<u>Nominal Value</u> (US\$)
Authorized share capital:	
<i>As of the Latest Practicable Date:</i>	
7,887,914 Class 1 Ordinary Shares with par value of US\$0.50 each	3,943,957.00
25,709,187 Class 2 Ordinary Shares with par value of US\$0.50 each	12,854,593.50
1,381,895 Series A-1 Preferred Shares with par value of US\$0.50 each	690,947.50
853,321 Series A-2 Preferred Shares with par value of US\$0.50 each	426,660.50
1,975,245 Series B Preferred Shares with par value of US\$0.50 each	987,622.50
4,323,633 Series C Preferred Shares with par value of US\$0.50 each	2,161,816.50
1,495,836 Series D-1 Preferred Shares with par value of US\$0.50 each	747,918.00
765,312 Series D-2 Preferred Shares with par value of US\$0.50 each	382,656.00
1,256,501 Series D-3 Preferred Shares with par value of US\$0.50 each	628,250.50
4,351,156 Series E Preferred Shares with par value of US\$0.50 each	2,175,578.00
 <i>Upon the completion of the Share Subdivision:</i>	
197,197,850 Class 1 Ordinary Shares with par value of US\$0.02 each	3,943,957.00
642,729,675 Class 2 Ordinary Shares with par value of US\$0.02 each	12,854,593.50
34,547,375 Series A-1 Preferred Shares with par value of US\$0.02 each	690,947.50
21,333,025 Series A-2 Preferred Shares with par value of US\$0.02 each	426,660.50
49,381,125 Series B Preferred Shares with par value of US\$0.02 each	987,622.50
108,090,825 Series C Preferred Shares with par value of US\$0.02 each	2,161,816.50
37,395,900 Series D-1 Preferred Shares with par value of US\$0.02 each	747,918.00
19,132,800 Series D-2 Preferred Shares with par value of US\$0.02 each	382,656.00
31,412,525 Series D-3 Preferred Shares with par value of US\$0.02 each	628,250.50
108,778,900 Series E Preferred Shares with par value of US\$0.02 each	2,175,578.00
 Shares in issue as at the date of this prospectus:	
6,402,572 ⁽¹⁾ Class 1 Ordinary Shares with par value of US\$0.50 each	3,201,286.00
1,189,183 Class 2 Ordinary Shares with par value of US\$0.50 each	594,591.50
973,757 Series A-1 Preferred Shares with par value of US\$0.50 each	486,878.50
713,389 Series A-2 Preferred Shares with par value of US\$0.50 each	356,694.50
751,782 Series B Preferred Shares with par value of US\$0.50 each	375,891.00
3,503,090 Series C Preferred Shares with par value of US\$0.50 each	1,751,545.00
1,495,836 Series D-1 Preferred Shares with par value of US\$0.50 each	747,918.00
765,312 Series D-2 Preferred Shares with par value of US\$0.50 each	382,656.00
1,256,501 Series D-3 Preferred Shares with par value of US\$0.50 each	628,250.50
4,351,156 Series E Preferred Shares with par value of US\$0.50 each	2,175,578.00

SHARE CAPITAL

	<u>Nominal Value</u>
	(US\$)
Shares in issue upon the completion of the Share Subdivision:	
160,064,300 ⁽¹⁾ Class 1 Ordinary Shares with par value of US\$0.02 each	3,201,286.00
29,729,575 Class 2 Ordinary Shares with par value of US\$0.02 each	594,591.50
24,343,925 A-1 Preferred Shares with par value of US\$0.02 each	486,878.50
17,834,725 Series A-2 Preferred Shares with par value of US\$0.02 each	356,694.50
18,794,550 Series B Preferred Shares with par value of US\$0.02 each	375,891.00
87,577,250 Series C Preferred Shares with par value of US\$0.02 each	1,751,545.00
37,395,900 Series D-1 Preferred Shares with par value of US\$0.02 each	747,918.00
19,132,800 Series D-2 Preferred Shares with par value of US\$0.02 each	382,656.00
31,412,525 Series D-3 Preferred Shares with par value of US\$0.02 each	628,250.50
108,778,900 Series E Preferred Shares with par value of US\$0.02 each	2,175,578.00
Shares to be issued pursuant to the Global Offering:	
46,527,500 Shares of US\$0.02 each	930,550.00
Shares in issue immediately following the Share Subdivision and the Global Offering:	
581,591,950 Shares of US\$0.02 each	11,631,839.00

Note:

- (1) The ESOP BVI was established on July 21, 2021 as a platform to hold the underlying incentive shares in a total amount of 4,798,904 Class 1 Ordinary Shares. Such incentive Shares are to be issued and granted to eligible participants under the RSU Scheme, subject to relevant approval from the Board and/or Shareholders.

ASSUMPTIONS

The above table assumes that (i) the Global Offering becomes unconditional and (ii) Shares are issued pursuant to the Global Offering, Preferred Shares held by the Pre-IPO Investors and Class 1 and Class 2 Ordinary Shares are converted into Shares on a one to one basis by way of re-designation to Shares on the Listing Date. It takes no account of any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as referred to below or any additional Shares which may be issued pursuant to the Over-allotment Option.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

SHARE CAPITAL

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this prospectus, and will qualify and rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares, namely Ordinary Shares, and each ranks *pari passu* with the other Shares upon completion of the Share Subdivision and the Global Offering.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its shareholders passing a special resolution.

See the section headed “Appendix III—Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands—Articles of Association—Shares—Alteration of capital” to this prospectus for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total number of not more than the sum of:

- 20% of the total number of the Shares in issue immediately following completion of the Share Subdivision and the Global Offering (excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, if any); and
- the total number of Shares repurchased by us under the authority referred to in the paragraph headed “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

SHARE CAPITAL

- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—4. Written Resolutions of the Shareholders of Our Company dated December 1, 2021” in Appendix IV to this prospectus for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of our Shares in issue immediately following the completion of the Share Subdivision and the Global Offering (excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option, if any).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—5. Repurchase of Our Own Securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or
- the expiration of the period within which our Company’s next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed “Statutory and General Information—A. Further Information about Our Company and Our Subsidiaries—5. Repurchase of Our Own Securities” in Appendix IV to this prospectus for further details of the repurchase mandate.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under the section headed "Risk Factors" and elsewhere in this prospectus.

Our financial year ends on March 31 and for the purpose of this section, unless the context otherwise requires, references to fiscal 2019, fiscal 2020 and fiscal 2021 refer to our financial years ended March 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We were the largest dental services provider in the premium private dental service market in China in terms of total revenues in 2020, according to Frost & Sullivan, and also the third largest dental services provider in the overall private dental services market in China in terms of revenues during the same period. Founded in 1999, we have served patients in approximately 7.4 million visits in the past ten years, and have been instrumental in raising public awareness and driving consumer recognition of the importance of dental care and good oral hygiene in China. We have become a leading dental services group and have established a nationwide footprint in China, operating both Arrail Dental, a leading premium dental services brand, and Rytme Dental, a middle-end dental services brand. According to Frost & Sullivan, premium dental services generally refer to comprehensive and highly customized dental services targeting the upper market with listed prices at least 25% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals, while middle-end dental services generally refer to comprehensive dental services tailored to the middle and upper markets with listed prices approximately 10% higher than the standard listed prices of the same types of dental services provided by Class III Grade A hospitals.

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Our revenues continued to grow during the Track Record Period. Our revenues were RMB1,080.3 million in fiscal 2019, RMB1,099.9 million in fiscal 2020, and grew significantly to RMB1,515.1 million in fiscal 2021. Our revenues increased from RMB720.3 million for the six months ended September 30, 2020 to RMB841.3 million for the six months ended September 30, 2021. We had net losses of RMB304.2 million, RMB325.8 million, RMB597.8 million in fiscal 2019, 2020 and 2021, respectively. We had a net loss of RMB464.2 million in the six months ended September 30, 2021, compared to a net loss of RMB187.9 million in the same period in 2020, primarily due to the impact of the losses from changes in fair value of our convertible redeemable preferred shares, bond, and warrants and certain one-off expenses we incurred during such periods.

BASIS OF PRESENTATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), interpretations issued by International Accounting Standards Board (“**IASB**”).

The historical financial information has been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of the historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information, are disclosed in Note 4 to the Accountant’s Report included in Appendix I to this prospectus. Regarding the changes in accounting policies and disclosures, see Note 2 to the Accountant’s Report in Appendix I to this prospectus.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and are expected to continue to be, affected by a number of factors, including those set out below and in the section headed “Risk Factors” in this prospectus.

General Factors

Our business and results of operations are affected by general factors influencing the dental services market in China, including China’s continuous economic growth, the increased per capita disposable income and the growth in per capita consumption expenditure on healthcare services. In addition, our business is affected by factors driving the premium private dental services market in China, such as China’s expanding middle and upper market consumers, consumption upgrade and rising awareness of dental care. Unfavorable changes in any of these general factors could materially and adversely affect our results of operations and financial condition.

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Specific factors

Our results of operations are also affected by certain company-specific factors, including the following major factors:

Expansion of our dental services network

Expansion of our dental services network has a significant effect on our results of operations and financial condition. Through decades of commitment and endeavors in the dental healthcare industry, we have earned the trust of our patients, and successfully established an extensive presence in China, and are continuing to expand our footprint nationwide. As of September 30, 2021, we operated 111 hospitals and clinics, including four clinics in Changsha operated under exclusive consultation and service agreements, providing mid- to high-end dental care services in 15 predominantly Tier-1 and Tier-2 cities across China, with 882 experienced dentists and nearly 7.4 million patient visits over the past decade.

Our ability to rapidly expand into new markets, acquire new patients efficiently and achieve profitability is critical to the growth of our business. We have a proven track record of successfully expanding our geographic footprint in both Tier-1 and Tier-2 cities to achieve rapid and sustainable growth through both organic growth and strategic acquisitions. For example, we opened our first dental hospital in Chengdu in 2014, and have since added five additional clinics through December 31, 2020. Our Chengdu revenues have grown at a CAGR of 100% from fiscal 2015 to 2021, and the number of dental chairs in Chengdu has grown from 19 to 81 during the same period. In addition, since we entered the Chongqing market in 2015 through the acquisition of ten clinics and subsequently opened one hospital and six clinics thereafter, we have achieved significant revenue growth, evidenced by revenue CAGR of 35% from fiscal 2016 to 2021, and the number of dental chairs in Chongqing within our network has grown from 80 to 217 during the same period. It typically takes us only three months to fully integrate newly acquired clinics. Post integration, acquired clinics typically witness improved business performance and operating efficiency, increased number of competent dentists and patient flows, and enhanced capability to provide quality dental services on a larger scale.

Expansion of our dental services network could create additional network effect and synergy within our Group, which could in turn attract new customers, increase our revenue base and enhance our operating efficiency. However, expansion of our dental services network, either through acquiring existing dental clinics or establishing new dental hospitals and clinics, involves significant investment. In addition, a newly established dental institution typically has a ramping up period before it becomes profitable. Therefore, expansion of our dental network could have a short-term negative impact on our liquidity. Our profitability is also subject to various factors, including whether we can integrate the acquired dental clinics into our existing operation system efficiently and successfully, and other factors that are not within our control.

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Ability to maintain our stellar reputation and increase brand awareness in the dental services market in China

We consider that our success depends to a significant extent on the recognition of our brand as a leading private dental services provider in China. Maintaining our stellar reputation and promoting our brand awareness is crucial for us to increase our customer base and number of visits which may materially affect our revenues.

Our reputation is mainly built on the satisfaction of our patients, which is substantially determined by the quality of our service and our accessibility. With our seasoned team of dentists and nationwide footprint, we strive to provide quality dental services with proximity to access to retain existing customers and attract new customers, which in turn brings us positive results of operations. During the Track Record Period, our dental hospitals and clinics both attracted new patients and repeated patients with our stellar reputation and quality dental services. We have built a highly loyal and growing patient base, evidenced by our repeat visit rates, defined as the percentage of patients that revisited our clinics or hospitals beyond six months after their initial visits and exclude follow-up consultations of the same treatment. Our repeat visit rates were 42.1%, 41.4%, 45.8% and 47.6% in fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. Any incident adversely affecting our reputation may adversely affect the demand of our services and our results of operations.

Ability to attract and retain dentists

We rely on our dentists to provide quality dental services and bring superior patient experience to each of our patients. Our business may be adversely affected if we are not able to retain our highly experienced and qualified dentists to support our expanding dental network.

We understand the importance of talent acquisition and development in our industry, and have developed a robust system focused on recruiting, training, career progression and value sharing for our dentists. As we recruit new dentists on a continuous basis, the recruitment of qualified candidates can be highly competitive. We compete with both public and private dental services providers, and the supply of qualified and seasoned dentists is limited. If we are not able to recruit suitable candidates as we continue to expand our dental network, our business and results of operations may be adversely affected. See “Risk Factors—Risks Relating to Our Business and Industry—We are dependent on our dentists. Our financial results may be affected if we are not able to retain our existing dentists or attract suitable professionals to join us.”

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Ability to manage our costs and expenses

Our results of operations and financial conditions depend on our ability to manage our costs and expenses. Our cost of revenues consists primarily of employee benefits expenses, depreciation and amortization, and raw materials and consumables used. During the Track Record Period, our cost of revenues was mainly affected by the changes in our employee benefits expenses, primarily consisting of wages, salaries and bonuses for our dentists and other staff. For example, our cost of revenues increased by 7.9% from RMB916.5 million in fiscal 2019 to RMB988.5 million in fiscal 2020 and further by 16.4% to RMB1,150.7 million in fiscal 2021. The increases were primarily due to the increases in the employee benefits expenses by 8.3% from RMB463.3 million in fiscal 2019 to RMB501.6 million in fiscal 2020 and further by 16.7% to RMB585.4 million in fiscal 2021. Our cost of revenues increased by 21.7% from RMB537.5 million for the six months ended September 30, 2020 to RMB653.9 million for the same period in September 30, 2021, primarily due to the increases in the employee benefits expenses by 33.6% from RMB264.1 million for the six months ended September 30, 2020 to RMB352.8 million for the same period in 2021. Our employee benefits expenses accounted for 50.5%, 50.7%, 50.9% and 54.0% of our cost of revenues in fiscal 2019, 2020, 2021 and the six months ended September 30, 2021, respectively. As we currently offer and plan to continue to offer competitive compensation to retain and attract qualified and experienced dentists, our results of operations and financial conditions are significantly affected by our ability to manage our costs and expenses relating to dentists.

Meanwhile, as we believe the average salary we offer to our dentists is now competitive in the market, we do not expect such average salary level to increase significantly in the near future absent any significant change in market conditions.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in employee benefits expenses (included in cost of revenues) on our gross profit for the periods indicated:

For the Year ended March 31,						For the Six months ended September 30,				
2019		2020		2021		2020		2021		
Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	
(RMB in thousands, except for percentages)										
+15%	(69,494)	-42%	(75,239)	-68%	(87,805)	-24%	(39,611)	-22%	(52,925)	-28%
+10%	(46,329)	-28%	(50,159)	-45%	(58,536)	-16%	(26,407)	-14%	(35,283)	-19%
+5%	(23,165)	-14%	(25,080)	-23%	(29,268)	-8%	(13,204)	-7%	(17,642)	-9%
-5%	23,165	14%	25,080	23%	29,268	8%	13,204	7%	17,642	9%
-10%	46,329	28%	50,159	45%	58,536	16%	26,407	14%	35,283	19%
-15%	69,494	42%	75,239	68%	87,805	24%	39,611	22%	52,925	28%

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Meanwhile, raw materials and consumables used constituted a major component of our cost of revenues. The increases in our raw materials and consumable used during the Track Record Period were in line with our business growth. Raw materials and consumables used was RMB166.8 million, RMB181.4 million, RMB232.3 million, and RMB127.6 million, representing 18.2%, 18.3%, 20.2% and 19.5%, of our cost of revenues in fiscal 2019, 2020, 2021 and the six months ended September 30, 2021, respectively.

The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in raw materials and consumables used on our gross profit for the periods indicated:

For the Year ended March 31,						For the Six months ended September 30,				
2019		2020		2021		2020		2021		
Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	
(RMB in thousands, except for percentages)										
+15%	(25,021)	-15%	(27,213)	-24%	(34,852)	-10%	(16,431)	-9%	(19,147)	-10%
+10%	(16,681)	-10%	(18,142)	-16%	(23,234)	-6%	(10,954)	-6%	(12,765)	-7%
+5%	(8,340)	-5%	(9,071)	-8%	(11,617)	-3%	(5,477)	-3%	(6,382)	-3%
-5%	8,340	5%	9,071	8%	11,617	3%	5,477	3%	6,382	3%
-10%	16,681	10%	18,142	16%	23,234	6%	10,954	6%	12,765	7%
-15%	25,021	15%	27,213	24%	34,852	10%	16,431	9%	19,147	10%

Furthermore, our profitability is dependent on our ability to manage our operating expenses. Our operating expenses primarily consist of (i) selling and distribution expenses, (ii) administrative expenses, and (iii) research and development expenses. We will continue to invest in marketing activities to promote our brand and our services, and increase spending on research and development. We expect our administrative expenses to increase in absolute amount due to our continuous business expansion and increase in employee headcounts. Overall, we expect that our operating expenses will increase in absolute amount in the near future as our business grows and as we make necessary adjustments to operate as a public company, but to decrease as a percentage of our revenues as we improve operating efficiencies and leverage our business scale.

Seasonality

Our business is subject to minor seasonal fluctuations, normally with relatively weaker performance during long public holidays such as Chinese new year, primarily due to the fact that our dental hospitals and clinics typically have fewer patient visits shortly before and after long public holidays, in line with the dental services market in the PRC.

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In addition, there are other factors affecting our financial condition and results of operation. Therefore our past performance is not necessarily indicative of future results. See “Risk Factors—Risks Relating to Our Business and Industry—Our historical business growth, revenues and profitability may not be indicative of future performance.”

IMPACT OF COVID-19 PANDEMIC ON OUR BUSINESS AND FINANCIAL PERFORMANCE

Since December 2019, a novel strain of COVID-19, has severely impacted China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020, including us. The Chinese government’s efforts to contain the spread of COVID-19, including city lockdowns or “stay-at-home” orders, suspension of non-emergency dental care services and temporary closures of dental hospitals and clinics, restrictions on travel and other emergency quarantines, have caused significant and unprecedented disruptions to the general economy and normal business operations across sectors. As a result, China’s overall dental services market had been negatively impacted. Although many of the quarantine measures within China have been relaxed and our businesses have resumed growth since the second quarter of 2020, restrictions were re-imposed in certain cities during the second half of 2020 from time to time.

Specifically, the COVID-19 pandemic adversely affected our operating and financial performance in fiscal 2020, in particular, during the fourth quarter of fiscal 2020. In response to mandated shutdowns and limited operation orders instituted across China from February to April 2020, the peak of the COVID-19 outbreak in China, we temporarily closed all of our hospitals and clinics in February 2020, partially resuming operations in March 2020 and fully resuming operations in May 2020. As a result, we experienced an immediate and drastic reduction in revenue levels and patient visits, particularly from February 2020 to April 2020, compared to the same periods in 2019. In February 2020, we had patient visits of 600, compared to 67,707 in February 2019. In March 2020, we had patient visits of 21,043, compared to 111,038 in March 2019. In April 2020, we had patient visits of 68,130, compared to 98,446 in April 2019. In May 2020, we had patient visits of 98,448, compared to 102,323 in May 2019. Our revenues decreased by 56.9% from RMB270.7 million in the three months from February 2019 to April 2019, to RMB116.6 million in the same period in 2020. Our revenues increased by 16.5% from RMB104.1 million in May 2019 to RMB121.3 million in May 2020, mainly because we had more complex dental treatments and fewer general dentistry treatments such as tooth cleaning during the the latter period amid COVID-19, driving up revenues per patient visit.

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COVID-19 had also adversely impacted our gross profit margin. Our gross profit margin decreased from 15.2% in fiscal 2019 to 10.1% in fiscal 2020, primarily due to the combination of: (i) the substantial slowdown in revenue growth due to the effects of the COVID-19 pandemic, with revenues only increasing slightly by 1.8% from RMB1,080.3 million in fiscal 2019 to RMB1,099.9 million in fiscal 2020, and (ii) cost of sales increasing by 7.9% from RMB916.5 million in fiscal 2019 to RMB988.5 million in fiscal 2020 despite the COVID-19 pandemic, as we still had to pay fixed costs such as rent and employee salaries for our hospitals and clinics in spite of temporary closures in February through April 2020.

We have experienced steady recovery in our operating performance since April 2020, as the social and market conditions in China started to improve since late March 2020 when the COVID-19 outbreak was substantially under control. As a result, our revenues increased by 37.7% from RMB1,099.9 million in fiscal 2020 to RMB1,515.1 million in fiscal 2021; cost of revenues increased at a normal pace by 16.4% from RMB988.5 million in fiscal 2020 to RMB1,150.7 million in fiscal 2021. Accordingly, our gross profit margin increased from 10.1% in fiscal 2020 to 24.1% in fiscal 2021. Our revenues increased by 16.8% from RMB720.3 million for the six months ended September 30, 2020 to RMB841.3 million for the same period in 2021; cost of revenues increased by 21.7% from RMB537.5 million for the six months ended September 30, 2020 to RMB653.9 million for the same period in 2021, in line with the revenue growth. As a result, our gross profit margin for the six months ended September 30, 2021 was 22.3%, compared to 25.4% for the six months ended September 30, 2020.

Recent Resurgence of Regional COVID-19 Outbreaks

Since late May 2021, new regional COVID-19 outbreaks have hit certain areas in China, including Guangzhou, Nanjing, and Heilongjiang and Fujian province, which subsequently spread to several other cities. To contain the spread of COVID-19, local governments imposed various restrictions on business and social activities, including travel restrictions and mandate of temporary shutdown of business operations across certain regions. As a result, we had a slowdown in patient visit growth and revenue growth in the affected areas from June to November 2021, compared to the same periods in 2020. Specifically, due to the outbreak of COVID-19 in Guangdong province in late May, we experienced an immediate reduction in patient visits in our Southern China market. In June 2021, we had patient visits of 6,241 in the Southern China market, down 22.5% compared to 8,055 in June 2020, while each of the other regional markets less affected by COVID-19 had a year-on-year growth of patient visits of over 25%. In July 2021, we had patient visits of 10,000 in such market, up 5.3% from 9,493 in July 2020, while each of the other regional markets less affected by COVID-19 had a year-on-year growth of patient visits of over 20%. In August 2021, due to the regional resurgence of COVID-19, we had (i) patient visits of 10,123 in the Southern China market, up 4.0% from 9,734 in August 2020, (ii) patient visits of 29,913 in the Eastern China market, up 5.3% from 28,412 in August 2020, and (iii) patient visits of 51,164 in the Northern China market, up 11.2% from 45,999 in August 2020, while the year-on-year growth of patient visits was 18.9% in the Western China market where COVID-19 had relatively small impact.

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The COVID-19 pandemic continued into September, affecting the overall dental services industry. According to Frost & Sullivan, business operations of dental service providers were disrupted by a series of preventive and control measures implemented by the Chinese government to contain COVID-19, and dental clinics in major cities suffered disruption to business operations to varying degrees due to more stringent restrictions. For example, the municipal government of Beijing has temporarily suspended “multi-site practices” for medical practitioners. Namely, local medical practitioners are temporarily prohibited from practicing across multiple sites, which could lead to a shortage of practitioners for the normal operations of dental services in Beijing. In addition, the local governments mandated temporary closures of certain of our hospitals and clinics. Consequently, four of our clinics in Xi’an experienced temporary closure in late October and early November, and 11 of our clinics in Chengdu and Chongqing since early November, which has adversely affected our business performance in the regional markets. As a result, we expect that we will have a decrease in adjusted net profit (non-IFRS measure) for fiscal 2022.

In September 2021, patient visits in the Northern China market and the Southern China market were 43,913 and 7,477, down 2.5% and 9.8% from September 2020 respectively, while the year-on-year growth of patient visits in the Eastern and Western China markets was 7.5% and 19.4%, respectively, where COVID-19 had relatively small impact. In October 2021, patient visits in the Northern China market and Southern China market were up 7.7% and 5.8% from October 2020, while the year-on-year growth of patient visits in the Eastern and Western China markets was 11.7% and 26.6%, respectively, where COVID-19 had relatively small impact.

More recently, there have been regional outbreaks of COVID-19 variants including the highly transmissible Delta and Omicron. In response, local governments in the affected areas imposed various restrictions on business and social activities, including city lockdowns, suspension of non-emergency dental care services, restrictions on travel and other emergency quarantines. Due to the lockdown in the city of Xi’an, all of our dental hospitals and clinics in the city had been closed temporarily since late December 2021, and were reopened around early February 2022. Our dental clinic in Tianjin experienced temporary closure for less than a week in January 2022 and has resumed operations. Our dental hospitals and clinics outside of Xi’an have been operating as usual, although patients are required to provide proof of negative result of COVID-19 nucleic acid test within 48 hours when they visit our hospitals and clinics under local regulations. These factors led to a slowdown in our patient visit growth and revenue growth during the same period.

Having considered that (i) the governmental authorities have put into significant resources and efforts to contain the regional COVID-19 outbreaks, and (ii) we do not plan to, nor are we aware of any government policy to, permanently shut down any of our existing hospitals or clinics in the affected areas, the Directors believe that despite that we may continue to experience slowdown in patient visit growth and revenue growth in the short term, the sporadic regional resurgence of COVID-19 is unlikely to have a material adverse impact on our business, results of operations and financial conditions as a whole in the long term.

We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, the COVID-19 pandemic remains an evolving situation. There is great uncertainty as to the future development of the disease. For risks relating to potential future outbreak of COVID-19, see “Risk Factors—An occurrence of a natural disaster, widespread health epidemic or other outbreaks, such as the outbreak of COVID-19, could have a material adverse effect on our results of operations.”

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CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. We set out below some of the accounting policies and estimates that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, judgments and estimates, which are important for understanding our financial condition and results of operations, are set out in further details in Note 2 and Note 4 to the Accountant's Report in Appendix I to this prospectus.

Critical accounting policies

Revenue Recognition

Revenues from contracts with customers are recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. Revenues are measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenues from rendering of dental services are recognized over time because our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

- (a) Revenues from the rendering of orthodontics and implant dentistry services are recognized over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognizes revenues on the basis of staff costs and/or costs of inventories, consumables and customised products, when appropriate, expended relative to the total expected costs to complete the respective service. When the payments received from customers exceed the services rendered, a contract liability is recognized.
- (b) Revenues from the rendering of other dental services are recognized when the services have been rendered given that such dental services are generally completed within a very short period of time.

For revenues from the rendering of dental services that we have no enforceable right to payment for performance completed to date, revenues are recognized at a point in time when the performance obligation is satisfied by transferring control of the service to the customers.

Revenues from sales of goods are recognized when control of the goods has transferred, being when the goods are delivered to the customers.

For contracts where the period between the payment by the customer and the transfer of the promised service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

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We recognize as an asset (i) the incremental costs of obtaining a contract with a customer; and (ii) the costs incurred to fulfil a contract which relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. These assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to our Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the Track Record Period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

– Medical equipment	3-10 years
– Office equipment and fixture	5 years
– Motor vehicles	5 years
– Leasehold improvements	the shorter of the useful life or the lease term

Property, plant and equipment arising from a business acquisition is depreciated over the remaining useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "Other (losses)/gains – net" in the consolidated income statements.

Estimated impairment of goodwill

The carrying amount of goodwill included in non-current assets was RMB89.4 million, RMB96.1 million, RMB98.5 million and RMB98.5 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively.

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We performed impairment testing of goodwill as of March 31, 2019, 2020 and 2021. The following key assumptions were used for fair value less cost of disposal (“FVLCOD”) calculation of one group of cash-generating units (“CGUs”) as of March 31, 2019, 2020 and 2021:

	As of March 31,		
	2019	2020	2021
	(RMB in millions, except for percentages)		
Compound annual growth rate of revenues in the projected period	19%	23%	27%
Terminal growth rate	3%	3%	3%
Post-tax discount rate	17%	17%	17%
FVLCOD of the group of CGUs	2,761	3,072	3,753
Carrying amount of the group of CGUs	1,323	1,201	1,804

The following key assumptions were used for FVLCOD calculations of the two groups of CGUs as of September 30, 2021:

	As of September 30, 2021	
	Arrail Dental	Rytime Dental
	(RMB in millions, except for percentages)	
Compound annual growth rate of revenues in the projected period	21%	26%
Terminal growth rate	3%	3%
Post-tax discount rate	15.5%	15.5%
FVLCOD of the group of CGUs	1,902	2,775
Carrying amount of the group of CGUs	1,054	1,088

Based on the results of the goodwill impairment testing, the estimated headroom was approximately RMB1,438 million, RMB1,871 million and RMB1,949 million as of March 31, 2019, 2020 and 2021, respectively. The estimated headrooms of Arrail Dental and Rytime Dental were approximately RMB848 million and RMB1,687 million, respectively, as of September 30, 2021. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of goodwill as of March 31, 2019, 2020 and 2021 and September 30, 2021.

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We perform a sensitivity analysis based on the reasonably possible changes in assumptions underlying the compound annual revenue growth rate, terminal growth rate or the post-tax discount rate. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As of March 31,		
	2019	2020	2021
	(RMB in millions)		
Compound annual growth rate of revenues decreases by 10% from the original growth rate	78	884	800
Terminal growth rate decreases by 3% from the original growth rate	1,143	1,492	1,463
Post-tax discount rate increases by 10% from the original post-tax discount rate	141	410	105

	As of September 30, 2021	
	Arrail Dental	Rytime Dental
	(RMB in millions)	
Compound annual growth rate of revenues decreases by 10% from the original growth rate	210	672
Terminal growth rate decreases by 3% from the original growth rate	655	1,204
Post-tax discount rate increases by 10% from the original post-tax discount rate	372	817

Our Directors and management have considered and assessed the reasonably possible changes in key assumptions above and have not identified any instances that would cause the carrying amount of the group of CGUs to exceed its recoverable amount. Therefore, it would not lead to any significant impairment of goodwill as of March 31, 2019, 2020 and 2021 and September 30, 2021.

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No goodwill impairment testing was performed as of September 30, 2021, as there has been no event or change in circumstances indicating that goodwill might be impaired.

For further information related to impairment tests for goodwill, see Note 17(a) to the Accountant's Report in Appendix I to this prospectus.

Leases

We lease buildings as a lessee. Lease contracts are typically made for fixed periods of 1 to 20 years.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us.

Contracts may contain both lease and non-lease components. We allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by us under residual value guarantees;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects us exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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Lease payments are allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

Amendment to IFRS 16—COVID-19—Related Rent Concessions provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before June 30, 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after June 30, 2020 with earlier application permitted and shall be applied retrospectively.

During the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020, certain monthly lease payments for our leases have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. We have early adopted the amendment on April 1, 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the fiscal years ended March 31, 2020 and 2021 and the six months ended September 30, 2020.

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Convertible redeemable preferred shares

Preferred Shares issued by us are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into our ordinary shares at any time at the option of the holders, or automatically upon occurrence of a qualified initial public offering of us.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized in profit or loss. Fair value changes relating to market risk are recognized in profit or loss, the component of fair value changes relating to our own credit risk is recognized in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realized.

The Preferred Shares are classified as non-current liabilities unless the holders of Preferred Share can demand us to redeem the preferred shares within 12 months after the end of the reporting period. For further information regarding our convertible redeemable preferred shares, see Note 2.17 to the Accountant's Report in Appendix I to this prospectus.

Bond

We issued a bond to a bond investor which is accounted for at fair value through profit or loss, with fair value changes recognized in profit or loss, except for the portion attributable to credit risk change that should be charged to other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realized.

The bond was classified as a non-current liability unless we have an obligation to settle the liability within 12 months after the end of the reporting period.

Warrants

We issued warrants as an upfront payment of issuing a bond. The warrants can be exercised and settled with 1) our class 1 ordinary shares, 2) cash determined by our underlying equity value, at the option of the holder. The warrants are initially and subsequently measured at fair value. Any changes in fair value of warrants are recognized in profit or loss.

Significant accounting judgments and estimates

Estimation of Revenue Recognition

We applied judgments that significantly affect the determination of the amount and timing of revenues from contracts with customers. Revenues from the rendering of orthodontics and implantology services are to be recognized over time our performance does not create an asset

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with an alternative use to us and we have an enforceable right to payment for performance completed to date. We determined that the input method is the best method for measuring the progress of orthodontics and implant dentistry services because there is a direct relationship between our effort (i.e., staff costs and/or costs of inventories, consumables and customised products incurred, when appropriate) and the transfer of services to the customer. We recognize revenues on the basis of the staff costs and/or cost of inventories, consumables and customised products, when appropriate, expended relative to the total expected costs to complete the service. Judgments are required in the determination of the estimate for the total expected costs to complete the service.

Estimation of Fair Value of Financial Assets and Financial Liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. We use our judgement to select a variety of methods and make assumptions including credit risk, volatility and liquidity risks associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets and liabilities.

Estimation of the Useful Life and Depreciation of Property, Plant and Equipment

Our management determines the estimated useful lives and related depreciation for our property, plant and equipment based on the asset's expected utility to us, the asset management policy of our Company may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of our Company with similar assets.

Credit Loss Allowance for Trade Receivables, Other Receivables and Other Assets

Under IFRS 9, the expected credit loss of trade receivables, other receivables and other assets are based on assumptions about risk of default and expected loss rates. We use judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on our past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Recoverability of non-financial assets

Other non-financial assets including property and equipment, right-of-use assets and intangible assets (including brand and licenses) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management with an estimation of terminal value.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table presents items of our consolidated statements of comprehensive income as well as their percentage of our total revenues for the periods indicated.

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%
Cost of sales	(916,519)	(84.8%)	(988,477)	(89.9%)	(1,150,707)	(75.9%)	(537,514)	(74.6%)	(653,882)	(77.7%)
Gross profit	163,772	15.2%	111,391	10.1%	364,420	24.1%	182,807	25.4%	187,457	22.3%
Selling and distribution expenses	(105,576)	(9.8%)	(84,825)	(7.7%)	(79,122)	(5.2%)	(37,350)	(5.2%)	(38,377)	(4.6%)
Administrative expenses	(103,878)	(9.6%)	(112,680)	(10.2%)	(130,330)	(8.6%)	(71,433)	(9.9%)	(103,018)	(12.2%)
Research and development expenses	(19,111)	(1.8%)	(27,495)	(2.5%)	(27,311)	(1.8%)	(8,674)	(1.2%)	(10,319)	(1.2%)
Net (impairment loss)/reversal of impairment loss on financial assets	(14,782)	(1.4%)	(16,706)	(1.5%)	(5,476)	(0.4%)	(2,087)	(0.3%)	4,523	0.5%
Other (losses)/gains – net	(4,468)	(0.4%)	(3,129)	(0.3%)	2,286	0.1%	2,782	0.4%	2,810	0.3%
Operating (loss)/profit	(84,043)	(7.8%)	(133,444)	(12.1%)	124,467	8.2%	66,045	9.2%	43,076	5.1%
Finance income	8,796	0.8%	9,326	0.8%	7,581	0.5%	4,438	0.6%	5,979	0.7%
Finance costs	(37,458)	(3.5%)	(48,011)	(4.3%)	(51,914)	(3.4%)	(23,790)	(3.3%)	(32,251)	(3.8%)
Finance costs – net	(28,662)	(2.7%)	(38,685)	(3.5%)	(44,333)	(2.9%)	(19,352)	(2.7%)	(26,272)	(3.1%)
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method	(9,939)	(0.9%)	(2,716)	(0.3%)	2,602	0.2%	267	0.0%	829	0.1%
Re-designation to Series E preferred shares from issued ordinary and preferred shares	-	-	-	-	(196,712)	(13.0%)	-	-	-	-
Fair value change of convertible redeemable preferred shares	(192,818)	(17.8%)	(146,049)	(13.3%)	(424,289)	(28.0%)	(215,234)	(29.9%)	(428,109)	(50.9%)
Fair value change of bond	-	-	-	-	(16,677)	(1.1%)	(5,309)	(0.7%)	(22,650)	(2.7%)
Fair value change of warrants	-	-	-	-	(26,802)	(1.8%)	(7,527)	(1.0%)	(13,686)	(1.6%)
Fair value change of derivative liabilities	-	-	-	-	-	-	-	-	(1,129)	(0.1%)
Fair value difference between termination of the warrants and recognition of derivative liabilities	-	-	-	-	-	-	-	-	(11,136)	(1.3%)
Loss before income tax	(315,462)	(29.2%)	(320,894)	(29.2%)	(581,744)	(38.4%)	(181,110)	(25.1%)	(459,077)	(54.6%)
Income tax credit/(expenses)	11,293	1.0%	(4,931)	(0.4%)	(16,018)	(1.1%)	(6,812)	(0.9%)	(5,110)	(0.6%)
Loss for the year/period	<u>(304,169)</u>	<u>(28.2%)</u>	<u>(325,825)</u>	<u>(29.6%)</u>	<u>(597,762)</u>	<u>(39.5%)</u>	<u>(187,922)</u>	<u>(26.1%)</u>	<u>(464,187)</u>	<u>(55.2%)</u>
Loss attributable to:										
Owners of the Company	(301,178)	(27.9%)	(316,854)	(28.8%)	(599,420)	(39.6%)	(189,524)	(26.3%)	(468,429)	(55.7%)
Non-controlling interests	(2,991)	(0.3%)	(8,971)	(0.8%)	1,658	0.1%	1,602	0.2%	4,242	0.5%
	<u>(304,169)</u>	<u>(28.2%)</u>	<u>(325,825)</u>	<u>(29.6%)</u>	<u>(597,762)</u>	<u>(39.5%)</u>	<u>(187,922)</u>	<u>(26.1%)</u>	<u>(464,187)</u>	<u>(55.2%)</u>

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NON-IFRS MEASURES

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

We define adjusted EBITDA as EBITDA (which is loss for the year/period plus income tax credit/(expenses), depreciation and amortization expenses and net finance costs) for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of the warrants and recognition of derivative liabilities, and (viii) fair value changes of derivative liabilities.

We define adjusted net (loss)/profit for the year/period as loss for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of warrants and recognition of derivative liabilities, (viii) transaction cost on issuance of Series E convertible redeemable preferred shares, and (ix) fair value changes of derivative liabilities.

The following tables reconcile our adjusted EBITDA and adjusted net (loss)/profit for the year/period presented to the most directly comparable financial measure calculated and presented under IFRS.

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
Loss for the year/period	(304,169)	(325,825)	(597,762)	(187,922)	(464,187)
Add:					
Income tax credit/(expenses)	(11,293)	4,931	16,018	6,812	5,110

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	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
Depreciation and Amortization	181,370	222,616	228,991	114,354	117,526
Finance costs—net	28,662	38,685	44,333	19,352	26,272
EBITDA	(105,430)	(59,593)	(308,420)	(47,404)	(315,279)
Add:					
Re-designation to Series E Preferred shares from ordinary and preferred shares ⁽¹⁾	–	–	196,712	–	–
Fair value change of convertible redeemable preferred shares ⁽²⁾	192,818	146,049	424,289	215,234	428,109
Fair value change of warrants ⁽³⁾	–	–	26,802	7,527	13,686
Share-based compensation expenses ⁽⁴⁾	1,291	445	–	–	–
Listing expenses ⁽⁵⁾	–	–	5,871	–	22,517
Change in fair value due to modification of bond ⁽⁶⁾	–	–	–	–	9,628
Fair value difference between termination of the warrants and recognition of derivative liabilities ⁽⁷⁾	–	–	–	–	11,136
Fair value changes of derivative liabilities ⁽⁹⁾	–	–	–	–	1,129
Adjusted EBITDA	88,679	86,901	345,254	175,357	170,926
Loss for the year/period	(304,169)	(325,825)	(597,762)	(187,922)	(464,187)
Add:					
Re-designation to Series E Preferred shares from ordinary and preferred shares ⁽¹⁾	–	–	196,712	–	–
Fair value change of convertible redeemable preferred shares ⁽²⁾	192,818	146,049	424,289	215,234	428,109
Fair value change of warrants ⁽³⁾	–	–	26,802	7,527	13,686
Share-based compensation expenses ⁽⁴⁾	1,291	445	–	–	–
Listing expenses ⁽⁵⁾	–	–	5,871	–	22,517

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	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
Change in fair value due to modification of bond ⁽⁶⁾	-	-	-	-	9,628
Fair value difference between termination of warrants and recognition of derivative liabilities ⁽⁷⁾	-	-	-	-	11,136
Transaction cost on issuance of Series E convertible redeemable preferred shares ⁽⁸⁾	-	-	-	-	9,170
Fair value changes of derivative liabilities ⁽⁹⁾	-	-	-	-	1,129
Adjusted net (loss)/profit for the year/period	<u>(110,060)</u>	<u>(179,331)</u>	<u>55,912</u>	<u>34,839</u>	<u>31,188</u>

Notes:

- (1) Re-designation to Series E Preferred shares from ordinary and preferred shares represents difference in fair value of ordinary shares and preferred shares arising from the re-designation of ordinary shares held by certain existing shareholders to Series E Preferred Shares in connection with Series E Pre-IPO Investment. It is adjusted for as the transaction is irregular to the Company's business operations. In addition, it is not directly related to our business operations.
- (2) Fair value change of convertible redeemable preferred shares represents change in fair value of the convertible redeemable preferred shares issued by the Company and relates to changes in the valuation of the Company. This item is non-cash in nature and is not directly related to our business operations. The convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing. Subsequently, we do not expect to record any further fair value change of convertible redeemable preferred shares.
- (3) Fair value change of warrants represents change in fair value of the outstanding Warrants and relates to changes in the valuation of the Company. This item is non-cash in nature. We do not expect to record any further fair value changes of warrants after the Listing, since the Warrants were terminated on June 29, 2021.
- (4) Share-based compensation expenses incurred during the years ended March 31, 2019 and 2020 arose from shares granted to a director of the Company which vested during the respective financial years. This item is adjusted for as it is non-cash in nature.
- (5) Listing expenses relate to this Global Offering of the Company. This item is adjusted for as it is not directly related to its operating activities.
- (6) Change in fair value due to modification of bond represents change in fair value of bond attributable to the early redemption right entitled to the bond investor pursuant to a new bond investment agreement entered into on June 29, 2021. This item is adjusted for as it is non-cash in nature.
- (7) Fair value difference between termination of warrants and recognition of derivative liabilities represents fair value of the right that the warrants holder has to re-enter into a warrants purchase agreement under certain circumstances as stipulated in a deed of termination and undertaking entered into on June 29, 2021. This item is adjusted for as it is non-cash in nature.

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- (8) Transaction cost on issuance of Series E convertible redeemable preferred shares represents the financial advisor expenses relating to the issuance of Series E convertible redeemable preferred shares. It is adjusted for as the transaction is irregular to the Company's business operations. In addition, it is not directly related to our business operations.
- (9) Fair value change of derivative liabilities represents the change in fair value of derivative liabilities as a result of the change in probability of the Global Offering, the change in equity value of the Company and other changes in market risk factors. The derivative liabilities relate to the Company's obligation to settle the US\$15.62 million for the termination of the Warrant on June 29, 2021 by its own capital resources before the Listing Date, see "Financial Information—Indebtedness, Contingent Liabilities and Off-balance Sheet Commitments and Arrangements—Warrants" and "—Derivative Liabilities" for more details. As of the date of this prospectus, the derivative liabilities have been fully settled and derecognized. Consequently, "fair value changes of derivative liabilities" will not occur after the Listing. In addition, this item is not directly related to our business operations.

DESCRIPTION OF MAJOR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ITEMS

Revenues

During the Track Record Period, we primarily generated revenues from operating dental hospitals and clinics across the PRC. For fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, we generated total revenues of RMB1,080.3 million, RMB1,099.9 million, RMB1,515.1 million, RMB720.3 million and RMB841.3 million, respectively.

Due to the impact of the outbreak of COVID-19, the operation of our dental hospitals and clinics was temporarily suspended from January 2020 until it was partially resumed in March 2020 and fully resumed in May 2020, in compliance with the notices issued by the relevant governmental authorities. As a result, our revenues increased slightly by RMB19.6 million or 1.8% from RMB1,080.3 million for fiscal 2019 to RMB1,099.9 million for fiscal 2020.

Revenues by dental service offerings

We offer a diverse range of professional and personalized dental services, covering mainly three dental sectors (i) general dentistry; (ii) orthodontics; and (iii) implantology. The following table sets forth a breakdown of our revenues by types of dental services, both in absolute amount and as a percentage of our total revenues, for the periods indicated.

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages) (unaudited)									
General Dentistry	603,639	55.9%	593,861	54.0%	828,452	54.7%	390,222	54.2%	448,807	53.3%
Orthodontics	222,427	20.6%	244,973	22.3%	342,273	22.6%	176,882	24.6%	199,680	23.7%
Implantology	231,447	21.4%	236,463	21.5%	299,568	19.8%	134,947	18.7%	174,067	20.7%
Others ⁽¹⁾	22,778	2.1%	24,571	2.2%	44,834	3.0%	18,270	2.5%	18,785	2.3%
Total Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%

Note:

- (1) Primarily include revenues generated from sale of dental materials in our ordinary course of business and the operation of our denture manufacturing plants.

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Revenues from general dentistry

Revenues generated from our general dentistry services accounted for 55.9%, 54.0%, 54.7%, 54.2% and 53.3% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively.

Revenues from orthodontics

Revenues generated from our orthodontics services accounted for 20.6%, 22.3%, 22.6%, 24.6% and 23.7% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively.

Revenues from implantology

Revenues generated from our implantology services accounted for 21.4%, 21.5%, 19.8%, 18.7% and 20.7% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively.

Revenues by brands

We adopt a dual-brand strategy through our Arrail Dental and Rytime Dental brands to provide differentiated dental services to different target markets. As of September 30, 2021, we operated 51 dental clinics in Tier-1 cities under the Arrail Dental brand, and operated 53 dental clinics and 7 dental hospitals primarily in Tier-1 and key Tier-2 cities under the Rytime Dental brand. The following table sets forth a breakdown of our revenues by brands, both in absolute amount and as a percentage of our total revenues, for the periods indicated.

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Revenues:										
Arrail Dental	633,694	58.7%	588,501	53.5%	767,219	50.6%	367,034	51.0%	432,188	51.4%
Rytime Dental	446,597	41.3%	511,367	46.5%	747,908	49.4%	353,287	49.0%	409,151	48.6%
Total Revenues	1,080,291	100.0%	1,099,868	100.0%	1,515,127	100.0%	720,321	100.0%	841,339	100.0%

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Revenues generated from dental clinics operating under the Arrail Dental brand accounted for 58.7%, 53.5%, 50.6%, 51.0% and 51.4% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively. Revenues generated from dental hospitals and clinics operating under the Rytime Dental brand accounted for 41.3%, 46.5%, 49.4%, 49.0% and 48.6% of our total revenues for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, respectively.

Cost of revenues

Our cost of revenues primarily consists of (i) employee benefits expenses, (ii) raw materials and consumables used, and (iii) depreciation and amortization. Employee benefits expenses primarily consist of wages, salaries and bonuses, including social security cost and housing benefits. Raw materials and consumables used primarily consist of purchase costs of raw materials and consumables mainly comprising customized dentures, dental braces, implant and dental crowns for implant dentistry, orthodontics and restorations. Depreciation and amortization expenses primarily consist of depreciation of our medical equipment, office equipment and furniture, leasehold improvements, and right-of-use assets, representing the leases of dental hospitals and clinics, and office space.

The following table sets forth a breakdown of our cost of revenues by nature, both in absolute amounts and as a percentage of total cost of revenues, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Employee benefits expenses	463,290	50.5%	501,590	50.7%	585,364	50.9%	264,073	49.1%	352,833	54.0%
Depreciation and amortization	166,825	18.2%	202,408	20.5%	213,676	18.6%	107,088	19.9%	109,139	16.7%
Raw materials and consumables used	166,806	18.2%	181,423	18.4%	232,344	20.2%	109,543	20.4%	127,645	19.5%
Consulting fees ⁽¹⁾⁽²⁾	16,516	1.8%	18,370	1.9%	34,992	3.0%	15,681	2.9%	21,193	3.2%
Office and property management expenses	40,998	4.5%	42,713	4.3%	44,465	3.9%	22,235	4.1%	22,803	3.5%
Others ⁽³⁾	62,084	6.8%	41,973	4.2%	39,866	3.4%	18,894	3.6%	20,269	3.1%
Total	916,519	100.0%	988,477	100.0%	1,150,707	100.0%	537,514	100.0%	653,882	100.0%

Notes:

- (1) The following table sets forth a breakdown of consulting fees included in our cost of revenues by nature for the periods indicated:

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	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
	(unaudited)				
Dental professional service fee*	13,190	15,100	32,947	13,689	17,689
IT service fee	1,934	3,144	1,437	1,358	1,138
E-commerce platform fee	810	97	540	115	60
Others	582	29	68	519	2,306
Total	16,516	18,370	34,992	15,681	21,193

Note:

- * Primarily represents the service fees paid to third-party dental specialists who are experienced experts in certain therapeutic areas. We collaborate with them to provide dental diagnoses and treatments for complex and sometimes rare cases of our patients, and conduct other complex professional dental services for our patients, including anesthesia, oral and maxillofacial surgery and other treatment procedures. All of the dental professionals engaged by us through such professional suppliers have the qualifications necessary to conduct dental practices, such as the Practicing Certificate.

FINANCIAL INFORMATION

The following table sets forth a breakdown of dental professional service fee included in our consulting fees by professional suppliers for the periods indicated:

Supplier	For the Year Ended March 31,			For the Six Months Ended September 30,		
	2020			2021		
	Amount	Percentage	Supplier	Amount	Percentage	Supplier
	(RMB in thousands, except for percentages)					
Supplier A	3,181	24.1%	Supplier A	7,130	21.6%	Supplier A
Supplier B	1,728	13.1%	Supplier F	5,272	16.0%	Supplier J
Supplier D	300	2.3%	Supplier G	4,266	12.9%	Supplier F
Supplier E	250	1.9%	Supplier H	589	1.8%	Supplier H
Supplier eee	229	1.7%	Supplier I	582	1.8%	Supplier D
Others	7,502	56.9%	Others	15,108	45.9%	Others
Total	13,190	100.0%		32,947	100.0%	
	(unaudited)			(unaudited)		
			Supplier	Amount	Percentage	Supplier
			Supplier A	1,968	14.4%	Supplier F
			Supplier J	1,762	12.9%	Supplier K
			Supplier F	1,200	8.8%	Supplier A
			Supplier H	582	4.3%	Supplier E
			Supplier D	364	2.6%	Supplier jii
			Others	7,813	57.0%	Others
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FINANCIAL INFORMATION

(3) The following table sets forth a breakdown of others included in our cost of revenues for the periods indicated:

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
	(unaudited)				
Rental expenses	29,973	11,560	13,704	6,375	6,843
Travelling expenses	8,291	6,654	2,915	1,434	1,217
Training expenses	8,335	7,438	5,165	1,464	1,419
Utility expenses	7,355	7,067	8,344	3,965	4,232
Communication expenses	3,483	3,221	2,928	1,417	1,604
Maintenance expenses	3,950	3,333	3,808	1,821	2,688
Insurance expenses	479	607	607	454	533
Other expenses	218	2,093	2,395	1,964	1,733
Total	62,084	41,973	39,866	18,894	20,269

Gross profit and gross profit margin

Gross profit represents revenues less cost of revenues. In fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, our gross profit was RMB163.8 million, RMB111.4 million, RMB364.4 million, RMB182.8 million and RMB187.5 million, respectively.

Gross profit margin represents gross profit divided by total revenues, expressed as a percentage. For fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, our gross profit margin was 15.2%, 10.1%, 24.1%, 25.4% and 22.3%, respectively. The decrease in our gross profit margin from fiscal 2019 to 2020 was primarily due to the combination of: (i) the substantial slowdown in revenue growth due to the effects of the COVID-19 pandemic, with our total revenues increasing slightly by 1.8% from RMB1,080.3 million for fiscal 2019 to RMB1,099.9 million for fiscal 2020, and (ii) cost of revenues increasing by 7.9% from RMB916.5 million for fiscal 2019 to RMB988.5 million for fiscal 2020 despite the COVID-19 pandemic, as a substantial part of the cost of revenues was fixed costs such as depreciation of property, plant and equipment, right-of-use assets and employee salaries, which were incurred in spite of temporary closures of our hospitals and clinics in February through April 2020.

Our gross profit margin increased from 10.1% in fiscal 2020 to 24.1% in fiscal 2021, primarily due to the recovery in our business as the COVID-19 pandemic came under control in China. Revenues increased by 37.7% from RMB1,099.9 million in fiscal 2020 to RMB1,515.1 million in fiscal 2021. Cost of revenues increased at a normal pace by 16.4% from RMB988.5 million in fiscal 2020 to RMB1,150.7 million in fiscal 2021, primarily due to (i) an increase in employee benefits expenses as a result of increases in the headcounts of employees and compensation and benefits of employees to support our business expansion; (ii) an increase in raw materials and consumables used in line with the increase of revenues; and (iii) increases in depreciation of property, plant and equipment and right-of-use assets in line with our business expansion.

FINANCIAL INFORMATION

Our gross profit margin for the six months ended September 30, 2021 was 22.3%, compared to 25.4% for the six months ended September 30, 2020.

Selling and distribution expenses

Our selling and distribution expenses primarily consist of (i) advertising and marketing expenses, (ii) employee benefits expenses for our sales and marketing staff, and (iii) consulting fees. The following table sets forth a breakdown of our selling and distribution expenses, both in absolute amounts and as a percentage, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,					
	2019		2020		2021		2020		2021			
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%		
(RMB in thousands, except for percentages)												
(unaudited)												
Advertising and marketing expenses	55,441	52.5%	46,719	55.1%	38,165	48.2%	17,024	45.6%	16,307	42.5%		
Employee benefits expenses	39,918	37.8%	29,969	35.3%	34,028	43.0%	17,257	46.2%	19,104	49.8%		
Consulting fees ⁽¹⁾⁽²⁾	4,971	4.7%	3,443	4.1%	2,282	2.9%	1,047	2.8%	1,162	3.0%		
Others ⁽³⁾	5,246	5.0%	4,694	5.5%	4,647	5.9%	2,022	5.4%	1,804	4.7%		
Total	105,576	100.0%	84,825	100.0%	79,122	100.0%	37,350	100.0%	38,377	100.0%		

Notes:

- (1) The following table sets forth a breakdown of consulting fees included in our selling and distribution expenses by nature for the periods indicated:

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
(RMB in thousands)					
(unaudited)					
IT service fee	525	283	396	228	235
E-commerce platform fee	3,529	1,954	1,523	665	728
Industry survey expenses	127	–	–	–	66
Others	790	1,206	363	154	133
Total	4,971	3,443	2,282	1,047	1,162

FINANCIAL INFORMATION

(2) The following table sets forth a breakdown of consulting fees included in our selling and distribution expenses by major suppliers for the periods indicated:

Supplier	For the Year Ended March 31,			For the Six Months Ended September 30,							
	2020			2021							
	Amount	Percentage	Supplier	Amount	Percentage	Supplier					
Supplier N	1,355	27.3%	Supplier N	332	14.5%	Supplier N	205	19.6%	Supplier T	294	25.3%
Supplier M	557	11.2%	Supplier O	587	17.0%	Supplier T	326	14.3%	Supplier Q	169	16.1%
Supplier O	158	3.2%	Supplier Q	309	9.0%	Supplier Q	296	13.0%	Supplier U	119	11.4%
Supplier P	100	2.0%	Supplier R	240	7.0%	Supplier U	217	9.5%	Supplier X	65	6.2%
Supplier Q	76	1.5%	Supplier S	128	3.7%	Supplier V	104	4.6%	Supplier W	52	5.0%
Others	2,725	54.8%	Others	979	28.4%	Others	1,007	44.1%	Others	437	41.7%
Total	4,971	100.0%		3,443	100.0%		2,282	100.0%		1,047	100.0%

(3) Primarily include travelling expenses and property management expenses.

FINANCIAL INFORMATION

Administrative expenses

Our administrative expenses primarily consist of (i) employee benefits expenses for our directors, senior management and other administrative staff, (ii) depreciation and amortization, and (iii) consulting fees. The following table sets forth a breakdown of our administrative expenses, both in absolute amounts and as a percentage, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
	(unaudited)									
Employee benefits expenses	45,598	43.9%	58,583	52.0%	72,229	55.4%	39,047	54.7%	50,859	49.4%
Depreciation and Amortization	14,146	13.6%	19,701	17.5%	14,659	11.2%	7,108	10.0%	8,180	7.9%
Consulting fees ⁽¹⁾⁽²⁾	16,186	15.6%	11,596	10.3%	17,612	13.5%	14,460	20.2%	10,466	10.2%
Office and property management expenses	7,189	6.9%	5,492	4.9%	4,108	3.2%	1,965	2.8%	2,631	2.6%
Auditor's remuneration	1,155	1.1%	1,142	1.0%	3,600	2.8%	-	0.0%	2,500	2.4%
Listing expenses	-	-	-	-	2,271	1.7%	-	0.0%	20,017	19.4%
Others ⁽³⁾	19,604	18.9%	16,166	14.3%	15,851	12.2%	8,853	12.3%	8,365	8.1%
Total	103,878	100.0%	112,680	100.0%	130,330	100.0%	71,433	100.0%	103,018	100.0%

Notes:

- (1) The following table sets forth a breakdown of consulting fees included in our administrative expenses by nature for the periods indicated:

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
	(unaudited)				
IT service fee	1,391	1,606	3,753	3,128	1,403
E-commerce platform fee	666	342	1,778	1,324	3
Industry survey expenses	1,201	1,233	41	-	101
Professional fees related financing and investing activities	5,437	2,874	10,343	8,376	4,921
Professional fees related to management functions	7,238	5,339	1,617	1,562	260
Others	253	202	80	70	3,778
Total	16,186	11,596	17,612	14,460	10,466

FINANCIAL INFORMATION

Research and development expenses

Our research and development expenses primarily consist of (i) employee benefits expenses for our research and development staff, and (ii) consulting fee. The following table sets forth a breakdown of our research and development expenses, both in absolute amounts and as a percentage, for the periods indicated:

	For the Year Ended March 31,						For the Six Months Ended September 30,			
	2019		2020		2021		2020		2021	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
(RMB in thousands, except for percentages)										
(unaudited)										
Employee benefits expenses	17,638	92.3%	25,280	91.9%	25,083	91.8%	7,398	85.3%	9,044	87.6%
Consulting fees ⁽¹⁾⁽²⁾	549	2.9%	1,037	3.8%	1,709	6.3%	873	10.1%	1,137	11.0%
Depreciation and Amortization	47	0.2%	118	0.4%	114	0.4%	57	0.7%	53	0.5%
Others ⁽³⁾	877	4.6%	1,060	3.9%	405	1.5%	346	3.9%	85	0.9%
Total	19,111	100.0%	27,495	100.0%	27,311	100.0%	8,674	100.0%	10,319	100.0%

Notes:

- (1) The following table sets forth a breakdown of consulting fees included in our research and development expenses by nature for the periods indicated:

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
(unaudited)					
IT service fee	549	1,037	1,709	873	1,137

- (2) The following table sets forth a breakdown of consulting fees included in our research and development expenses by major suppliers for the periods indicated:

Supplier	For the Year Ended March 31,						For the Six Months Ended September 30,							
	2019		2020		2021		2020		2021					
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage				
(RMB in thousands, except for percentages)														
(unaudited)														
Supplier rr	138	25.1%	Supplier gg	408	39.3%	Supplier gg	734	42.9%	Supplier gg	467	53.5%	Supplier pp	292	25.7%
Supplier ss	30	5.5%	Supplier ww	149	14.4%	Supplier ss	184	10.8%	Supplier ss	158	18.1%	Supplier gg	211	18.6%
Supplier tt	7	1.3%	Supplier ss	131	12.6%	Supplier zz	156	9.1%	Supplier yy	19	2.2%	Supplier zz	187	16.4%
Supplier uu	3	0.5%	Supplier xx	65	6.3%	Supplier pp	128	7.5%	Supplier pp	10	1.1%	Supplier oo	172	15.1%
Supplier vv	1	0.2%	Supplier yy	57	5.5%	Supplier aaa	111	6.5%	Supplier vv	7	0.8%	Supplier ddd	139	12.2%
Others	370	67.4%	Others	227	21.9%	Others	396	23.2%	Others	212	24.3%	Others	136	12.0%
Total	549	100.0%	1,037	100.0%	1,709	100.0%	873	100.0%	1,137	100.0%				

- (3) Primarily include travelling expenses, property management expenses, and utility expenses.

FINANCIAL INFORMATION

Net impairment losses on financial assets

Net impairment losses on financial assets refer to impairment charges recorded based on the difference between the cash flows contractually due and all the cash flows that we expect to receive from trade and other receivables. For further information related to expected credit losses under IFRS 9, see Note 3.1.2 to the Accountant's Report in Appendix I to this prospectus.

Other gains/(losses), net

Our other net gains or losses primarily consist of (i) net losses on disposal of property, plant and equipment and intangible assets, (ii) net fair value gains on financial assets at fair value through profit or loss representing the gains or losses on the bank structured deposits we invest in, and (iii) net foreign exchange losses. For fiscal 2019 and 2020, our other net losses were RMB4.5 million and RMB3.1 million. For fiscal 2021 and the six months ended September 30, 2020 and 2021, our other net gains were RMB2.3 million, RMB2.8 million and RMB2.8 million, respectively.

Operating losses/(profits)

For fiscal 2019 and 2020, our operating losses were RMB84.0 million and RMB133.4 million, representing negative 7.8%, and 12.1% operating margins, respectively. For fiscal 2021 and the six months ended September 30, 2020 and 2021, our operating profits were RMB124.5 million, RMB66.0 million and RMB43.1 million, representing 8.2%, 9.2% and 5.1% operating margins, respectively.

Net finance costs

Finance income consists of (i) interest income from bank deposits, and (ii) interest income from others. Finance costs consist of (i) interest expense on bank borrowings, (ii) interest expense from lease liabilities, and (iii) bank charges. For fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, we incurred net finance costs of RMB28.7 million, RMB38.7 million, RMB44.3 million, RMB19.4 million and RMB26.3 million, respectively.

Fair value changes of convertible redeemable preferred shares

Fair value changes of convertible redeemable preferred shares represent changes in the fair value of the preferred shares issued by our Company in connection with our financing activities. For fiscal 2019, 2020 and 2021 and the six months ended September 30, 2020 and 2021, we incurred losses from the fair value changes of convertible redeemable preferred shares of RMB192.8 million, RMB146.0 million, RMB424.3 million, RMB215.2 million and RMB428.1 million, respectively.

FINANCIAL INFORMATION

Taxation

We are subject to various rates of income tax under different jurisdictions. The following summarizes the major factors affecting our applicable tax in the Cayman Islands, the British Virgin Islands, Hong Kong and PRC.

Cayman Islands and BVI

We were an exempted company registered by way of continuation under the laws of the Cayman Islands with limited liability, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and accordingly are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders. Our subsidiaries incorporated or re-registered (as the case may be) in the British Virgin Islands under the BVI Business Companies Act 2004 are exempted from BVI income tax.

Hong Kong

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

PRC

The income tax provision of us in respect of our operations in the PRC was subject to statutory tax rate of 25% on the assessable profits during the Track Record Period based on the existing legislation, interpretation and practices in respect thereof.

According to the New Corporate Income Tax Law (“**New EIT Law**”), beginning January 1, 2008, distribution of profits earned by companies in mainland China since January 1, 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

We do not have any plan in the foreseeable future to require our subsidiaries in mainland China to distribute their retained earnings and intend to retain them to operate and expand their business in mainland China. Accordingly, no deferred income tax liability related to withholding tax in Mainland China on undistributed earnings was accrued as of the end of each Track Record Period.

FINANCIAL INFORMATION

Loss for the year/period

We had net losses of RMB304.2 million, RMB325.8 million and RMB597.8 million in fiscal 2019, 2020 and 2021, respectively, primarily due to the the rapid ramping up of our business scale and the substantial expansion of our dental clinic and hospital network during the Track Record Period, as well as the adverse effects of the COVID-19 pandemic in fiscal 2020. In addition, the following are also the primary causes for the net losses: (i) the significant losses from changes in fair value of convertible redeemable preferred shares of RMB192.8 million, RMB146.0 million and RMB424.3 million in fiscal 2019, 2020 and 2021, which could be attributed to the increase in our valuation; (ii) the losses arising from re-designation of Series E preferred shares from issued ordinary and preferred shares of RMB196.7 million incurred in fiscal 2021; and (iii) the losses from changes in fair value of warrants of RMB26.8 million and from changes in fair value of bond of RMB16.7 million in fiscal 2021.

We had net losses of RMB187.9 million and RMB464.2 million for the six months ended September 30, 2020 and 2021, respectively, primarily due to (i) the significant losses from changes in fair value of convertible redeemable preferred shares of RMB215.2 million and RMB428.1 million for the six months ended September 30, 2020 and 2021; (ii) the losses from changes in fair value of bond of RMB5.3 million and RMB22.7 million, and from changes in fair value of warrants of RMB7.5 million and RMB13.7 million for the six months ended September 30, 2020 and 2021; and (iii) certain one-off expenses we incurred in the six months ended September 30, 2021, such as the listing expenses of RMB22.5 million, the fair value difference between termination of warrants and recognition of derivative liabilities of RMB11.1 million, and the transaction costs on issuance of Series E convertible redeemable preferred shares of RMB9.2 million representing the financial advisor expenses relating to the issuance of Series E convertible redeemable preferred shares.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended March 31, 2019 Compared to Year Ended March 31, 2020

Revenues

Our revenues slightly increased by 1.8% from RMB1,080.3 million in fiscal 2019 to RMB1,099.9 million in fiscal 2020. The outbreak of COVID-19 adversely affected the growth rate of our revenues in fiscal 2020. The operation of our dental hospitals and clinics had been temporarily suspended since January 2020 until it was partially resumed in March 2020 and fully resumed in May 2020, in compliance with the restrictions imposed by the relevant governmental authorities.

FINANCIAL INFORMATION

Revenues generated from (i) general dentistry slightly decreased by 1.6% from RMB603.6 million in fiscal 2019 to RMB593.9 million in fiscal 2020, (ii) orthodontics increased by 10.2% from RMB222.4 million in fiscal 2019 to RMB245.0 million in fiscal 2020, primarily because we were able to provide usual orthodontic treatment after resuming our operations in March 2020 given that the government had lifted restrictions for it, (iii) implantology slightly increased by 2.2% from RMB231.4 million in fiscal 2019 to RMB236.5 million in fiscal 2020.

Cost of revenues

Our cost of revenues increased by 7.9% from RMB916.5 million in fiscal 2019 to RMB988.5 million in fiscal 2020, primarily due to increases in (i) employee benefits expenses as a result of the increase of the employee headcounts to support our business expansion, (ii) depreciation of medical equipment, office equipment and furniture, leasehold improvements and right-of-use assets as a result of the expansion of dental network, and (iii) raw materials and consumables used in line with our business growth.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 32.0% from RMB163.8 million in fiscal 2019 to RMB111.4 million in 2020. Our gross profit margin decreased from 15.2% in fiscal 2019 to 10.1% in fiscal 2020, primarily due to a slowdown in the growth rate of our revenues under COVID-19.

Selling and distribution expenses

Our selling and distribution expenses decreased by 19.7% from RMB105.6 million in fiscal 2019 to RMB84.8 million in fiscal 2020, primarily due to a decrease in our investment in advertising activities in the last quarter in fiscal 2020 under COVID-19.

Administrative expenses

Our administrative expenses increased by 8.5% from RMB103.9 million in fiscal 2019 to RMB112.7 million in fiscal 2020, primarily due to an increase in employee benefits expenses as a result of an increase in the headcounts of administrative personnel to support our business growth.

Research and development expenses

Our research and development expenses increased by 44.0% from RMB19.1 million in fiscal 2019 to RMB27.5 million in fiscal 2020, primarily due to our continuous effort in investing in building our research and development team and improving our information technology system.

FINANCIAL INFORMATION

Net impairment losses on financial assets

Our net impairment losses on financial assets increased by 12.8% from RMB14.8 million in fiscal 2019 to RMB16.7 million in fiscal 2020, primarily due to an increase in impairment losses on receivables from an associate.

Operating loss

As a result of the foregoing, our operating loss increased by 58.8% from RMB84.0 million in fiscal 2019 to RMB133.4 million in fiscal 2020, and our operating loss margin, which represents operating loss for the year as a percentage of total revenues, increased from 7.8% in fiscal 2019 to 12.1% in fiscal 2020.

Net finance costs

Our net finance costs increased by 34.8% from RMB28.7 million in fiscal 2019 to RMB38.7 million in fiscal 2020, primarily due to increases in the interest expense on bank borrowings and interest expense from lease liabilities.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares decreased by 24.3% from RMB192.8 million in fiscal 2019 to RMB146.0 million in fiscal 2020, primarily due to the changes in the fair value of the preferred shares issued by our Company in connection with our financing activities.

Loss for the year

As a result of the foregoing, our loss for the year increased by 7.1% from RMB304.2 million in fiscal 2019 to RMB325.8 million in fiscal 2020.

Year Ended March 31, 2020 Compared to Year Ended March 31, 2021

Revenues

Our revenues increased by 37.7% from RMB1,099.9 million in fiscal 2020 to RMB1,515.1 million in fiscal 2021. This increase was primarily due to the reduced impact of COVID-19 on our business and results of operations. We have experienced a strong rebound of our business since May 2020, as the Chinese government gradually lifted restrictions and quarantine measures in China.

Revenues generated from (i) general dentistry increased by 39.5% from RMB593.9 million in fiscal 2020 to RMB828.5 million in fiscal 2021, (ii) orthodontics increased by 39.7% from RMB245.0 million in fiscal 2020 to RMB342.3 million in fiscal 2021, (iii) implantology increased by 26.7% from RMB236.5 million in fiscal 2020 to RMB299.6 million in fiscal 2021.

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Cost of revenues

Our cost of revenues increased by 16.4% from RMB988.5 million in fiscal 2020 to RMB1,150.7 million in fiscal 2021, primarily due to (i) an increase in employee benefits expenses as a result of an increase in the headcounts of employees to support our business expansion, and compensation and benefits of our employees; (ii) an increase in raw materials and consumables used as a result of the increase of our revenues; and (iii) increases in depreciation of property, plant and equipment and right-of-use assets in line with our business expansion.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 227.1% from RMB111.4 million in fiscal 2020 to RMB364.4 million in 2021. Our gross profit margin increased from 10.1% in fiscal 2020 to 24.1% in fiscal 2021, primarily due to an increase in our revenues resulting from the recovery in our business as the COVID-19 pandemic came under control in China.

Selling and distribution expenses

Our selling and distribution expenses decreased slightly by 6.7% from RMB84.8 million in fiscal 2020 to RMB79.1 million in fiscal 2021, primarily due to our reduced investment in advertising activities as we increasingly rely on word-of-mouth marketing and the brand awareness that we have successfully built to attract and retain customers.

Administrative expenses

Our administrative expenses increased by 15.6% from RMB112.7 million in fiscal 2020 to RMB130.3 million in fiscal 2021, primarily due to an increase in employee benefits expenses as a result of an increase in the headcounts of administrative personnel to support our business growth.

Research and development expenses

Our research and development expenses remained relatively stable at RMB27.5 million in fiscal 2020 and RMB27.3 million in fiscal 2021, primarily due to our continuous effort in investing in building our research and development team and improving our information technology system.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased by 67.2% from RMB16.7 million in fiscal 2020 to RMB5.5 million in fiscal 2021, primarily due to a decrease in impairment losses on receivables from an associate.

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Operating losses/(profit)

As a result of the foregoing, in fiscal 2020, our operating losses were RMB133.4 million. In fiscal 2021, our operating profit was RMB124.5 million, and our operating profit margin turned from negative 12.1% in fiscal 2020 to 8.2% in fiscal 2021.

Net finance costs

Our net finance costs increased from RMB38.7 million in fiscal 2020 to RMB44.3 million in fiscal 2021, primarily due to increases in interest expense on bank borrowings.

Loss for the year

As a result of the foregoing, our loss for the year increased from RMB325.8 million in fiscal 2020 to RMB597.8 million in fiscal 2021.

Six Months Ended September 30, 2020 Compared to Six Months Ended September 30, 2021

Revenues

Our revenues increased by 16.8% from RMB720.3 million for the six months ended September 30, 2020 to RMB841.3 million for the same period in 2021, in line with the recovery in our business as the COVID-19 pandemic came under control in China.

Revenues generated from (i) general dentistry increased by 15.0% from RMB390.2 million for the six months ended September 30, 2020 to RMB448.8 million for the same period in 2021, primarily because our capacity for offering general dentistry services during the former period was limited by the stricter infection control and precautionary measures we took in line with the government guidance for containing the COVID-19, (ii) orthodontics increased by 12.9% from RMB176.9 million for the six months ended September 30, 2020 to RMB199.7 million for the same period in 2021, (iii) implantology increased by 29.0% from RMB134.9 million for the six months ended September 30, 2020 to RMB174.1 million for the same period in 2021.

Cost of revenues

Our cost of revenues increased by 21.7% from RMB537.5 million for the six months ended September 30, 2020 to RMB653.9 million for the same period in 2021, primarily due to increases in (i) employee benefits expenses as a result of a policy implemented by the PRC government in 2020 in response to COVID-19 that exempted employers from payment of social security through the end of 2020, and (ii) raw materials and consumables used in line with our business growth.

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From April to December 2020, we were exempted from payment of social insurance expenses of RMB38.6 million recorded as employee benefits expenses allocated to cost of revenues and expense items below gross profit (i.e., selling and distribution expenses, administrative expenses, and research and development expenses). We were not entitled to any further exemption from social insurance payment in fiscal 2022 up to the Latest Practicable Date.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 2.6% from RMB182.8 million for the six months ended September 30, 2020 to RMB187.5 million for the same period in 2021. Our gross profit margin decreased from 25.4% for the six months ended September 30, 2020 to 22.3% for the same period in 2021, primarily due to increases in employee benefits expenses as a result of the social security exemption policy implemented by the PRC government in 2020 as described above.

Selling and distribution expenses

Our selling and distribution expenses increased by 2.7% from RMB37.4 million for the six months ended September 30, 2020 to RMB38.4 million for the same period in 2021, primarily due to increases in employee benefits expenses as a result of our increased headcounts of sales team in 2021 and the social security exemption policy implemented by the PRC government in 2020 as described above.

Administrative expenses

Our administrative expenses increased by 44.3% from RMB71.4 million for the six months ended September 30, 2020 to RMB103.0 million for the same period in 2021, primarily due to (i) the listing expenses of RMB22.5 million we incurred in the six months ended September 30, 2021 and (ii) the increased employee benefits expenses as a result of the social security exemption policy implemented by the PRC government in 2020 as described above and our increased headcounts of administrative personnel in 2021.

Research and development expenses

Our research and development expenses increased by 18.4% from RMB8.7 million for the six months ended September 30, 2020 to RMB10.3 million for the same period in 2021, primarily due to increases in employee benefits expenses resulting from the social security exemption policy implemented by the PRC government in 2020 as described above.

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Net impairment (losses)/gains on financial assets

Our net impairment (losses)/gains on financial assets changed from net impairment losses of RMB2.1 million for the six months ended September 30, 2020 to net impairment gains of RMB4.5 million for the same period in 2021, primarily because the loan to an ordinary shareholder was settled as of the Latest Practicable Date and the loss allowance previously recognized was reversed for the six months ended September 30, 2021.

Operating profit

As a result of the foregoing, our operating profit decreased by 34.7% from RMB66.0 million for the six months ended September 30, 2020 to RMB43.1 million for the same period in 2021, and our operating profit margin, which represents operating profit for the period as a percentage of total revenues, decreased from 9.2% for the six months ended September 30, 2020 to 5.1% for the same period in 2021.

Net finance costs

Our net finance costs increased by 35.6% from RMB19.4 million for the six months ended September 30, 2020 to RMB26.3 million for the same period in 2021, primarily due to transaction cost on issuance of Series E convertible redeemable preferred shares of RMB9.2 million, partially offset by an increase in finance income of RMB1.5 million and a decrease of interest expense on borrowings of RMB2.5 million.

Fair value changes of convertible redeemable preferred shares

Our fair value changes of convertible redeemable preferred shares increased from RMB215.2 million for the six months ended September 30, 2020 to RMB428.1 million for the same period in 2021, primarily due to (i) the increase of our valuation as a result of the business growth, and (ii) the increased shares interests owned by preferred shares holders after the issuance of Series E convertible redeemable preferred shares.

Loss for the period

As a result of the foregoing, our loss for the period increased from RMB187.9 million for the six months ended September 30, 2020 to RMB464.2 million for the same period in 2021.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from operations of our dental hospitals and clinics. As of March 31, 2019, 2020 and 2021 and as of September 30, 2021, we had cash and cash equivalents of RMB168.5 million, RMB172.6 million, RMB676.3 million and RMB1.1 billion, respectively.

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Cash flows

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

	For the Year Ended March 31,			For the Six Months Ended September 30,	
	2019	2020	2021	2020	2021
	(RMB in thousands)				
	(unaudited)				
Operating cash flows before					
changes in working capital	114,841	109,424	357,798	179,370	155,194
Changes in working capital	25,613	52,181	(107,539)	(53,903)	(2,347)
Cash generated from operations	140,454	161,605	250,259	125,467	152,847
Income tax paid	(3,645)	(7,311)	(7,389)	(772)	(7,619)
Net cash generated from operating activities	136,809	154,294	242,870	124,695	145,228
Net cash (used in)/generated from investing activities	(309,309)	(109,594)	61,753	(142,272)	(30,556)
Net cash generated from/(used in) financing activities	34,444	(43,847)	217,513	158,380	333,370
Net (decrease)/increase in cash and cash equivalents	(138,056)	853	522,136	140,803	448,042
Cash and cash equivalents at the beginning of the year/period	290,385	168,457	172,618	172,618	676,304
Effects of exchange rate changes on cash and cash equivalents	16,128	3,308	(18,450)	(6,981)	(3,762)
Cash and cash equivalents at the end of the year/period	168,457	172,618	676,304	306,440	1,120,584

Net cash inflow from operating activities

For the six months ended September 30, 2021, net cash inflow from operating activities was RMB145.2 million, primarily due to loss before income tax of RMB459.1 million, adjusted to reflect mainly (i) fair value change of convertible redeemable preferred shares of RMB428.1 million mainly due to fair value increase of convertible redeemable preferred shares, (ii) depreciation and amortization of RMB117.5 million, primarily relating to depreciation of property, plant and equipment and right-of-use assets, (iii) fair value change of bond of RMB22.7 million due to fair value increase of the bond, (iv) net finance costs of RMB26.3 million mainly relating to transaction costs on issuance of Series E convertible redeemable preferred shares and interest expenses of lease liabilities, (v) fair value change of

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warrants of RMB13.7 million due to fair value increase of the warrants, (vi) fair value difference between termination of the warrants and recognition of derivative liabilities of RMB11.1 million due to the termination of the warrant and the recognition of the derivative liabilities, and (vii) changes in working capital. Adjustments for changes in working capital primarily consist of increases in other payables and accruals of RMB25.3 million mainly due to an increase in accrued listing expenses, partially offset by (i) a decrease in contract liabilities of RMB3.6 million, mainly because the dental services we provided had advanced payments made by patients, and (ii) an increase in inventories of RMB12.8 million.

In fiscal 2021, net cash inflow from operating activities was RMB242.9 million, primarily due to loss before income tax of RMB581.7 million, adjusted to reflect mainly (i) depreciation and amortization of RMB229.0 million, primarily relating to depreciation of property, plant and equipment and right-of-use assets, (ii) fair value change of convertible redeemable preferred shares of RMB424.3 million mainly due to fair value increase of the convertible redeemable preferred shares, (iii) re-designation to Series E preferred shares from ordinary and preferred shares of RMB196.7 million, (iv) net finance costs of RMB44.3 million mainly relating to interest expense of bank loans and lease liabilities, (v) fair value change of warrant of RMB26.8 million due to fair value increase of the warrant, (vi) fair value change of bond of RMB16.7 million due to fair value increase of the bond, and (vii) changes in working capital. Adjustments for changes in working capital primarily consist of (i) an increase in trade and other receivable of RMB54.0 million mainly due to increased sales from the growth of our business, (ii) an increase in prepayment of RMB47.2 million mainly due to an increase in purchases, (iii) a decrease in contract liabilities of RMB28.6 million mainly because we were able to begin to resume normal operations after a period impacted by COVID-19 to provide dental services for which we had received advanced payments; partially offset by (i) an increase in other payables and accruals of RMB25.8 million mainly due to an increase in payables to related parties.

In fiscal 2020, net cash inflow from operating activities was RMB154.3 million, primarily due to loss before income tax of RMB320.9 million, adjusted to reflect mainly (i) depreciation and amortization of RMB222.6 million, primarily relating to depreciation of property, plant and equipment and right-of-use assets, (ii) fair value change of convertible redeemable preferred shares of RMB146.0 million mainly due to fair value increase of the convertible redeemable preferred shares, (iii) net finance costs of RMB38.7 million mainly relating to interest expense of bank loans and lease liabilities, (iv) impairment loss on financial asset of RMB16.7 million mainly related to impairment of losses on receivable from an associate; and (v) changes in working capital. Adjustments for changes in working capital primarily consisted of (i) an increase in contract liabilities of RMB74.8 million mainly due to increased dental services obligations to be satisfied as a result of the temporary suspension of our operations caused by COVID-19, partially offset by (ii) an increase in trade and other receivables of RMB3.8 million mainly due to an increase in sales along with the growth of our business.

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In fiscal 2019, net cash inflow from operating activities was RMB136.8 million, primarily due to loss before income tax of RMB315.5 million, adjusted to reflect mainly (i) depreciation and amortization of RMB181.4 million, primarily relating to depreciation of property, plant and equipment and right-of-use assets, (ii) fair value change of convertible redeemable preferred shares of RMB192.8 million mainly due to fair value increase of the convertible redeemable preferred shares, (iii) net finance costs of RMB28.7 million mainly relating to interest expense of bank loans and lease liabilities, and (iv) changes in working capital. Adjustments for changes in working capital primarily consisted of (i) an increase in other payables and accruals of RMB54.7 million mainly due to an increase in payables to related parties, (ii) an increase in contract liabilities of RMB39.9 million mainly due to increased dental services obligations to be satisfied, partially offset by (iii) an increase in trade and other receivables of RMB44.6 million mainly due to an increase in sales along with the growth of our business, (iv) an increase in prepayments of RMB21.0 million mainly due to an increase in purchases.

Net cash used in investing activities

During the Track Record Period, our cash outflows used in investing activities primarily consist of (i) redemption for property, plant and equipment; (ii) payments for financial assets at fair value through profit related to bank structured deposits, (iii) payments for time deposits related to restricted cash and time deposits with original maturity over three months, (iv) payment for acquisition of subsidiary, net of cash acquired, and (v) loans to employees; while our cash inflows from investing activities were primarily from the (i) proceeds from maturity of financial assets at fair value through profit related to bank structured deposits, and (ii) proceeds from maturity of time deposits related to restricted cash and time deposits with original maturity over three months.

For the six months ended September 30, 2021, net cash used in investing activities was RMB30.6 million, primarily due to (i) proceeds from financial assets at fair value through profit of RMB85.4 million and interest received of RMB3.7 million, partially offset by (i) payments for financial assets at fair value through profit or loss of RMB40.2 million, (ii) payments for property, plant and equipment of RMB44.3 million and (iii) payments for computer software of RMB4.9 million.

In fiscal 2021, net cash generated from investing activities was RMB61.8 million, primarily due to (i) redemption of pledged deposits of RMB150.0 million, and (ii) proceeds from financial assets at fair value through profit of RMB1,137.1 million, partially offset by (i) payments for financial assets at fair value through profit or loss of RMB1,134.8 million, and (ii) payments for property, plant and equipment of RMB29.4 million.

In fiscal 2020, net cash used in investing activities was RMB109.6 million, primarily due to (i) payments for financial assets at fair value through profit or loss of RMB289.1 million, (ii) payments for property, plant and equipment of RMB57.8 million, and (iii) loans to employees of RMB12.0 million, partially offset by repayment of pledged deposits of RMB150.2 million.

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In fiscal 2019, net cash used in investing activities was RMB309.3 million, primarily due to (i) payments for property, plant and equipment of RMB152.9 million, (ii) payments for financial assets at fair value through profit or loss of RMB184.0 million, (iii) loans to employees of RMB23.9 million, offset by (i) redemption of pledged deposits of RMB68.7 million, (ii) proceeds from financial assets at fair value through profit or loss of RMB176.3 million.

Net cash used in financing activities

During the Track Record Period, our cash inflows from financing activities were primarily from the proceeds from (i) bank borrowings, (ii) issuance of convertible redeemable preferred shares, and (iii) issuance of bond; while our cash outflows from financing activities were primarily for the (i) repayment of bank borrowings and (ii) payment of the principal elements of lease payments.

For the six months ended September 30, 2021, net cash generated from financing activities was RMB333.4 million, primarily due to (i) proceeds from issuance of convertible redeemable preferred shares of RMB475.6 million, (ii) proceeds from borrowings of RMB69.1 million, partially offset by (i) principal elements of lease payments of RMB86.6 million, (ii) repayment of borrowings RMB87.6 million and (iii) transaction cost on issuance of Series E convertible redeemable preferred shares of RMB9.2 million.

In fiscal 2021, net cash inflows from financing activities was RMB217.5 million, primarily due to the proceeds from (i) issuance of convertible redeemable preferred shares of RMB296.9 million, (ii) bank borrowings of RMB297.9 million, and (iii) proceeds from issuance of bond of RMB200.0 million, partially offset by (i) repayment of bank borrowings of RMB367.4 million, (ii) payment of the principal elements of lease payments of RMB 156.6 million and (iii) interest payment on bank borrowings and lease liabilities of RMB56.8 million.

In fiscal 2020, net cash used in financing activities was RMB43.8 million, primarily due to (i) payment of the principal elements of lease payments of RMB121.3 million, (ii) repayment of bank borrowings of RMB178.6 million, and (iii) interest payment on bank borrowings and lease liabilities of RMB43.5 million, partially offset by proceeds from bank borrowings of RMB298.0 million.

In fiscal 2019, net cash generated from financing activities was RMB34.4 million, primarily due to proceeds from borrowings of RMB168.6 million, partially offset by (i) payment of the principal elements of lease payments of RMB97.9 million, (ii) interest paid of RMB32.3 million.

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DISCUSSION OF CERTAIN KEY CONSOLIDATED BALANCE SHEETS ITEMS

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this prospectus.

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Property, plant and equipment	330,479	312,154	260,842	286,150
Right-of-use assets	608,882	595,950	595,114	630,315
Other receivables	179,335	188,900	185,015	102,979
Total non-current assets	1,288,951	1,282,873	1,257,793	1,226,133
Prepayments	78,040	71,440	104,976	125,950
Trade and other receivables	111,745	105,017	155,935	238,801
Financial assets at fair value through profit or loss	12,324	77,104	51,004	6,034
Cash and cash equivalents	168,457	172,618	676,304	1,120,584
Total current assets	586,785	620,118	1,092,961	1,642,523
Total assets	1,875,736	1,902,991	2,350,754	2,868,656
Convertible redeemable preferred shares	2,230,268	–	–	4,072,152
Total non-current liabilities	2,771,979	560,730	549,878	4,662,494
Trade and other payables	278,332	266,470	294,668	324,877
Contract liabilities	163,983	236,263	209,521	193,302
Borrowings	168,636	254,400	194,623	189,507
Convertible redeemable preferred shares	–	2,463,404	3,178,465	–
Bond	–	–	167,345	184,569
Warrants	–	–	71,126	–
Total current liabilities	740,290	3,370,364	4,257,453	1,117,543
Total liabilities	3,512,269	3,931,094	4,807,331	5,780,037
Net current assets/(liabilities)	(153,505)	(2,750,246)	(3,164,492)	524,980

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	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
Share capital	9,938	9,938	9,447	24,882
Reserves	140,959	71,380	239,184	230,515
Accumulated losses	(1,829,231)	(2,146,085)	(2,748,503)	(3,216,932)
Deficit in equity attributable to owners of the Company	<u>(1,678,334)</u>	<u>(2,064,767)</u>	<u>(2,499,872)</u>	<u>(2,961,535)</u>
Non-controlling interests	<u>41,801</u>	<u>36,664</u>	<u>43,295</u>	<u>50,154</u>
Total deficit in equity	<u><u>(1,636,533)</u></u>	<u><u>(2,028,103)</u></u>	<u><u>(2,456,577)</u></u>	<u><u>(2,911,381)</u></u>
Total deficit in equity and liabilities	<u><u>1,875,736</u></u>	<u><u>1,902,991</u></u>	<u><u>2,350,754</u></u>	<u><u>2,868,656</u></u>

Property, plant and equipment

Our property, plant and equipment primarily consist of (i) medical equipment, (ii) office equipment and furniture, (iii) motor vehicles, and (iv) leasehold improvements. The following table sets forth the components of our property, plant and equipment as of the dates indicated.

	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
Medical equipment	149,682	139,784	123,476	123,095
Office equipment and furniture	13,515	12,752	9,839	10,042
Motor vehicles	780	710	571	932
Leasehold improvements	166,502	158,908	126,956	152,081
Total	<u><u>330,479</u></u>	<u><u>312,154</u></u>	<u><u>260,842</u></u>	<u><u>286,150</u></u>

Our property, plant and equipment decreased from RMB330.5 million as of March 31, 2019 to RMB312.2 million as of March 31, 2020, and further decreased to RMB260.8 million as of March 31, 2021, primarily due to depreciation of property, plant and equipment. Our property, plant and equipment increased from RMB260.8 million as of March 31, 2021 to RMB286.2 million as of September 30, 2021, primarily due to renovations and the additions of dental equipment in our newly opened hospitals and clinics and renovation of existing hospitals and clinics.

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Right-of-use assets

Our right-of-use assets represent leases of dental hospitals and clinics, and office space. Our right-of-use assets decreased from RMB608.9 million as of March 31, 2019 to RMB596.0 million as of March 31, 2020, primarily due to depreciation of right-of-use assets, partially offset by the new leases we entered into during the corresponding period. Our right-of-use assets remained stable at RMB595.1 million as of March 31, 2021. Our right-of-use assets increased from RMB595.1 million as of March 31, 2021 to RMB630.3 million as of September 30, 2021, primarily due to the new lease agreements we entered into to establish new hospitals and clinics.

Discussion of Current Assets and Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of March 31,			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				(unaudited)
Current assets:					
Inventories	38,455	37,500	39,036	51,850	51,540
Prepayments	78,040	71,440	104,976	125,950	143,052
Trade and other receivables	111,745	105,017	155,935	238,801	135,716
Financial assets at fair value through profit or loss	12,324	77,104	51,004	6,034	–
Restricted cash	144,097	156,439	65,706	97,304	95,641
Time deposits with original maturity over three months	33,667	–	–	2,000	2,000
Cash and cash equivalents	168,457	172,618	676,304	1,120,584	1,034,385
Total current assets	586,785	620,118	1,092,961	1,642,523	1,462,334

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	As of March 31,			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				(unaudited)
Current liabilities:					
Trade and other payables	278,332	266,470	294,668	324,877	251,457
Contract liabilities	163,983	236,263	209,521	193,302	192,718
Current tax liabilities	4,451	5,891	9,565	8,957	8,957
Borrowings	168,636	254,400	194,623	189,507	118,374
Convertible redeemable preferred shares	–	2,463,404	3,178,465	–	–
Bond	–	–	167,345	184,569	183,109
Warrants	–	–	71,126	–	–
Lease liabilities	124,888	143,936	132,140	119,972	132,681
Derivative liabilities	–	–	–	96,359	95,448
Total current liabilities	<u>740,290</u>	<u>3,370,364</u>	<u>4,257,453</u>	<u>1,117,543</u>	<u>982,744</u>
Net current assets/(liabilities)	<u>(153,505)</u>	<u>(2,750,246)</u>	<u>(3,164,492)</u>	<u>524,980</u>	<u>479,590</u>

Net current assets/liabilities

We had net current liabilities of RMB153.5 million as of March 31, 2019, primarily attributable to (i) trade and other payables, (ii) borrowings, (iii) contract liabilities, and (iv) lease liabilities, partially offset by (i) trade and other receivables, (ii) time deposits, and (iii) cash and cash equivalents.

We recorded net current liabilities of RMB2.8 billion as of March 31, 2020 and RMB3.2 billion as of March 31, 2021, primarily due to the redemption rights of our convertible redeemable preferred shares. Under the shareholder agreement in effect as of March 31, 2020, a holder of such preferred shares may request that the Company redeem the outstanding preferred shares held by such holder if, *inter alia*, no qualified initial public offering occurs by December 31, 2020, or the redemption date. The redemption date was extended to December 31, 2021 pursuant to the amended and restated shareholder agreement dated January 29, 2021. These outstanding convertible redeemable preferred shares were classified as our current liabilities in an amount of RMB2.5 billion and RMB3.2 billion as of each date, respectively, as the holders of these preferred shares can demand us to redeem these preferred shares within one year from each date.

We had net current assets of RMB525.0 million as of September 30, 2021.

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On August 12, 2021, the Shareholders and the Company agreed and executed a legally binding document to modify such redemption date to December 31, 2023.

For details of the risks relating to our net current liabilities position, please refer to the section headed “Risk Factors—Risks Relating to Our Business and Industry—We had net current liabilities and net liabilities during the Track Record Period. We cannot assure you that we will not experience net current liabilities or net liabilities in the future, which could expose us to liquidity risks.” in this prospectus.

Trade receivables

Trade receivables are primarily amounts due from customers for dental materials sold and dental services performed in the ordinary course of business. Trade receivables are classified as current assets if they are expected to be collected in one year or less.

We typically charge our individual patients upon rendering our services. In addition, for our corporate clients, we usually grant them a credit period ranging from 10 to 60 days.

The following table sets forth our trade receivables as of the dates indicated:

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
<i>Current</i>				
Trade receivables	54,303	45,063	88,420	77,679
Less: loss allowance	(13,047)	(12,816)	(15,498)	(15,306)
	41,256	32,247	72,922	62,373

Our trade receivables decreased by 21.8% from RMB41.3 million as of March 31, 2019 to RMB32.2 million as of March 31, 2020, mainly because the COVID-19 pandemic adversely affected our revenues in the fourth quarter of fiscal 2020. Our trade receivables increased from RMB32.2 million as of March 31, 2020 to RMB72.9 million as of March 31, 2021, primarily due to increases in accounts receivables from the commercial and governmental medical insurance programs we collaborated with and customers who purchased our dental materials. Our trade receivables remained relatively stable at RMB62.4 million as of September 30, 2021, primarily because we enhanced our supervision and management on the collection and settlement status of trade receivables.

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The following table sets forth an aging analysis of our trade receivables, based on invoice dates and net of provisions, as of the dates indicated:

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Up to 3 months	16,727	17,542	48,013	44,064
3 to 6 months	11,380	9,418	12,972	10,759
6 months to 1 year	13,610	7,492	10,598	6,612
1 to 2 years	6,963	5,267	5,840	4,191
Over 2 years	5,623	5,344	10,997	12,053
Total	54,303	45,063	88,420	77,679

We recorded trade receivables aged over three months of RMB37.6 million, RMB27.5 million, RMB40.4 million and RMB33.6 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. Trade receivables aged over three months primarily consist of accounts receivables due from governmental medical insurance programs, commercial medical insurance programs and customers of dental materials, as we granted them a longer credit period ranging from three to nine months. Based on the credit quality of the providers of the governmental and commercial medical insurance programs and the customers of dental materials and their historical payment patterns, we believe that the risks associated with the recoverability of such trade receivables are relatively low.

We recorded trade receivables aged over one year of RMB12.6 million, RMB10.6 million, RMB16.8 million and RMB16.2 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. Trade receivables aged over one year primarily consist of (i) accounts receivables due from certain commercial medical insurance companies we collaborated with and (ii) certain customers who purchased our dental materials. (i) We selectively provided a longer credit period to certain reputable commercial medical insurance companies after conducting credit assessment, as we believe that such arrangement would enable us to foster long-term cooperation relationship with them. These commercial medical insurance companies have a good track record with us and have made consistent and regular payments. As such, we believe that the risk associated with the recoverability of such trade receivables are relatively low. (ii) Our accounts receivables due from customers who purchased our dental materials are relatively more difficult to recover. However, due to our low trade receivable concentrations ratio and the fact that no revenue from the our sales to a single customer amounted to 10% or more of our total revenues, the impact of a particular default customer, if any, on our overall trade receivables is relatively limited.

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We have performed impairment analysis on trade receivables to measure the expected credit losses, and we believe that we have made sufficient impairment allowance on trade receivables during the Track Record Period. For further information related to the loss allowances of our trade receivables, see Note 3.1.2 to the Accountant's Report in Appendix I to this prospectus. For risks related to the recoverability of our trade and other receivables, please see "Risk Factors—Risks relating to our business and industry—We are subject to credit risk arising from some of our customers and other parties. Failure to collect on trade and other receivables may have a material adverse effect on our business operations and financial condition."

The following table sets forth the number of turnover days for our trade receivables for the periods indicated:

	For the Year Ended March 31,			For the Six Months
	2019	2020	2021	Ended September 30, 2021
Trade receivables turnover days ⁽¹⁾	17	16	16	18

Note:

- (1) We calculate the trade receivables turnover days using the average of opening and ending balance of trade receivables for a period, divided by revenues for the same period, multiplied by the number of days in such period.

Our trade receivables turnover days were 17 days in fiscal 2019, 16 days in fiscal 2020, 16 days in fiscal 2021, and 18 days for the six months ended September 30, 2021. The increase of turnover days from fiscal 2021 to the six months ended September 30, 2021 was mainly due to increases in accounts receivables from commercial and governmental medical insurance programs.

As of January 31, 2022, RMB59.8 million, or 77.0% of our trade receivables outstanding as of September 30, 2021, was settled.

Other receivables

Our other receivables primarily consist of (i) loans to related parties, (ii) rental deposits, (iii) loans to employees, net of loss allowance.

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The following table sets forth our other receivables as of the dates indicated:

	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
<i>Non-current</i>				
Other receivables				
Loan to an ordinary shareholder	89,315	93,979	87,169	–
Loans to employees	29,968	42,638	41,862	39,457
Rental deposits	49,192	49,440	56,760	56,923
Others	14,733	8,459	5,958	6,599
Less: loss allowance	(3,873)	(5,616)	(6,734)	–
	179,335	188,900	185,015	102,979
<i>Current</i>				
Other receivables				
Loan to an ordinary shareholder	–	–	–	86,025
Loans to related parties	43,738	25,522	24,665	1,253
Amounts due from related parties	32,090	34,027	53,242	70,150
Others	16,300	15,117	8,678	24,525
Less: loss allowance	(21,639)	(1,896)	(3,572)	(5,525)
	70,489	72,770	83,013	176,428
Total other receivables	249,824	261,670	268,028	279,407

Our other receivables included in current assets increased by 3.3% from RMB70.5 million as of March 31, 2019 to RMB72.8 million as of March 31, 2020, and further by 14.0% to RMB83.0 million as of March 31, 2021, primarily due to increases in receivables from related parties. Our other receivables included in current assets increased from RMB83.0 million as of March 31, 2021 to RMB176.4 million as of September 30, 2021, primarily because our loan to an ordinary shareholder was settled in October 2021 and was reclassified as current assets as of September 30, 2021.

Our other receivables included in non-current assets increased by 5.4% from RMB179.3 million as of March 31, 2019 to RMB188.9 million as of March 31, 2020, primarily due to increases in loans to employees. We had other receivables included in non-current assets of RMB185.0 million as of March 31, 2021 and RMB103.0 million as of September 30, 2021.

Our loan to Beier Holdings Limited of US\$13,264,349 was fully settled in October 2021, and all amounts due from related parties and loans to related parties as of September 30, 2021 will be fully settled before the Listing.

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We had loans to employees included in non-current assets of RMB30.0 million, RMB42.6 million, RMB41.9 million and RMB39.5 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. Such loans to employees are one-off, granted on a case-by-case basis under our employee housing benefit plan, or the Housing Benefit Plan, and are not embedded in the employment contract as a stipulated benefit to the relevant employees.

As part of our employee benefit plans, we adopted the Housing Benefit Plan in 2018 for the purpose of incentivizing qualified employees and maintaining a stable and motivated employee force. The following paragraphs summarize the terms of the Housing Benefit Plan.

- *Eligibility.* Employees eligible for the Housing Benefit Plan should satisfy the following requirements: (i) they have been in employment with us for more than two years, (ii) they are first time homebuyers in the cities where they are based, and (iii) they are mid- to upper-level management, such as our regional general managers, director of hospital/clinic, director of operation, department head, or dentists or head nurses with high performance. During their employment with us, each such employee is eligible for one loan under the Housing Benefit Plan.
- *Maximum principal amount.* With respect to employees based in Beijing, Shanghai, Guangzhou and Shenzhen, the principal amount of each loan disbursed should not exceed RMB1 million. With respect to employees based in other cities, the principal amount of each loan disbursed should not exceed RMB500,000. The aggregate principal amount of loans disbursed should not exceed RMB30 million in each year.
- *Interest and repayment.* Loans provided to our employees under the Housing Benefit Plan bears an interest rate of at 2% per annum.
- *Repayment.* The principal and interest thereon shall be repayable (i) in lump sum after five years from the date of disbursement, or (ii) monthly starting from the next year of the date of disbursement in equal installments over 60 months.

During the Track Record Period, loans under the Housing Benefit Plan were provided to 43 eligible employees, including certain of our regional general managers, director of hospital/clinic, director of operation, department head, dentists and head nurses. As of January 31, 2022, RMB33,330.0, or 0.1% of our loans to employees outstanding as of September 30, 2021, was settled.

As advised by our PRC Legal Advisers, such loan arrangements are valid and not in violation of mandatory provisions of PRC laws and administrative regulations.

As of January 31, 2022, RMB160.6 million, or 56.5% of our other receivables outstanding as of September 30, 2021, was settled.

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Trade and other payables

Our trade payables primarily represent the amount due to our suppliers. Our suppliers typically granted us a credit period of 90 days. Trade payables are classified as current liabilities if payment is due within one year or less, and as non-current liabilities if due over one year. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
Trade payables	131,707	124,123	121,320	114,872
Other payables				
Amounts due to minority shareholders	34,946	9,917	16,906	16,685
Amounts due to former shareholders	13,060	4,228	14,366	14,179
Amounts due to related parties	4,512	2,466	21,130	18,841
Loan from a related party	3,618	3,618	3,618	–
Employee benefits payable	54,376	58,510	72,780	98,413
Taxes payable	5,198	11,018	13,417	15,916
Others ⁽¹⁾	30,915	52,590	31,131	45,971
	<u>146,625</u>	<u>142,347</u>	<u>173,348</u>	<u>210,005</u>
Total	<u>278,332</u>	<u>266,470</u>	<u>294,668</u>	<u>324,877</u>

Note:

(1) The following table sets forth a breakdown of others included in our other payables as of the dates indicated:

	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
Employee reimbursement payable	5,797	13,670	6,126	3,905
Social security costs and housing fund contributions payable	2,888	6,572	5,365	295
Leasehold improvement expense payable	4,657	9,407	318	6,986
Listing fee payable	–	–	4,869	21,756

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	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Provision for the risk of not obtaining water discharge licenses and fire safety filings for certain hospitals and clinics	4,315	4,315	4,315	2,315
Suppliers deposits payable	1,395	1,467	1,000	1,551
Property management expense payable	7,084	13,132	5,444	7,975
Advertising and marketing expenses payable	2,467	1,170	283	–
Professional fee payable	1,123	1,009	688	59
Interest payable	–	196	370	–
Other	1,189	1,652	2,353	1,129
Total	30,915	52,590	31,131	45,971

Our trade payables decreased by 5.8% from RMB131.7 million as of March 31, 2019 to RMB124.1 million as of March 31, 2020, primarily because we made fewer procurement activities in the fourth quarter of fiscal 2020 as a result of the adverse impact of COVID-19. Our trade payables decreased by 5.3% from RMB121.3 million as of March 31, 2021 to RMB114.9 million as of September 30, 2021, primarily due to the settlement of our outstanding trade payables.

The amounts due to minority shareholders, former shareholders and related parties during the Track Record Period were mainly 10% of the purchase price in relation to transferred shares withheld for PRC tax purposes. During Series D-3 and Series E financing, the purchasing shareholders paid the selling shareholders via our bank account. We engaged a tax adviser on behalf of the selling shareholders regarding transfer tax filing in the PRC. The amounts due to minority shareholders, former shareholders and related parties as of March 31, 2019, with an aggregate amount of RMB52.5 million, arose from shares purchase activities during Series D-3 financing. The decrease of RMB35.9 million from RMB52.5 million as of March 31, 2019 to RMB16.6 million as of March 31, 2020 was mainly because of the tax payment of RMB34.6 million on behalf of the selling shareholders. The increase of RMB35.8 million from RMB16.6 million as of March 31, 2020 to RMB52.4 million as of March 31, 2021 was due to shares purchase activities during Series E financing, and the further decrease to RMB16.7 million as of September 30, 2021 was because of the fluctuation of foreign exchange rate as the shares purchase price was dominated in U.S. Dollars. We intend to settle the amounts due to minority shareholders, former shareholders and related parties by paying related tax before the Listing, but the actual settlement date still depends on the progress of tax declaration and tax filing with the PRC tax authorities.

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The following table sets forth the aging analysis of our trade and bills payables based on invoice date as of the dates indicated:

	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
Up to 3 months	72,927	67,228	65,180	72,762
3 to 6 months	23,589	26,374	25,535	19,390
6 months to 1 year	17,334	15,387	17,061	10,479
Over 1 year	17,857	15,134	13,544	12,241
Total	131,707	124,123	121,320	114,872

The following table sets forth the number of turnover days for our trade payables for the periods indicated:

	For the Year Ended March 31,			For the Six Months
	2019	2020	2021	Ended September 30, 2021
Trade payables turnover days ⁽¹⁾	77	96	79	72

Note:

- (1) We calculate the trade payables turnover days using the average of opening and ending balance of trade payables for a period, divided by cost of revenues excluding employee benefits expenses for the same period, multiplied by the number of days in such period.

Our trade payables turnover days increased from 77 days in fiscal 2019 to 96 days in fiscal 2020, and decreased to 79 days in fiscal 2021, primarily because our suppliers gave us longer credit periods in fiscal 2020 under COVID-19. Our trade payables turnover days were 72 days for the six months ended September 30, 2021.

As of January 31, 2022, RMB108.7 million, or 94.6% of our trade payables outstanding as of September 30, 2021, was settled.

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Other payables

Our other payables primarily consist of (i) employee benefits payables, (ii) payables due to related parties and shareholders, and (iii) taxes payables.

We had other payables of RMB146.6 million as of March 31, 2019. Our other payables increased by 21.8% from RMB142.3 million as of March 31, 2020 to RMB173.3 million as of March 31, 2021, primarily due to increases in (i) amounts due to minority shareholders, former shareholders and related parties in connection with repurchase of our shares, and (ii) employee benefits payables. Our other payables increased by 21.2% from RMB173.3 million as of March 31, 2021 to RMB210.0 million as of September 30, 2021, primarily due to an increase in employee benefits payable of RMB25.6 million and an increase in listing expenses payable of RMB16.9 million.

As of January 31, 2022, RMB121.5 million, or 57.8% of our other payables outstanding as of September 30, 2021, was settled.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss primarily represent our investments in bank structured deposits and unlisted debt instruments. The bank structured deposits were issued by reputable commercial banks with an expected annual investment return rate ranging from 2.75% to 4.95%.

The unlisted debt instruments represent preferred shares issued by Hangzhou Jarvis Medical Technology Company Limited which represents equity interests of 8.22% in that company. We acquired the preferred shares on March 26, 2021 for consideration of RMB30 million. We consider Hangzhou Jarvis Medical Technology Company Limited to be a reliable procurement platform that we could leverage to procure various dental products, and believe that this investment would help us secure a stable supply of quality dental products and achieve greater operating synergies.

The following table sets forth our financial assets at fair value through profit or loss as of the dates indicated:

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Bank structured deposits	12,324	77,104	51,004	6,034
Unlisted debt instruments	-	-	30,000	30,000
Total	<u>12,324</u>	<u>77,104</u>	<u>81,004</u>	<u>36,034</u>

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The outstanding balance of bank structure deposits included in our financial assets at fair value through profit or loss (i) increased from RMB12.3 million as of March 31, 2019 to RMB77.1 million as of March 21, 2020, primarily because we purchased more bank structured deposits with our available capital resources, and (ii) decreased to RMB51.0 million as of March 31, 2021 and further to RMB6.0 million as of September 30, 2021, primarily because we adopted a more rigorous treasury management strategy and decreased our investment in bank structured deposits.

69.4% of the bank structured deposits we purchased during the Track Record Period were principal-protected. The following table sets forth a credit rating profile of the remaining 30.6% that were not principal-protected:

Credit rating	Principal amount purchased during the TRP (RMB'000)	Percentage of the total principal amount purchased during the TRP
R1 (low-risk)	3,400	0.2%
R2 (low or medium-risk)	344,160	21.2%
R3 (medium-risk)	150,200	9.2%

We intend to continue to purchase principal-protected bank structured deposits taking into account our working capital requirements and the prevailing interest rates and other market conditions. We do not intend to purchase bank structured deposits that are not principal-protected going forward.

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The following tables set forth further details of our bank structured deposits as of the dates indicated:

As of March 31, 2019

Bank structured deposit	Principal amount (RMB'000)	Issuer	Term (days)	Credit rating	Interest rate
1	1,500	Bank A	21	R3 (medium-risk)	3.20%
2	1,500	Bank A	19	R3 (medium-risk)	3.20%
3	950	Bank B	93	R2 (low or medium-risk)	3.70%
4	300	Bank B	108	R2 (low or medium-risk)	3.70%
5	3,000	Bank C	114	R1 (principal-protected)	2.67%
6	150	Bank D	31	R1 (principal-protected)	3.20%
7	2,000	Bank C	72	R1 (principal-protected)	4.24%
8	500	Bank B	27	R2 (low or medium-risk)	2.81%
9	200	Bank B	57	R2 (low or medium-risk)	2.81%
10	500	Bank B	142	R2 (low or medium-risk)	2.81%
11	10	Bank B	241	R2 (low or medium-risk)	2.81%
12	40	Bank B	321	R2 (low or medium-risk)	2.81%
13	200	Bank B	307	R2 (low or medium-risk)	2.81%
14	200	Bank B	401	R2 (low or medium-risk)	3.70%
15	270	Bank B	439	R2 (low or medium-risk)	3.70%
16	130	Bank B	371	R2 (low or medium-risk)	3.70%
17	820	Bank B	448	R2 (low or medium-risk)	3.70%
Total	12,270				

As of March 31, 2020

Bank structured deposit	Principal amount (RMB'000)	Issuer	Term (days)	Credit rating	Interest rate
1	5,000	Bank E	146	R1 (principal-protected)	3.00%
2	10,000	Bank E	106	R1 (principal-protected)	3.00%
3	30,000	Bank F	92	R1 (principal-protected)	3.85%
4	30,000	Bank F	33	R1 (principal-protected)	3.55%
5	1,900	Bank C	114	R1 (principal-protected)	5.05%
Total	76,900				

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As of March 31, 2021

Bank structured deposit	Principal amount	Issuer	Term (days)	Credit rating	Interest rate
	(RMB'000)				
1	9,000	Bank A	78	R3 (medium-risk)	2.75%
2	10,000	Bank A	78	R3 (medium-risk)	2.75%
3	3,000	Bank A	78	R3 (medium-risk)	2.75%
4	9,000	Bank B	58	R2 (low or medium-risk)	3.07%
5	2,000	Bank B	78	R2 (low or medium-risk)	3.07%
6	4,000	Bank B	76	R2 (low or medium-risk)	3.07%
7	2,000	Bank C	114	R1 (principal-protected)	3.42%
8	6,000	Bank C	72	R1 (principal-protected)	4.24%
9	380	Bank B	190	R2 (low or medium-risk)	3.07%
10	750	Bank B	189	R2 (low or medium-risk)	3.07%
11	400	Bank B	124	R2 (low or medium-risk)	3.07%
12	210	Bank B	124	R2 (low or medium-risk)	3.07%
13	4,000	Bank A	69	R3 (medium-risk)	2.75%
Total	50,740				

As of September 30, 2021

Bank structured deposit	Principal amount	Issuer	Term (days)	Credit rating	Interest rate
	(RMB'000)				
1	2,000	Bank C	114	R1 (principal-protected)	3.26%
2	4,000	Bank C	92	R1 (principal-protected)	3.10%
Total	6,000				

During the Track Record Period, our investments were not, whether directly or indirectly, related to securities or debts of companies controlled by, or otherwise related to, any of our shareholders, directors and senior management, and/or the Pre-IPO Investors and/or affiliates of the Joint Sponsors, with the exception of the aforementioned investment in minority equity interests in Hangzhou Jarvis Medical Technology Company Limited, being an associate of Mr. ZOU Qifang and a connected person of our Company. See “Connected Transactions—Our Connected Persons” for more details.

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Fair value measurements

We made judgments and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To indicate the reliability of inputs in determining the fair values, we classified our financial instruments into three levels:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021. As of March 31, 2019 and 2020, we had no level 1 and level 2 financial instruments.

Our valuation of level 3 instruments mainly includes convertible redeemable preferred shares measured at FVPL, unlisted debt instruments at fair value through profit or loss, Bond and Warrants. As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach.

In relation to the valuation of our convertible redeemable preferred shares, Bond, Warrants and unlisted debt instruments at fair value through profit or loss, our Directors, based on the professional advice received, adopted the following procedures: (i) carefully considered available information in assessing the financial forecast and assumptions including but not limited to discount rates, the historical financial performance, market prospects, comparable companies' conditions, economic, political and industry conditions; (ii) engaged independent valuer to appraise the fair value of certain financial instruments that are significant, provided necessary financial and non-financial information to the valuer for the valuer to assess our performed valuation procedures and discussed with the valuer on relevant assumptions; (iii) reviewed the valuation reports prepared by the valuer; (iv) reviewed the terms of the investments we purchased; and (v) built up a team that manages the valuation of the investments on a case by case basis. Based on the above procedures, our Directors are of the view that the valuation of the investments we purchased is fair and reasonable, and our financial statements have been properly prepared.

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The fair value measurement of financial assets at fair value through profit or loss, convertible redeemable preferred shares, bond, warrants and derivative liabilities is set forth in Note 3.3.3, 29, 29.1, 29.2 and 29.3 to the Accountant’s Report in Appendix I to this prospectus, which was issued by the Reporting Accountant in accordance with HKSIR 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on our historical financial information for the Track Record Period as a whole is set out on page I-2 of the Accountant’s Report Appendix I to this prospectus.

The Joint Sponsors have conducted the following independent due diligence work in relation to the level 3 fair value measurement: (i) discussed and interviewed with the external appraiser about the assumptions and methodology used for this valuation; (ii) obtained and reviewed the credentials of the external appraiser to ascertain its expertise and industry experience; (iii) discussed and interviewed with the Company to understand the key basis and assumptions for the valuation of the financial liabilities; and (iv) discussed and interviewed with the Reporting Accountants in respect of audit procedure conducted regarding the valuation. Based upon the due diligence work conducted by the Joint Sponsors as stated above, and having considered the confirmation from the Directors, nothing has come to the Joint Sponsors’ attention that would cause the Joint Sponsors to question the valuation performed by the external appraiser and the Company.

Details of the fair value measurement of the financial assets, particularly the valuation techniques and key inputs, including significant unobservable inputs, are disclosed in Note 3.3 to the Accountant’s Report set out in Appendix I to this prospectus.

Prepayments

Our prepayments primarily consist of (i) prepayments for braces, (ii) incremental cost of obtaining contracts, (iii) prepayments for inventories, (iv) advances on construction and (v) short-term lease prepayments.

The following table sets forth our prepayments as of the dates indicated:

	As of March 31,			As of
	2019	2020	2021	September 30,
				2021
	(RMB in thousands)			
<i>Non-current</i>				
Prepayments for construction	540	9,644	17,259	–
Incremental costs of obtaining contracts	1,901	2,328	1,743	4,170
	2,441	11,972	19,002	4,170

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	As of March 31,			As of
	2019	2020	2021	September 30, 2021
	(RMB in thousands)			
<i>Current</i>				
Prepayments for braces	36,777	37,620	47,597	55,414
Incremental costs of obtaining contracts	12,478	11,245	17,468	17,773
Prepayments for inventories	11,258	9,951	24,036	28,056
Short-term lease prepayments	11,212	7,061	4,222	11,239
Prepayments for services	6,315	5,563	9,696	10,309
Listing fees	-	-	1,957	3,159
	78,040	71,440	104,976	125,950
	80,481	83,412	123,978	130,120

We had prepayments of RMB80.5 million as of March 31, 2019. Our prepayments increased by 48.7% from RMB83.4 million as of March 31, 2020 to RMB124.0 million as of March 31, 2021, primarily due to increases in (i) prepayments for inventories, (ii) prepayments for braces, (iii) advances on construction, (iv) incremental costs of obtaining contracts and (v) other prepayments, which were in line with the expansion of our business. Our prepayments increased by 4.9% from RMB124.0 million as of March 31, 2021 to RMB130.1 million as of September 30, 2021, primarily because of the increase of prepayments for braces, short-term lease payments, listing fee and prepayments for inventories.

Our incremental costs of obtaining contracts represent the commissions to dentists. We pay commissions to our dentists when we procure new contracts of orthodontics and implantology services. The commissions are based on the contract sum of such new contracts. The contract sum of these new contracts was RMB471.8 million, RMB476.7 million, RMB676.6 million and RMB388.2 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, and the total revenues derived from our orthodontics and implantology services were RMB453.9 million, RMB481.4 million, RMB641.8 million and RMB373.7 million during the same periods. During the Track Record Period, the commission rates ranged from 14% to 26%, depending on the types of services and the amount of work our dentists perform under such contracts. The commissions recorded as employee benefits expenses included in cost of revenues were RMB78.7 million, RMB81.9 million, RMB113.4 million and RMB64.8 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, and the commissions paid were RMB81.8 million, RMB81.1 million, RMB119.1 million and RMB68.9 million during the same periods. Our incremental costs of obtaining contracts as of March 31, 2019 were subsequently amortized in full up to January 31, 2022. As of January 31, 2022, RMB13.5 million, RMB13.9 million, RMB16.2 million, or 99.7%, 72.2%, 69.7% of our incremental costs of obtaining contracts as of March 31, 2020 and 2021 and September 30, 2021, respectively, were amortized. Our commission arrangement is in line with industry practice and our commission rate is in line with industry average.

FINANCIAL INFORMATION

Contract liabilities

Our contract liabilities primarily arise from the advance payments made by patients before the delivery of underlying dental services. The following table sets forth contract liabilities included in non-current liabilities and current liabilities as of the dates indicated:

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Non-current				
Contract liabilities	11,180	13,697	11,878	24,531
Current				
Contract liabilities	163,983	236,263	209,521	193,302
Total	<u>175,163</u>	<u>249,960</u>	<u>221,399</u>	<u>217,833</u>

The following table sets forth the aging analysis of our contract liabilities as of the dates indicated:

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Non-current				
Up to 3 months	5,498	6,733	2,975	13,739
3 to 6 months	3,217	3,818	5,099	6,371
6 months to 1 year	2,465	3,146	3,804	4,421
1 to 2 years	-	-	-	-
Over 2 years	-	-	-	-
	11,180	13,697	11,878	24,531
Current				
Up to 3 months	79,875	118,314	94,458	80,418
3 to 6 months	60,240	60,924	53,342	42,611
6 months to 1 year	23,766	56,501	45,838	30,890
1 to 2 years	102	524	15,883	39,383
Over 2 years	-	-	-	-
	163,983	236,263	209,521	193,302
Total	<u>175,163</u>	<u>249,960</u>	<u>221,399</u>	<u>217,833</u>

FINANCIAL INFORMATION

The following table sets forth the settlement amount of revenues recognized from contract liabilities subsequent to the Track Record Period by age group as of January 31, 2022:

	As of January 31, 2022
	(RMB in thousands)
Up to 3 months	56,256
3 to 6 months	14,085
6 months to 1 year	3,974
1 to 2 years	9,419
Total	83,734

WORKING CAPITAL

We recorded net liabilities as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. We recorded net current liabilities as of March 31, 2019, 2020 and 2021, respectively. Our net liabilities and net current liabilities position was primarily due to the impact of our convertible redeemable preferred shares recorded as financial liabilities. See “Financial Information—Discussion of Certain Key Consolidated Balance Sheets Items—Right-of-use assets—Net Current Liabilities” for more details. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, and we, consequently, will return to a net assets position.

We seek to improve our liquidity and profitability as well as ensure our working capital sufficiency going forward by driving our operating cash flow through our expanding dental network. During the Track Record Period, our net cash inflow from operating activities continued to grow from RMB136.8 million in fiscal 2019 to RMB154.3 million in fiscal 2020, and further to RMB242.9 million in fiscal 2021, and from RMB124.7 million for the six months ended September 30, 2020 to RMB145.2 million for the same period in 2021, primarily driven by the growth of our business scale and an increasing capacity of fully-fledged hospitals and clinics. We expect our operating cash flow to further improve as a result of (i) the rapid growth of business scale, (ii) an increasing number of our hospitals and clinics reaching the fully-fledged stage, and (iii) our continued efforts to balance revenue growth and the expansion of our network while achieving and maintaining profitability. As of January 31, 2022, we had RMB1.0 billion in cash and cash equivalents. We will closely monitor the level of our working capital, particularly in view of our strategy to continue enhancing our service capabilities and expanding our geographic footprint.

Taking into account the financial resources available to us, including the estimated net proceeds from the Global Offering, our current cash and cash equivalents and our anticipated cash flows from operations, our Directors are of the view that we have sufficient working capital to meet our present requirements and for at least the next 12 months from the date of this prospectus.

FINANCIAL INFORMATION

INDEBTEDNESS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

	As of March 31			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				(unaudited)
Borrowings	168,636	288,000	218,491	201,557	118,374
Convertible redeemable preferred shares	2,230,268	2,463,404	3,178,465	4,072,152	4,045,421
Bond	–	–	167,345	184,569	183,109
Warrants	–	–	71,126	–	–
Lease liabilities	651,281	653,526	643,147	671,103	701,565
Derivative liabilities	–	–	–	96,359	95,448
Total	3,050,185	3,404,930	4,278,574	5,225,740	5,143,917

Borrowings

During the Track Record Period, we incurred borrowings which were primarily denominated in Renminbi, to finance our capital expenditure and working capital requirements. The following table sets forth a breakdown of our outstanding borrowings as of the dates indicated:

	As of March 31,			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				(unaudited)
Included in non-current liabilities					
Unsecured bank borrowings	–	33,600	5,302	–	–
Secured other borrowings	–	–	18,566	12,050	–
	–	33,600	23,868	12,050	–
Included in current liabilities					
Secured bank borrowings	124,636	143,000	37,800	86,260	73,000
Unsecured bank borrowings	44,000	111,400	143,970	90,394	45,374
Secured other borrowings	–	–	12,853	12,853	–
	168,636	254,400	194,623	189,507	118,374
	168,636	288,000	218,491	201,557	118,374

Note:

(1) For details of our interest-bearing bank borrowings, see Note 27 in Appendix I to this prospectus.

FINANCIAL INFORMATION

The following table sets forth the weighted average interest-rates of our bank borrowings, as of the dates indicated:

	For the Year Ended March 31,			For the Six Months Ended September 30,	For the Ten Months Ended January 31,
	2019	2020	2021	2021	2022
	(In percentages)				
Bank borrowings (secured)	4.62%	4.60%	4.49%	4.59%	4.48%
Bank borrowings (unsecured)	5.25%	5.72%	5.35%	4.62%	4.60%

The following table sets forth the maturity of our bank borrowings as of the dates indicated:

	As of March 31,			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				
(unaudited)					
Secured					
Within one year	124,636	143,000	37,800	86,260	73,000
Unsecured					
Within one year	44,000	111,400	143,970	90,394	45,374
Between one and two years	–	28,800	5,302	–	–
Between two and three years	–	4,800	–	–	–
	44,000	145,000	149,272	90,394	45,374
Total	168,636	288,000	187,072	176,654	118,374

As of January 31, 2022, we had obtained bank loan facilities of RMB470.0 million, of which RMB352.5 million, or 75.0%, was unutilized and available.

FINANCIAL INFORMATION

Convertible Redeemable Preferred Shares

Since the date of incorporation, we have completed several rounds of financing by issuing preferred shares to investors, namely, series A-1 Preferred Shares, series A-2 Preferred Shares, series B Preferred Shares, series C Preferred Shares, series D-1 Preferred Shares, series D-2 Preferred Shares, series D-3 Preferred Shares and series E Preferred Shares.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. We applied the discount cash flow method to determine the underlying equity value of the Company and adopted equity allocation model to determine the fair value of the convertible redeemable preferred shares.

The Preferred Shares shall be converted into ordinary shares at the option of the holders at any time after the considerations of each series of Preferred Shares were fully-paid, or automatically converted into ordinary shares at the then effective applicable conversion price upon the closing of a qualified initial public offering.

The Preferred Shares were classified as non-current liabilities unless the holders of Preferred Share can demand us to redeem the preferred shares within 12 months after the end of the reporting period. The outstanding convertible redeemable preferred shares of RMB2.5 billion and RMB3.2 billion were classified as our current liabilities as of March 31, 2020 and 2021, respectively, as the holders of these preferred shares can demand us to redeem these preferred shares within one year from each date. On August 12, 2021, the Shareholders and the Company agreed and executed a legally binding document to modify such redemption date to December 31, 2023. As a result, no Preferred Share of the Company will be redeemed by any holder of the Preferred Shares in the next twelve months from September 30, 2021, and consequently, the convertible redeemable preferred shares as of September 30, 2021 were classified as non-current liabilities.

The following table sets forth convertible redeemable preferred shares recorded as current liabilities and non-current liabilities as of the dates indicated, respectively:

	As of March 31			As of September 30,	As of January 31,
	2019	2020	2021	2021	2022
	(RMB in thousands)				
					(unaudited)
Current liabilities	–	2,463,404	3,178,465	–	–
Non-current liabilities	2,230,268	–	–	4,072,152	4,045,421
Total	2,230,268	2,463,404	3,178,465	4,072,152	4,045,421

FINANCIAL INFORMATION

The following table sets forth the movements of the convertible redeemable preferred shares as of the dates indicated:

	Convertible redeemable preferred shares (RMB in thousands)
As of April 1, 2018	1,919,112
Change in fair value	175,436
Includes: change in fair value due to own credit risk	(17,382)
Currency translation differences	135,720
	135,720
As of March 31, 2019	2,230,268
Total change in fair value for the year included in “Fair value changes of convertible redeemable preferred shares”	192,818
As of April 1, 2019	2,230,268
Change in fair value	114,723
Includes: change in fair value due to own credit risk	(31,326)
Currency translation differences	118,413
	118,413
As of March 31, 2020	2,463,404
Total change in fair value for the year included in “Fair value changes of convertible redeemable preferred shares”	146,049
As of April 1, 2020	2,463,404
Issuance of preferred shares	296,867
Reclassification of balance due to the re-designation of ordinary shares	10,547
Re-designation to Series E Preferred shares from the Redesignated Shares	196,712
Change in fair value	419,832
Includes: change in fair value due to own credit risk	(4,457)
Currency translation differences	(208,897)
	(208,897)
As of March 31, 2021	3,178,465

FINANCIAL INFORMATION

	<u>Convertible redeemable preferred shares</u> (RMB in thousands)
Total change in fair value for the year included in “Fair value changes of convertible redeemable preferred shares”	424,289
As of April 1, 2021	3,178,465
Issuance of preferred shares	475,585
Change in fair value	453,306
Includes: change in fair value due to own credit risk	25,197
Currency translation differences	(35,204)
	<hr/>
As of September 30, 2021	4,072,152
	<hr/> <hr/>
Total change in fair value for the period included in “Fair value changes of convertible redeemable preferred shares”	428,109
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For further information regarding our convertible redeemable preferred shares, see Notes 2, 29 and 39 to the Accountant’s Report in Appendix I to this prospectus.

Bond

On March 16, 2020, Shenzhen Boquan Enterprise Management Center (Limited Partnership) (深圳博泉企業管理中心(有限合伙)) (“**Investor**”) as the investor, Beijing Ruier as the issuer (“**Issuer**”), the Company and AASPCF3 Project Arrail Ltd, entered into a bond investment agreement (“**Original Bond Investment Agreement**”), pursuant to which the Investor granted a loan in the amount of RMB200 million (“**Bond**”) to the Issuer. On June 29, 2021, the same parties entered into a new bond investment agreement (“**New Bond Investment Agreement**”) to supersede the terms of the Original Bond Investment Agreement. The Bond (as amended by the New Bond Investment Agreement) will become mature on the fourth anniversary of the issuance date, i.e. April 9, 2020. If a qualified initial public offering occurs before December 31, 2022, the Investor is entitled to request the Issuer to repay the loan and the accrued interests within 15 days from the date of such listing. The interest rate of the bond is set at the rate of 5.8% annually and will be paid semi-annually. The Company will voluntarily repay the principal amount of RMB200 million of the Bond, together with interest accrued thereon (if any), with its own capital resources to the Investor before the Listing. For further information regarding our bond, see Notes 29.1 and 39 to the Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

Warrants

On March 16, 2020, the Company, the Investor, Beijing Ruier and AASPCF3 Project Arrail Ltd as warrant holder entered into a Warrant Purchase Agreement (“**Warrant Purchase Agreement**”), pursuant to which the Investor wishes to make an investment in the Company by agreeing to subscribe for the warrants in the registered form to subscribe for Shares up to US\$28,427,666 in the capital of the Company (“**Warrant**”, together with the Warrant Purchase Agreement, the “**Warrant Documents**”). The subscription entitlement shall be determined in accordance with reference to a base valuation equal to US\$880 million. There was no separate consideration received for the issue of Warrant.

On June 29, 2021, the Company, the Investor, Beijing Ruier and AASPCF3 Project Arrail Ltd as warrant holder entered into a deed of termination and undertaking (which is governed by the laws of Hong Kong), pursuant to which, the parties agreed that (i) the Warrant shall be cancelled immediately and the Warrant Documents shall be terminated immediately and irrevocably upon the execution of the deed. Upon the cancellation of the Warrant, the warrant holder shall not have any rights, title and interest in and to the Warrant and warrant documents; (ii) in full consideration of the cancellation and termination of the Warrant Documents (including the removal of the conversion feature of the Bond), the Company shall pay to the warrant holder an amount of US\$15.62 million, which was determined based on the purchase price as agreed in the Warrant Documents and adjusted according to the market capitalization of the Company prior to the IPO estimated by the Investor; (iii) in the event that (y) the Company fails to consummate an initial public offering on or prior to December 31, 2022 (the “**Re-entry Date**”); or (z) the Company contemplates a trade sale, the parties shall, by no later than 5 Business Days from the Re-entry Date (in the case of (y)) or by no later than 30 Business Days before closing of any trade sale (in the case of (z)), re-enter into a warrant purchase agreement, a warrant instrument and the warrant, in each case in form and substance the same with the Warrant Documents (“**New Warrant Documents**”). In the event of (iii), the Company shall not be liable for the payment of the said US\$15.62 million. Upon execution of the deed, the signing parties to the deed acknowledged and agreed that each of the warrant documents should be automatically and irrevocably terminated without any further action required by any party, and each of the warrant documents being thereafter null and void and of no further force or effect, and the rights and obligations of each of the parties thereunder thereby terminated, effective as of June 29, 2021. Any default in payment of consideration of cancellation of the Warrant will not affect termination of the Warrant. The consideration for cancellation of the Warrants has been fully settled by the Company with its own capital resources as of the date of this prospectus.

FINANCIAL INFORMATION

As advised by Lincoln Cheung, barrister-at-law and the Company's legal adviser as to Hong Kong laws, by its terms the deed constitutes an irrevocable and absolute cancellation of the Warrant and termination of warrant documents on June 29, 2021 and in his view the Warrant Holder does not have sufficient legal ground to revoke the cancellation of the Warrant and termination of warrant documents, despite the fact that the amount of US\$15,620,000 has not been settled as of the Latest Practicable Date, and the basis of which is as follows: (1) the natural and ordinary meaning of the deed is clear that both the Company and the warrant holder agreed that (a) upon the execution of the deed, the Warrant and the warrant instrument shall be cancelled and terminated immediately, irrevocably and absolutely from the date of execution; and (b) even if there is any default in payment of the consideration, it will not affect termination of the Warrant. In light of the context, the clear intention of the Company, the warrant holder and the other parties to terminate and cancel the then existing Warrant and warrant instrument in contemplation of the proposed listing of the Company, and the clear and unequivocal word used in the deed, it is unlikely that the warrant holder has any credible or reasonably arguable argument that it still retains certain rights to revive and reinstate the Warrant and the warrant instrument based on the terms of the deed; (2) on the basis of the information and material provided, there is simply no basis to conclude, or to suggest, that there is any issue of fraud, fraudulent misrepresentation or mistake in entering into the deed by the parties.

For further information regarding our warrants, see Notes 29.2 and 39 to the Accountant's Report in Appendix I to this prospectus.

Lease Liabilities

We recognized total lease liabilities of RMB651.3 million, RMB653.5 million, RMB643.1 million and RMB671.1 million as of March 31, 2019, 2020 and 2021 and September 30, 2021, respectively. Our lease liabilities were RMB701.6 million as of January 31, 2022.

Derivative Liabilities

We recognized derivative liabilities of nil as of March 31, 2019, 2020, and 2021, respectively, and RMB96.4 million as of September 30, 2021, relating to the termination of the Warrants on June 29, 2021. Our derivative liabilities were RMB95.4 million as of January 31, 2022. For further information regarding our derivative liabilities, see Note 29.3 to the Accountant's Report in Appendix I to this prospectus.

Our Directors confirm that there was no delay or default in the repayment of borrowings during the Track Record Period. Our Directors also confirm that they are not aware of any breach of any of the covenants contained in our bank loan arrangements and other borrowing arrangements or any event of default during the Track Record Period and up to the Latest Practicable Date, nor are they aware of any restrictions that will limit our ability to drawdown on our unutilized facilities.

FINANCIAL INFORMATION

Contingent Liabilities

As of March 31, 2019, 2020 and 2021 and September 30, 2021, we did not have any material contingent liabilities, guarantees, or legal, arbitration or administrative proceedings pending or threatened against us that we expect would materially adversely affect our financial position or results of operations.

Off-balance Sheet Commitments and Arrangements

As of September 30, 2021, we had not entered into any off-balance sheet transactions.

Save as disclosed above, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings, or similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities. Our Directors have confirmed that, except as disclosed above, we do not currently have any concrete and material external financing plans outside our ordinary course of business.

CAPITAL EXPENDITURES

Capital expenditures represent purchase of property, equipment and intangible assets. For fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, we incurred capital expenditures of RMB167.8 million, RMB72.1 million, RMB34.0 million and RMB66.4 million, respectively.

We expect to incur capital expenditure of approximately RMB200 million in fiscal 2022, primarily related to the expansion and renovation of dental clinics. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering, bank facilities and other borrowings, as well as cash generated from operations.

COMMITMENTS

Capital Commitments

As of March 31, 2019, 2020 and 2021 and September 30, 2021, we had capital commitments on property, plant and equipment of RMB21.3 million, RMB12.6 million, RMB16.1 million and RMB10.0 million, respectively.

RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subjected to common control. Members of our key management and their close family members are also considered as related parties. For more detailed discussion on related party transactions, see Note 35 to the Accountant's Report in Appendix I to this prospectus. Going forward, we will continue to engage in certain transactions with related parties.

FINANCIAL INFORMATION

Our Directors believe that the related party transactions were carried out on an arm's length basis and will not distort our results during the Track Record Period or make such results not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	Year ended March 31,			For the six months ended September 30,	
	2019	2020	2021	2020	2021
				(unaudited)	
Profitability ratios					
Gross profit margin ⁽¹⁾ (%)	15.2	10.1	24.1	25.4	22.3
Net profit/(loss) margin ⁽²⁾ (%)	(28.2)	(29.6)	(39.5)	(26.1)	(55.2)
Non-IFRS Measures					
Adjusted EBITDA margin ⁽³⁾ (%)	8.2	7.9	22.8	24.3	20.3
Adjusted net (loss)/profit margin ⁽⁴⁾ (%)	(10.2)	(16.3)	3.7	4.8	3.7
Capital adequacy ratio					
Gearing ratio ⁽⁵⁾ (%)	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) Gross profit margin is calculated based on gross profit divided by revenues and multiplied by 100%.
- (2) Net loss margin is calculated based on net loss divided by revenues and multiplied by 100%.
- (3) Adjusted EBITDA margin equals adjusted EBITDA divided by revenues and multiplied by 100%. We define adjusted EBITDA as EBITDA (which is loss for the year/period plus income tax credit/(expenses), depreciation and amortization expenses and net finance costs) for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of the warrants and recognition of derivative liabilities, and (viii) fair value changes of derivative liabilities. For further details, see “—Non-IFRS Measures.”
- (4) Adjusted net (loss)/profit margin equals adjusted net (loss)/profit divided by revenues and multiplied by 100%. We define adjusted net (loss)/profit for the year/period as loss for the year/period adjusted by adding (i) re-designation to Series E preferred shares from ordinary and preferred shares, (ii) fair value change of convertible redeemable preferred shares, (iii) fair value change of warrants, (iv) share-based compensation expenses, (v) listing expenses, (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of warrants and recognition of derivative liabilities, (viii) transaction cost on issuance of Series E convertible redeemable preferred shares, and (ix) fair value changes of derivative liabilities. For further details, see “—Non-IFRS Measures.”
- (5) Gearing ratio is calculated based on total borrowings divided by total equity and multiplied by 100%. Gearing ratio is not applicable to us during the Track Record Period due to our negative equity position.

FINANCIAL INFORMATION

See “—Period-to-Period Comparison of Results of Operations” in this section for a discussion of the factors affecting our operating margin during the respective periods.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. We regularly monitor our exposure to these risks. Risk management is carried out by our senior management.

Market risk

Foreign exchange risk

Foreign exchange risk primarily arises when recognized assets and liabilities are denominated in a currency other than our functional currency. We manage the foreign exchange risk by minimizing non-functional currency transactions.

The exchange rates of Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in the PRC’s political and economic conditions. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from this Offering into Renminbi for our operations, appreciation of Renminbi against Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive.

However, since we operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that our business is not exposed to significant foreign exchange risk as there are no significant assets or liabilities which are denominated in the currencies other than our functional currency.

For fiscal 2019 and 2020, we had currency translation losses of RMB107.7 million and RMB101.3 million, respectively. For fiscal 2021 and the six months ended September 30, 2020 and 2021, we had currency translation gains of RMB179.7 million, RMB89.2 million and RMB32.0 million, respectively. Such currency translation differences represent the differences arising from the translation of the financial statements of some of our entities that have a functional currency different from the reporting currency of Renminbi for our financial statements, and are recognized as other comprehensive income/(loss) in our consolidated statements of comprehensive loss. During the Track Record Period, the currency translation differences are mainly arisen from the translation of the financial statements of our Company from its functional currency United States dollars to the reporting currency of Renminbi.

FINANCIAL INFORMATION

Cash flow and fair value interest rate risk

Our interest rate risk arises from short-term and long-term borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash held at variable rates. Bank borrowings obtained at fixed rates expose us to fair value interest rate risk. We have not entered into interest rate swaps to hedge against the exposure to changes in fair values of the borrowings. We will, however, continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, time deposits with original maturity over three months as well as credit exposures to customers and other counterparties, including outstanding receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet.

Liquidity risk

Due to the dynamic nature of the underlying business, our policy is to regularly monitor the liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, short-term time deposits and investments in bank structured deposits or to retain adequate financing arrangements to meet the liquidity requirements.

DIVIDENDS

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to our shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our shareholders such interim dividends as appear to our Directors to be justified by the operating loss of our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

FINANCIAL INFORMATION

No dividend had been paid or declared by our Company during the Track Record Period.

The amount of dividend actually distributed to our shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend. We currently intend to retain most, if not all, of our available funds and any future earnings after the Global Offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future.

LISTING EXPENSES

We expect to incur a total of approximately HK\$90.3 million of listing expenses in connection with the Global Offering, representing approximately 13.3% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$14.62 per Offer Share, and assuming that the Over-allotment Option is not exercised), among which (a) underwriting-related expenses, including underwriting commission and other expenses, are expected to be approximately HK\$27.2 million and (b) non-underwriting-related expenses are expected to be approximately HK\$63.1 million, comprising (1) fees and expenses of legal advisers and accountants of approximately HK\$44.9 million and (2) other fees and expenses of approximately HK\$18.2 million. Listing expenses consist primarily of underwriting commission and professional fees. Listing expenses of approximately HK\$39.1 million were incurred on or before September 30, 2021, of which HK\$35.2 million was charged to our consolidated income statements, while the remaining amount of HK\$3.9 million was capitalized as a prepayment and will be subsequently charged to equity upon completion of the Global Offering. We estimate we will further incur underwriting commission and other listing expenses of approximately HK\$51.2 million after September 30, 2021, of which HK\$30.5 million will be charged to our consolidated income statements, and HK\$20.7 million is expected to be accounted for as a deduction from equity upon the completion of Global Offering. The listing expenses disclosed above are the best estimate as of the Latest Practicable Date and for reference only. The actual amount may differ from this estimate.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity owners of our Company as of September 30, 2021 as if the Global Offering had taken place on that date.

FINANCIAL INFORMATION

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Company had the Global Offering been completed as of September 30, 2021 or at any future dates.

Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as of September 30, 2021 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Conversion of redeemable preferred shares into ordinary shares upon Listing ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as of September 30, 2021	Unaudited pro forma adjusted consolidated net tangible assets per Share ⁽⁴⁾⁽⁵⁾		
(RMB in thousands)				RMB	HK\$	
Based on an Offer Price of HK\$14.62 per share	<u>(3,088,343)</u>	<u>504,139</u>	<u>4,072,152</u>	<u>1,487,948</u>	<u>3.22</u>	<u>4.00</u>

Notes:

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity owners of the Company as of September 30, 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of our Company attributable to the equity owners of the Company as of September 30, 2021 of RMB2,961,535,000 with adjustments for the intangible assets and goodwill as of September 30, 2021 of RMB28,341,000 and RMB98,467,000, respectively.
- (2) The estimated net proceeds from the Global Offering are based on 46,527,500 new Shares and the indicative Offer Price of HK\$14.62 per share, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB28,388,000 which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into ordinary shares on a one to one basis. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB4,072,152,000, being the carrying amounts of the Preferred Shares as of September 30, 2021.
- (4) The unaudited pro forma consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 461,619,350 Shares (excluding the 119,972,600 ordinary shares (after Share Subdivision) that was issued and will be granted pursuant to the RSU Plan subsequent to September 30, 2021) were in issue assuming that the Global Offering and Share Subdivision have been completed on September 30, 2021 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates. No other events after the reporting period affect the unaudited pro forma consolidated net tangible assets as of September 30, 2021.

FINANCIAL INFORMATION

- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of HK\$1 to RMB0.8065. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to September 30, 2021.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since September 30, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I to this prospectus save as otherwise disclosed in “—Impact of COVID-19 Pandemic on our Business and Financial Performance—Recent Resurgence of Regional COVID-19 Outbreaks” above.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND PROSPECTS

See “Business—Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$14.62 per Offer Share, we estimate that we will receive net proceeds of approximately HK\$589.9 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and assuming the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes and in the amounts set out below, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 75%, or HK\$442.4 million, will be used for business expansion, opening new Arrail and Rytime hospital and clinics in existing and new cities. To facilitate our expansion, we aim to continue our dual-brand strategy to expand rapidly across a variety of regions and locations, catering to the demand and growth potential for high-quality dental services in the up- and middle- markets, and tapping into a more diverse patient pool to fuel further growth. Although we slowed down our expansion plan and opened only 2 hospitals and clinics in fiscal 2021 due to the impact of the COVID-19 pandemic, we resumed our expansion plan and expect to open more than 10 new hospitals and clinics each year beginning from fiscal 2022. Please refer to the table below for details.

New Hospitals and Clinics	Year ended March 31,						Total
	2022	2023	2024	2025	2026	2027	
Hospitals and clinics by numbers							
Arrail Dental							
Clinics	4	4	5	5	7	7	32
Rytime Dental							
Hospitals	2	3	3	4	4	5	21
Clinics	4	5	9	11	16	20	65
Total	10	12	17	20	27	32	118
Hospitals and clinics by chairs	160	210	260	350	390	440	1,810

To avoid cannibalization among our own dental hospitals and clinics, we generally avoid opening a new store within a three-kilometer radius of an existing store in each city.

FUTURE PLANS AND USE OF PROCEEDS

The annual targets of our planned business expansion are not completely fixed. The actual number, location, timing and type of new hospitals and clinics to be opened in any period will be affected by a number of factors and some of them are beyond our control, particularly the duration and impacts of the COVID-19 pandemic. We may make necessary adjustment to our expansion plan depending on market conditions, status of preparation of new hospitals and clinics and other relevant factors, to strike a balance between our business expansion and profitability.

We assess new locations for our hospitals and clinics based on a variety of factors, including: (i) transportation factors such as proximity to public transport, (ii) commercial viability including proximity to public hospitals, and (iii) cost factors such as rental rate levels. Among such, we plan on, but are not limited by:

- dedicating approximately 55%, or HK\$324.4 million, to further increase our penetration and grow our footprint in existing and emerging Tier-1 cities and existing Tier-2 cities. We plan to open (i) a total of 32 new clinics under our Arrail Dental brand assuming an average of 10 chairs per clinic, and (ii) a total of 46 new hospitals and clinics under our Rytme Dental brand assuming an average of 40 chairs per hospital and 10 chairs per clinic within six years. We aim to target prime locations in Grade A office buildings or in high-end shopping malls or residential areas to service more consumers; and
- dedicating approximately 20%, or HK\$118.0 million, to further our expansion into new key Tier-2 cities. We plan to open a total of 40 new hospitals and clinics under our Rytme Dental assuming an average of 40 chairs per hospital and 10 chairs per clinic within six years. We aim to target middle market consumers across emerging metropolitans in the Northern, Eastern, Southern and Western parts of China. In these regions, we plan to identify key locations in residential areas where accessibility to customers and families are high;
- approximately 15%, or HK\$88.5 million, will be used to build and optimize our IT infrastructure including but not limited to (i) the expansion of our online knowledge sharing and teaching platform to encourage our dentists to exchange practical skills, (ii) continuously upgrading our CRM software to deepen our connection with our customers and expanding our membership program; and (iii) upgrading our digital infrastructure to increase operational efficiency and enable services standardization across our network. During the Track Record Period, our expenditures on IT infrastructure were RMB32.1 million, RMB34.4 million, RMB37.7 million and RMB22.4 million for fiscal 2019, 2020 and 2021 and the six months ended September 30, 2021, respectively. We expect to continue to invest in our IT infrastructure, as we believe that our continuous efforts in developing our SaaS systems for optimizing dental operations, procurement, medical record management and patient relationship management will enable our dentists to focus on core treatments and consistently provide high quality dental services to patients across our hospitals and clinics. By further enhancing our customized operating

FUTURE PLANS AND USE OF PROCEEDS

systems, we expect to continue to strengthen our digital infrastructure capabilities, synergize our research and development initiatives, and improve our operational efficiency and the returns on our research and development efforts, which will ultimately benefit our dentists and patients. With our continuous operational expansion, investing in IT infrastructure can allow us to streamline and provide consistently high quality dental healthcare service offerings that meet our standards.

The following table sets forth an expected progress for our use of the net proceeds from the Global Offering for building and optimizing our IT infrastructure:

	Year ended March 31,				
	2022	2023	2024	2025	Total
	(HK\$ in millions)				
SaaS System	7.7	7.7	7.7	7.8	31.0
Client relationship management software	5.5	5.5	5.5	5.6	22.2
Electronic medical records system	3.3	3.3	3.3	3.4	13.3
Smart software technologies	2.2	2.2	2.2	2.2	8.8
Digital operating and analytical technologies	2.2	2.2	2.2	2.2	8.8
Diagnostic assistant technologies	1.1	1.1	1.1	1.1	4.4
Total	22.0	22.0	22.0	22.4	88.5

In particular, we plan to, but are not limited by:

- dedicating approximately 5.25%, or HK\$31.0 million, to continuously upgrading our SaaS System with an aim to cover every aspect that is integral to our operations with a client-centric approach through creating an online-to-offline management platform that can benefit both ourselves and other stakeholders within the dental industry. Specifically, we plan to invest approximately 1.5750%, or HK\$9.3 million, in further enhancing the functions and security of our SaaS system to create an online-to-offline management platform that can benefit both ourselves and other stakeholders within the dental industry; we will also invest approximately 3.6750%, or HK\$21.7 million, in both hiring top-tier software and systems developers and licensing relevant technologies from third parties;
- dedicating approximately 3.75%, or HK\$22.2 million, to the upgrades of client relationship management software to further empower our dentists to offer quality services and increase the customer engagement through building more tailored and user-friendly platforms. Specifically, we plan to invest 1.6875%, or HK\$10.0 million, to further develop and upgrade the functionality and

FUTURE PLANS AND USE OF PROCEEDS

performance of various modules of our client relationship software, such as customer information management, dedicated follow-up services, consultant performance management and complaint management, as well as to improve software security; we will invest 0.9375%, or HK\$5.5 million, to recruit, train and retain software personnel; we will also invest 1.125%, or HK\$6.7 million, in outsourcing software development;

- dedicating approximately 2.25%, or HK\$13.3 million, to the continuous improvement of our electronic medical records system, which enables us to further enhance quality control of patient information, accumulate meaningful treatment data, provide greater convenience to patients across the country, and encourage knowledge sharing among our dentists. Specifically, we plan to invest approximately 1.125%, or HK\$6.6 million, to deploy software and hardware to integrate our electronic medical records system into our SaaS system, which will enhance our online knowledge sharing and teaching platform and ensure data protection and data security; we will invest approximately 0.45%, or HK\$2.7 million, in additional research and development personnel to continuously enhance and improve the robustness of our electronic medical records system; we will also invest approximately 0.675%, or HK\$4.0 million, in outsourcing software development;
- dedicating approximately 1.50%, or HK\$8.9 million, to the development of a variety of smart software to support our offerings of premium and paperless services targeting the affluent consumers at upmarket locations. Specifically, we plan to invest approximately 0.9750%, or HK\$5.8 million, in purchasing relevant hardware, software and servers and enhancing our system safety; we will invest approximately 0.30%, or HK\$1.8 million, in software development personnel; we will also invest approximately 0.2250%, or HK\$1.3 million, in outsourcing software development;
- dedicating approximately 1.50%, or HK\$8.9 million, to the development of our digital operating and analytical functions, which is expected to strengthen our capability to manage and analyze data we accumulate and improve our operational efficiency. Specifically, we plan to invest approximately 0.9750%, or HK\$5.8 million, in upgrading the digital operating and analytical functions of our existing analytical infrastructure as well as our data security measures to provide technological support for our clinics and hospitals; we will invest approximately 0.2250%, or HK\$1.3 million, in staff costs for digital operation and analysis; we will also invest approximately 0.3%, or HK\$1.8 million, in outsourcing software development;
- dedicating approximately 0.75%, or HK\$4.4 million, to the research and development of diagnostic technologies. Specifically, we plan to invest approximately 0.45%, or HK\$2.7 million, in the development of diagnostic assistant, which serves to enhance our digital infrastructure, improve our

FUTURE PLANS AND USE OF PROCEEDS

operational efficiency, standardize our services and empower our dentists on areas such as X-ray film analysis and orthodontics treatment planning; we will invest approximately 0.225%, or HK\$1.3 million, to both license relevant technologies from third parties and build our in-house research and development team for the development of diagnostic technologies; we will also invest approximately 0.075%, or HK\$0.4 million, in software and system security; and

To carry out these initiatives, we will keep abreast of the latest technology trends, market conditions and take into consideration our budgets and growth strategies when making investments to drive our technological advancement. Given our long-term commitment to technological advancement, we anticipate using this amount prudently and sustainably within three years of the Listing.

According to Frost & Sullivan, it is customary industry practice for participants in the healthcare services and dental services markets to allocate resources to upgrade their IT infrastructure. Improvement of IT infrastructure is considered a key success factor for healthcare services and dental services providers as more and more consumers tend to seek higher quality services, which necessitates the use of advanced technologies and intelligent service systems. A well-developed IT infrastructure empowers healthcare services and dental services providers to streamline their service delivery and enhance their operational efficiency, which in turn would improve their overall profitability.

Since we provide premium dental services mainly targeting upper market consumers who are willing to pay for high quality dental services, we are expected to utilize robust IT infrastructure to facilitate the use and protection of medical data, the management of client relationship, the development of professional training systems and other research and development activities, to improve customer satisfaction and maintain competitiveness in the market. In addition to the market positioning, the proposed spending of the net proceeds from the Global Offering to build and optimize our IT infrastructure is consistent with the implementation of our Company's business strategies. Based on the foregoing, Frost & Sullivan is of the view that the proposed use of proceeds in connection with IT infrastructure upgrades is reasonable and in line with the industry practice.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 10%, or HK\$59.0 million, will be used as working capital to continue to deliver superior dental services to our clients, adopting initiatives including but not limited to:
 - providing training bases at top universities to enhance our dentists' know-hows, encourage specialization across a variety of practices and adopting more ongoing training initiatives; and
 - procuring the best-in-class dental equipment at optimal prices.

Assuming the Over-allotment Option was exercised in full, after deducting the underwriting commission and estimated related expenses payable by our Company, we estimate that the total net proceeds that we would receive would be HK\$589.9 million (assuming an Offer Price of HK\$14.62 per Offer Share). We intend to apply the additional net proceeds to the above uses on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we will hold such funds in short-term interest-bearing accounts at authorized licensed banks.

We will issue announcements, where required, if there is any material change in the use of proceeds mentioned above.

UNDERWRITING

HONG KONG UNDERWRITERS

Morgan Stanley Asia Limited
UBS AG Hong Kong Branch
China International Capital Corporation Hong Kong Securities Limited
Haitong International Securities Company Limited
The Hongkong and Shanghai Banking Corporation Limited
Futu Securities International (Hong Kong) Limited
CMB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 4,653,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this Prospectus and the Application Form. Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this Prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled by written notice to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect:

- (a) there develops, occurs, exists or comes into force:
 - (i) Any event or a series of local, national, regional or international event(s) or circumstance(s) in the nature of force majeure (including any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic and pandemic (including, but not limited to, Severe Acute Respiratory Syndrome (SARS), H1N1, H5N1, COVID-19), outbreak of disease and such related/mutated forms and the escalation of such diseases, accident or interruption or delay in transportation,

UNDERWRITING

economic sanctions, labour disputes, strikes, lock-outs, fire, explosion, flooding, tsunami, earthquake, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) in or directly or indirectly affecting the Cayman Islands, the BVI, Hong Kong, the PRC, the United States or the United Kingdom or the European Union (or any member thereof) (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any change or development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or directly or indirectly affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange or the NASDAQ or the London Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in the Cayman Islands, Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), the PRC, New York (imposed at the US Federal or New York State level or by any other competent authority), the European Union (or any member thereof), London or any of the other Relevant Jurisdictions (declared by the relevant authorities), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions; or
- (v) any new law or regulation or any change or development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions in respect of any jurisdiction relevant to the business operations of any member of the Group; or

UNDERWRITING

- (vii) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including a material devaluation of the Hong Kong dollar or the Renminbi or U.S. dollars against any foreign currencies and a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any contravention by any member of the Group or any Director or senior manager of the Company of the Listing Rules or applicable laws; or
- (ix) any litigation, dispute, legal action or claim of any third party or regulatory, administrative investigation or action being threatened, instigated or announced against any member of the Group, any Director or any of our Controlling Shareholders; or
- (x) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xi) the issue or requirement to issue by the Company of any supplement or amendment to this prospectus, the **GREEN** Application Form or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC; or
- (xii) a materialization of any of the risks set out in the section headed “Risk Factors” of this prospectus; or
- (xiii) that a material portion of the orders placed or confirmed in the book-building process, or of the investment commitments made by any cornerstone investors under agreements signed with such cornerstone investors, have been withdrawn, terminated or cancelled; or
- (xiv) any order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group, which will have a material adverse effect on the Global Offering,

UNDERWRITING

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) (A) has or will have or may have a material adverse effect on the assets, liabilities, business, management, prospects, shareholders' equity, profit, losses, results of operations, performance, position or condition, financial or otherwise, of the Group as a whole; (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering; (C) makes or will make or may make it inadvisable or inexpedient or impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus; or (D) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of any of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) that:
 - (i) any statement contained in the prospectus, the preliminary offering circular, and/or in any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering and the Global Offering (including any supplement or amendment thereto) (collectively, the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or material omission from any of the Offer Related Documents (including any supplement or amendment thereto); or
 - (iii) any material breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

UNDERWRITING

- (iv) any event, act or omission which gives or is likely to give rise to any material liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to Clause 12 under the Hong Kong Underwriting Agreement; or
- (v) any Material Adverse Change (as defined in the Hong Kong Underwriting Agreement); or
- (vi) a Director or the chief financial officer or the chief executive officer of the Company vacating his or her office; or
- (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or
- (viii) a prohibition on the Company, any of the Underwriters, and/or any of the foregoing's respective affiliates for whatever reason from offering, allotting, issuing or selling any of the Shares (including the additional Shares to be purchased by investors procured by, or failing which by, the International Underwriters from the Company pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (ix) the Company withdraws any of the Offer Related Documents or the Global Offering; or
- (x) any expert (other than the Joint Sponsors) has withdrawn its consent to being named as an expert in this prospectus or to the issue of any of the prospectus, the **GREEN** Application Form and the formal notice with the inclusion of its reports, letters and/or legal opinions (as the case may be); or
- (xi) a Director or a member of the Company's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or an authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director in his or her capacity as such.

UNDERWRITING

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that (except pursuant to the Global Offering and the Over-allotment Option) at any time during the period commencing on the date of this prospectus and ending on the expiry of the 6-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities and whether or not such allotment or issuance of shares or securities will be completed within 6 months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed in Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

In accordance with Rule 10.07 of the Listing Rules and the Guidance Letter HKEX-GL 89-16, our Controlling Shareholders have irrevocably and unconditionally undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering and the Over-allotment Option, they shall not and shall procure that the relevant registered holders of the Shares in which they are beneficially interested shall not:

- (a) in the period commencing on the date by reference (the “**Reference Date**”) to which disclosure of their shareholding is made in the Prospectus and ending on the date which is six months from the Listing Date (the “**End Date**”), dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown by this prospectus to be the beneficial owner (the “**Relevant Securities**”); and
- (b) in the period of 6 months commencing from the End Date, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, that they would cease to be the Controlling Shareholders of the Company.

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, the Controlling Shareholders have further irrevocably and unconditionally undertaken to the Stock Exchange and to our Company that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, they shall:

- (i) when either of them pledge or charge any Shares or securities of the Company beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

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- (ii) when either of them receive indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares or securities of the Company will be disposed of, immediately inform our Company of such indications.

We will inform the Stock Exchange as soon as we have been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by the Controlling Shareholders and make a public disclosure in relation to such matters by way of an announcement in accordance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

We have also undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Share Subdivision) and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), we will not, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares), or deposit any Shares or other equity securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company, or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above,

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in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders jointly and severally undertakes to our Company and each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) he or it will not and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him or it and the companies controlled by him or it will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period as defined below).
- (ii) during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), each of our Controlling Shareholders will not, and will procure that the registered holder(s) will not, dispose of, nor enter into any agreement to dispose of or otherwise create an options, rights, interests or encumbrances in respect of, any of those securities referred to in (i) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder as defined in the Listing Rules.

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Indemnity

Each of the Company and our Controlling Shareholders has jointly and severally undertaken, from time to time, to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Underwriting Agreements and any breach by us of the Underwriting Agreements, as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 6,979,000 additional Offer Shares representing not more than 15% of the initial Offer Shares, at the Offer Price to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3.0% of the aggregate Offer Price payable for both the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering and the International Offer Shares offered under the International Offering (including any Offer Shares to be issued pursuant to the exercise of the Over-allotment Option). For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Joint Representatives for their respective accounts an incentive fee up to 1.0% of the Offer Price for each Offer Share.

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Assuming the Over-allotment Option is not exercised at all, the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$90.3 million in total.

Each of the Company and our Controlling Shareholders have agreed to indemnify the Hong Kong Underwriters and International Underwriters for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

The Syndicate Members (except for Morgan Stanley Asia Limited as the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

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In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in the sections headed “Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option” and “Structure and Conditions of the Global Offering—The International Offering—Stabilization”. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters’ Interests in our Company

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Share Subdivision and the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Global Coordinators, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Global Coordinators, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters

The Joint Global Coordinators, the Joint Bookrunners and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Global Coordinators, Joint Bookrunners and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our Shares.

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Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in the sections headed “Structure and Conditions of the Global Offering—The International Offering—Stabilization”, and “Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option”.

Sponsor’s Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 4,653,000 Offer Shares in Hong Kong as described below in the paragraph headed “—The Hong Kong Public Offering” below; and
- (ii) the International Offering of initially 41,874,500 Offer Shares, consisting of the offering of our Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Representatives, as representative of the International Underwriters, have an option to require us to issue and allot up to 6,979,000 additional Offer Shares, representing not more than 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.19% of the Company’s enlarged share capital immediately following the completion of the Share Subdivision and the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 8.0% of the enlarged issued share capital of the Company immediately after completion of the Share Subdivision and the Global Offering (without taking into consideration our Shares that may be allotted and issued or sold upon the exercise of the Over-allotment Option). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 9.1% of the enlarged issued share capital of the Company immediately after completion of the Share Subdivision and the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “—The International Offering—Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed “—The Hong Kong Public Offering—Reallocation and clawback” below.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 4,653,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.80% of the Company's registered share capital immediately after completion of the Share Subdivision and the Global Offering (without taking into consideration our Shares that may be allotted and issued upon the exercise of the Over-allotment Option). Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “—The International Offering—Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 2,326,500 Offer Shares for pool A and 2,326,500 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 2,326,500 Offer Shares are liable to be rejected.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation and clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are to the effect as further described below (the “**Mandatory Reallocation**”):

- (i) 4,653,000 Offer Shares are initially available in the Hong Kong Public Offering, representing approximately 10% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed,

- (ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 13,959,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 18,611,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 23,264,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Sponsors and the Joint Representatives. Subject to the foregoing paragraph, the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters) may in their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Sponsors and the Joint Representatives deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Sponsors and the Joint Representatives (on behalf of the Underwriters) may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 4,653,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 9,306,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he/she/it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the Offer Price of HK\$14.62 per Share in addition to any brokerage, SFC transaction levy, FRC transaction levy and Stock Exchange trading fee payable on each Offer Share. Further details are set out below in the section headed "How to Apply for the Hong Kong Offer Shares".

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

References in this Prospectus to applications, **GREEN** Application Form, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above and the Over-allotment Option, the International Offering will consist of an aggregate of 41,874,500 Offer Shares to be initially offered by the Company.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “—The International Offering—Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that he/she/it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives (on behalf of the International Underwriters).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 6,979,000 additional Offer Shares, representing not more than 15% of the initial Offer Shares, at the Offer Price to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 1.19% of the Company's enlarged share capital immediately following the completion of the Share Subdivision and the Global Offering and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stock Borrowing Agreement

In order to facilitate the settlement of over-allocation in connection with the Global Offering, the Stabilizing Manager, or any person acting for it may choose to borrow up to 6,979,000 Shares, representing not more than 15% of the total number of the Offer Shares initially available under the Global Offering, from Rise Day Holdings Limited pursuant to the Stock Borrowing Agreement.

The stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Rise Day Holdings Limited by the Stabilizing Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Rise Day Holdings Limited or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, (b) the day on which the Over-allotment Option is exercised in full, and (c) such earlier time as the parties to the Stock Borrowing Agreement may from time to time agree in writing;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no consideration will be paid to Rise Day Holdings Limited by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 6,979,000 Shares, which is not more than 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocation for the purpose of preventing or minimising any reduction in the market price;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any deduction in the market price;

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

- (c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option, in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimising any reduction in the market price;
- (e) selling the Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, April 13, 2022. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The Offer Price will be HK\$14.62 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Representatives (on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the Offer Price below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (<http://www.arrailgroup.com>) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price will be final and conclusive. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the number of Offer Shares and/or the Offer Price will not be reduced.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances and subject certain conditions, be reallocated as between these offerings at the discretion of the Joint Representatives.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$589.9 million based on the Offer Price per Share of HK\$14.62 (or if the Over-allotment Option is exercised in full, approximately HK\$687.8 million based on the Offer Price per Share of HK\$14.62).

The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Monday, March 21, 2022 and to be posted on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.arrailgroup.com).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reduction in Offer Price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Representatives (on behalf of the Underwriters) considers it appropriate and together with the Company's consent, the Offer Price may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, the Company will as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering:

- (a) issue a supplemental prospectus, as the relevant laws or government authority or regulatory authorities may require as soon as practicable following the decision to make the change, updating investors of the change in the Offer Price together with an update of all financial and other information in connection with such change;
- (b) extend the period under which the Global Offering was open for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their existing subscriptions; and
- (c) give potential investors who had applied for the Offer Shares the right to withdraw their applications given the change in circumstances.

In the absence of the publication of any such notice, the Offer Price shall under no circumstances be set below the Offer Price indicated in this prospectus. If the number of Offer Shares and/or the Offer Price is reduced, applicants who have submitted an application under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received.

Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the Offer Price and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around March 14, 2022.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting".

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (ii) the execution and delivery of the International Underwriting Agreement on or around March 14, 2022; and
- (iii) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published on the websites of the Company and the Stock Exchange at www.arrailgroup.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Share certificates for the Offer Shares are expected to be issued on Monday, March 21, 2022 but will only become valid certificates of title at 8:00 a.m. on Tuesday, March 22, 2022 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, March 22, 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, March 22, 2022.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 6639.

HOW TO APPLY FOR HONG KONG OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application form for use by the public.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at <http://www.arrailgroup.com>. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of the prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

1. HOW TO APPLY

We will not provide any printed application form for use by the public.

To apply for Hong Kong Offer Shares, you may:

- (1) apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for

HOW TO APPLY FOR HONG KONG OFFER SHARES

Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney’s authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for the Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- (a) have a valid Hong Kong identity card number; and
- (b) provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Cayman Companies Act and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Representatives, the Joint Global Coordinators, the Underwriters, the **White Form eIPO** Service Provider, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Representatives, the Joint Global Coordinators, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Representatives, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

Section 40 of the Hong Kong Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this document acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table below. You are required to pay the amount next to the number you select.

Arrail Group Limited (Stock Code 6639) (HK\$14.62 per Hong Kong Offer Share)							
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS							
No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>		<i>HK\$</i>
500	7,383.68	8,000	118,138.79	70,000	1,033,714.34	1,000,000	14,767,347.67
1,000	14,767.34	9,000	132,906.13	80,000	1,181,387.81	1,200,000	17,720,817.21
1,500	22,151.02	10,000	147,673.48	90,000	1,329,061.29	1,400,000	20,674,286.74
2,000	29,534.69	15,000	221,510.22	100,000	1,476,734.76	1,600,000	23,627,756.27
2,500	36,918.37	20,000	295,346.95	200,000	2,953,469.54	1,800,000	26,581,225.80
3,000	44,302.04	25,000	369,183.70	300,000	4,430,204.30	2,000,000	29,534,695.34
3,500	51,685.72	30,000	443,020.43	400,000	5,906,939.07	2,326,500 ⁽¹⁾	34,356,234.35
4,000	59,069.39	35,000	516,857.18	500,000	7,383,673.84		
4,500	66,453.07	40,000	590,693.91	600,000	8,860,408.60		
5,000	73,836.74	45,000	664,530.65	700,000	10,337,143.37		
6,000	88,604.09	50,000	738,367.39	800,000	11,813,878.13		
7,000	103,371.43	60,000	886,040.86	900,000	13,290,612.91		

Note:

- (1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria set out in the sub-section headed “—2. Who Can Apply” in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, March 9, 2022 until 11:30 a.m. on Monday, March 14, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, March 14, 2022 or such later time under the “—10. Effects of Bad Weather on the Opening and Closing of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “**Arrail Group Limited**” **White Form eIPO** application submitted via the www.eipo.com.hk to support sustainability.

6. APPLYING THROUGH CCASS EIPO SERVICE

General

You may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf. CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Center at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong if you complete an input request.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

Applying through CCASS EIPO service

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant’s stock account on your behalf or your CCASS Investor Participant’s stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person’s benefit and are duly authorized to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Joint Representatives, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Representatives, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Applying through CCASS EIPO service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application, refund of the application monies (including brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, March 9, 2022 – 9:00 a.m. to 8:30 p.m.
Thursday, March 10, 2022 – 8:00 a.m. to 8:30 p.m.
Friday, March 11, 2022 – 8:00 a.m. to 8:30 p.m.
Monday, March 14, 2022 – 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, March 9, 2022 until 12:00 noon on Monday, March 14, 2022 (24 hours daily, except on Monday, March 14, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, March 14, 2022, the last application day or such later time as described in “—10. Effect of Bad Weather on the Opening and Closing of the Application Lists” in this section.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Representatives, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and e-Refund payment instructions/refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Company's Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Company's Register of Members;
- verifying identities of the holders of the Company's Shares;
- establishing benefit entitlements of holders of the Company's Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and its subsidiaries;
- compiling statistical information and profiles of the holder of the Company's Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Company's Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Transfer of personal data

Personal data held by the Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS; any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Hong Kong Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

The Company and its Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the secretary, or the Company's Hong Kong Share Registrar for the attention of the privacy compliance officer.

HOW TO APPLY FOR HONG KONG OFFER SHARES

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, March 14, 2022, the last day for applications, or such later time as described in "10. Effect of Bad Weather on the Opening and Closing of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS eIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an electronic application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

With regard to the announcement of results of allocations under the section headed “Applying through CCASS EIPO service”, the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results.

Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The Offer Price is HK\$14.62 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, FRC transaction levy of 0.00015% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$7,383.68.

You must pay the Offer Price, brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in “—4. Minimum Application Amount and Permitted Numbers”, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy and the FRC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC and the FRC).

For further details on the Offer Price, see the section headed “Structure and Conditions of the Global Offering—Pricing and Allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, March 14, 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, March 14, 2022 or if there is/are a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made on our website at <http://www.arrailgroup.com> and the website of the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

11. PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, March 21, 2022 on the Company’s website at <http://www.arrailgroup.com> and the website of the Hong Kong Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at <http://www.arrailgroup.com> and the Hong Kong Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Monday, March 21, 2022;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, March 21, 2022 to 12:00 midnight on Sunday, March 27, 2022; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Monday, March 21, 2022 to Thursday, March 24, 2022.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure and Conditions of the Global Offering" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- (a) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any days which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- (b) if any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iii) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offering Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and Conditions of the Global Offering—The International Offering—Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, FRC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, March 21, 2022.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Monday, March 21, 2022. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. Tuesday, March 22, 2022, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, March 21, 2022, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, March 21, 2022 by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply through CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, March 21, 2022, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Monday, March 21, 2022. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, March 21, 2022 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, March 21, 2022. Immediately following the credit of the Hong Kong Offer Shares to

HOW TO APPLY FOR HONG KONG OFFER SHARES

your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, March 21, 2022.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ARRAIL GROUP LIMITED, MORGAN STANLEY ASIA LIMITED AND UBS SECURITIES HONG KONG LIMITED

Introduction

We report on the historical financial information of Arrail Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-108, which comprises the consolidated balance sheets as at 31 March 2019, 2020 and 2021 and 30 September 2021, the company balance sheets as at 31 March 2019, 2020 and 2021 and 30 September 2021, and the consolidated income statements, the consolidated statements of comprehensive loss, the consolidated statements of changes in deficit in equity and the consolidated statements of cash flows for each of the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-108 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 9 March 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 March 2019, 2020 and 2021 and 30 September 2021 and the consolidated financial position of the Group as at 31 March 2019, 2020 and 2021 and 30 September 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated income statement, the consolidated statement of comprehensive loss, the consolidated statement of changes in deficit in equity and the consolidated statement of cash flows for the six months ended 30 September 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical

Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 38 to the Historical Financial Information which states that no dividends have been paid by Arrail Group Limited in respect of the Track Record Period.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong

9 March 2022

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the IAASB ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Consolidated Income Statements

	Note	Year ended 31 March			Six months ended 30 September	
		2019	2020	2021	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	6	1,080,291	1,099,868	1,515,127	720,321	841,339
Cost of sales	7	(916,519)	(988,477)	(1,150,707)	(537,514)	(653,882)
Gross profit		163,772	111,391	364,420	182,807	187,457
Selling and distribution expenses	7	(105,576)	(84,825)	(79,122)	(37,350)	(38,377)
Administrative expenses	7	(103,878)	(112,680)	(130,330)	(71,433)	(103,018)
Research and development expenses	7	(19,111)	(27,495)	(27,311)	(8,674)	(10,319)
Net (impairment loss)/reversal of impairment loss on financial assets	3.1.2	(14,782)	(16,706)	(5,476)	(2,087)	4,523
Other (losses)/gains – net	9	(4,468)	(3,129)	2,286	2,782	2,810
Operating (loss)/profit		(84,043)	(133,444)	124,467	66,045	43,076
Finance income	10	8,796	9,326	7,581	4,438	5,979
Finance costs	10	(37,458)	(48,011)	(51,914)	(23,790)	(32,251)
Finance costs – net		(28,662)	(38,685)	(44,333)	(19,352)	(26,272)
Share of net (loss)/profit of associates and joint ventures accounted for using the equity method		(9,939)	(2,716)	2,602	267	829
Re-designation to Series E preferred shares from issued ordinary and preferred shares	25	–	–	(196,712)	–	–
Fair value change of convertible redeemable preferred shares	29	(192,818)	(146,049)	(424,289)	(215,234)	(428,109)
Fair value change of bond	29.1	–	–	(16,677)	(5,309)	(22,650)
Fair value change of warrants	29.2	–	–	(26,802)	(7,527)	(13,686)
Fair value change of derivative liabilities	29.3	–	–	–	–	(1,129)
Fair value difference between termination of the warrants and recognition of derivative liabilities	29.3	–	–	–	–	(11,136)
Loss before income tax		(315,462)	(320,894)	(581,744)	(181,110)	(459,077)
Income tax credit/(expenses)	12	11,293	(4,931)	(16,018)	(6,812)	(5,110)
Loss for the year/period		<u>(304,169)</u>	<u>(325,825)</u>	<u>(597,762)</u>	<u>(187,922)</u>	<u>(464,187)</u>
Loss attributable to:						
Owners of the Company		(301,178)	(316,854)	(599,420)	(189,524)	(468,429)
Non-controlling interests		(2,991)	(8,971)	1,658	1,602	4,242
		<u>(304,169)</u>	<u>(325,825)</u>	<u>(597,762)</u>	<u>(187,922)</u>	<u>(464,187)</u>
Loss per share for loss attributable to owners of the Company (expressed in RMB per share)						
Basic and diluted loss per share, for class 1 and class 2 ordinary shares	13	<u>(102.70)</u>	<u>(108.04)</u>	<u>(205.36)</u>	<u>(64.62)</u>	<u>(167.72)</u>

Consolidated Statements of Comprehensive Loss

	Year ended 31 March			Six months ended 30 September		
	2019	2020	2021	2020	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
				(unaudited)		
Loss for the year/period	<u>(304,169)</u>	<u>(325,825)</u>	<u>(597,762)</u>	<u>(187,922)</u>	<u>(464,187)</u>	
Other comprehensive income/(loss)						
<i>Items that will not be reclassified to profit or loss</i>						
Fair value change of convertible redeemable preferred shares due to own credit risk	29	17,382	31,326	4,457	21,147	(25,197)
Fair value change of bond due to own credit risk	29.1	–	–	(4,711)	(5,998)	(26)
Currency translation differences		<u>(107,652)</u>	<u>(101,318)</u>	<u>179,729</u>	<u>89,179</u>	<u>31,989</u>
Other comprehensive (loss)/income for the year/period, net of tax		<u>(90,270)</u>	<u>(69,992)</u>	<u>179,475</u>	<u>104,328</u>	<u>6,766</u>
Total comprehensive loss for the year/period		<u><u>(394,439)</u></u>	<u><u>(395,817)</u></u>	<u><u>(418,287)</u></u>	<u><u>(83,594)</u></u>	<u><u>(457,421)</u></u>
Total comprehensive loss attributable to:						
Owners of the Company		<u>(391,448)</u>	<u>(386,846)</u>	<u>(419,945)</u>	<u>(85,196)</u>	<u>(461,663)</u>
Non-controlling interests		<u>(2,991)</u>	<u>(8,971)</u>	<u>1,658</u>	<u>1,602</u>	<u>4,242</u>
		<u><u>(394,439)</u></u>	<u><u>(395,817)</u></u>	<u><u>(418,287)</u></u>	<u><u>(83,594)</u></u>	<u><u>(457,421)</u></u>

Consolidated Balance Sheets

	Note	As at 31 March			As at
		2019	2020	2021	30 September
		RMB'000	RMB'000	RMB'000	2021 RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	14	330,479	312,154	260,842	286,150
Right-of-use assets	15(a)	608,882	595,950	595,114	630,315
Intangible assets	16	34,051	32,024	26,607	28,341
Goodwill	17	89,416	96,062	98,467	98,467
Deferred tax assets	28	30,778	34,303	28,630	30,036
Prepayments	18	2,441	11,972	19,002	4,170
Investments accounted for using the equity method	11	13,569	11,508	14,116	15,675
Financial assets at fair value through profit or loss	23	–	–	30,000	30,000
Other receivables	22	179,335	188,900	185,015	102,979
Total non-current assets		1,288,951	1,282,873	1,257,793	1,226,133
Current assets					
Inventories	20	38,455	37,500	39,036	51,850
Prepayments	18	78,040	71,440	104,976	125,950
Trade and other receivables	22	111,745	105,017	155,935	238,801
Financial assets at fair value through profit or loss	23	12,324	77,104	51,004	6,034
Restricted cash	24(b)	144,097	156,439	65,706	97,304
Time deposits with original maturity over three months	24(b)	33,667	–	–	2,000
Cash and cash equivalents	24(a)	168,457	172,618	676,304	1,120,584
Total current assets		586,785	620,118	1,092,961	1,642,523
Total assets		1,875,736	1,902,991	2,350,754	2,868,656

	Note	As at 31 March			As at
					30 September
		2019	2020	2021	2021
		RMB'000	RMB'000	RMB'000	RMB'000
DEFICIT IN EQUITY					
Share capital	25	9,938	9,938	9,447	24,882
Reserves	26	140,959	71,380	239,184	230,515
Accumulated losses		(1,829,231)	(2,146,085)	(2,748,503)	(3,216,932)
Deficit in equity attributable to owners of the Company		(1,678,334)	(2,064,767)	(2,499,872)	(2,961,535)
Non-controlling interests		41,801	36,664	43,295	50,154
Total deficit in equity		<u>(1,636,533)</u>	<u>(2,028,103)</u>	<u>(2,456,577)</u>	<u>(2,911,381)</u>
LIABILITIES					
Non-current liabilities					
Borrowings	27	–	33,600	23,868	12,050
Lease liabilities	15(a)	526,393	509,590	511,007	551,131
Contract liabilities	6(b)	11,180	13,697	11,878	24,531
Deferred tax liabilities	28	4,138	3,843	3,125	2,630
Convertible redeemable preferred shares	29	2,230,268	–	–	4,072,152
Total non-current liabilities		<u>2,771,979</u>	<u>560,730</u>	<u>549,878</u>	<u>4,662,494</u>
Current liabilities					
Trade and other payables	30	278,332	266,470	294,668	324,877
Contract liabilities	6(b)	163,983	236,263	209,521	193,302
Current tax liabilities		4,451	5,891	9,565	8,957
Borrowings	27	168,636	254,400	194,623	189,507
Lease liabilities	15(a)	124,888	143,936	132,140	119,972
Convertible redeemable preferred shares	29	–	2,463,404	3,178,465	–
Bond	29.1	–	–	167,345	184,569
Warrants	29.2	–	–	71,126	–
Derivative liabilities	29.3	–	–	–	96,359
Total current liabilities		<u>740,290</u>	<u>3,370,364</u>	<u>4,257,453</u>	<u>1,117,543</u>
Total liabilities		<u>3,512,269</u>	<u>3,931,094</u>	<u>4,807,331</u>	<u>5,780,037</u>
Total deficit in equity and liabilities		<u>1,875,736</u>	<u>1,902,991</u>	<u>2,350,754</u>	<u>2,868,656</u>

Company Balance Sheets

	Note	As at 31 March			As at
		2019	2020	2021	30 September
		RMB'000	RMB'000	RMB'000	2021
				RMB'000	
ASSETS					
Non-current assets					
Other receivables	22	86,731	90,400	82,819	–
Investments in subsidiaries	19	280,019	320,147	342,131	337,658
Total non-current assets		<u>366,750</u>	<u>410,547</u>	<u>424,950</u>	<u>337,658</u>
Current assets					
Other receivables	22	440,115	450,871	387,516	442,006
Prepayments		–	–	1,957	3,159
Time deposits with original maturity over three months	24(b)	33,667	–	–	–
Cash and cash equivalents	24(a)	68,760	59,420	413,074	908,898
Total current assets		<u>542,542</u>	<u>510,291</u>	<u>802,547</u>	<u>1,354,063</u>
Total assets		<u>909,292</u>	<u>920,838</u>	<u>1,227,497</u>	<u>1,691,721</u>
DEFICIT IN EQUITY					
Share capital	25	9,938	9,938	9,447	24,882
Reserves	26	179,019	137,880	266,074	249,826
Accumulated losses		(1,548,060)	(1,693,693)	(2,349,533)	(2,828,936)
Total deficit in equity		<u>(1,359,103)</u>	<u>(1,545,875)</u>	<u>(2,074,012)</u>	<u>(2,554,228)</u>
LIABILITIES					
Non-current liabilities					
Convertible redeemable preferred shares	29	2,230,268	–	–	4,072,152
Total non-current liabilities		<u>2,230,268</u>	<u>–</u>	<u>–</u>	<u>4,072,152</u>
Current liabilities					
Other payables	30	38,127	3,309	51,918	77,438
Convertible redeemable preferred shares	29	–	2,463,404	3,178,465	–
Warrants	29.2	–	–	71,126	–
Derivative liabilities	29.3	–	–	–	96,359
Total current liabilities		<u>38,127</u>	<u>2,466,713</u>	<u>3,301,509</u>	<u>173,797</u>
Total liabilities		<u>2,268,395</u>	<u>2,466,713</u>	<u>3,301,509</u>	<u>4,245,949</u>
Total deficit in equity and liabilities		<u>909,292</u>	<u>920,838</u>	<u>1,227,497</u>	<u>1,691,721</u>

Consolidated Statements of Changes in Deficit in Equity

	Note	Attributable to owner of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Accumulated losses	Total		
		RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000	RMB'000		
Balance at 1 April 2018 (unaudited)		9,938	231,117	(1,528,053)	(1,286,998)	37,029	(1,249,969)
Comprehensive loss							
Loss for the year		-	-	(301,178)	(301,178)	(2,991)	(304,169)
Other comprehensive income/(loss)							
Fair value change on convertible redeemable preferred shares due to own credit risk	29	-	17,382	-	17,382	-	17,382
Currency translation differences		-	(107,652)	-	(107,652)	-	(107,652)
Total comprehensive loss for the year		-	(90,270)	(301,178)	(391,448)	(2,991)	(394,439)
Transactions with equity holders							
Share-based compensation		-	1,291	-	1,291	-	1,291
Acquisition of a subsidiary	16	-	-	-	-	4,746	4,746
Contribution from non-controlling shareholders		-	-	-	-	4,150	4,150
Dividends to non-controlling shareholders		-	-	-	-	(1,133)	(1,133)
Others		-	(1,179)	-	(1,179)	-	(1,179)
Balance at 31 March 2019		<u>9,938</u>	<u>140,959</u>	<u>(1,829,231)</u>	<u>(1,678,334)</u>	<u>41,801</u>	<u>(1,636,533)</u>
Balance at 1 April 2019		9,938	140,959	(1,829,231)	(1,678,334)	41,801	(1,636,533)
Comprehensive loss							
Loss for the year		-	-	(316,854)	(316,854)	(8,971)	(325,825)
Other comprehensive income/(loss)							
Fair value change on convertible redeemable preferred shares due to own credit risk	29	-	31,326	-	31,326	-	31,326
Currency translation differences		-	(101,318)	-	(101,318)	-	(101,318)
Total comprehensive loss for the year		-	(69,992)	(316,854)	(386,846)	(8,971)	(395,817)
Transactions with equity holders							
Share-based compensation		-	445	-	445	-	445
Acquisition of subsidiaries	31(a)	-	-	-	-	2,173	2,173
Contribution from non-controlling shareholders		-	-	-	-	2,200	2,200
Dividends to non-controlling shareholders		-	-	-	-	(539)	(539)
Others		-	(32)	-	(32)	-	(32)
Balance at 31 March 2020		<u>9,938</u>	<u>71,380</u>	<u>(2,146,085)</u>	<u>(2,064,767)</u>	<u>36,664</u>	<u>(2,028,103)</u>

	Note	Attributable to owner of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Accumulated losses	Total		
		RMB'000 (Note 25)	RMB'000 (Note 26)	RMB'000	RMB'000		
Balance at 1 April 2020		9,938	71,380	(2,146,085)	(2,064,767)	36,664	(2,028,103)
Comprehensive (loss)/income							
Loss for the year		-	-	(599,420)	(599,420)	1,658	(597,762)
Other comprehensive income/(loss)							
Fair value change on convertible redeemable preferred shares due to own credit risk	29	-	4,457	-	4,457	-	4,457
Fair value change on bond due to own credit risk	29.1	-	(4,711)	-	(4,711)	-	(4,711)
Currency translation differences		-	179,729	-	179,729	-	179,729
Total comprehensive income/(loss) for the year		-	179,475	(599,420)	(419,945)	1,658	(418,287)
Transactions with equity holders							
Issuance of shares upon fulfilment of vesting conditions of share based compensation		327	(327)	-	-	-	-
Re-designation to Series E Preferred Shares from issued ordinary shares		(818)	(9,729)	-	(10,547)	-	(10,547)
Purchase of additional interests		-	-	(2,998)	(2,998)	-	(2,998)
Acquisition of a subsidiary	31(c)	-	-	-	-	997	997
Non-controlling interests acquired	37(a)	-	(3,131)	-	(3,131)	(474)	(3,605)
Non-controlling interests disposed	37(b)	-	2,402	-	2,402	968	3,370
Contribution from non-controlling shareholders		-	-	-	-	3,586	3,586
Dividends to non-controlling shareholders		-	-	-	-	(104)	(104)
Others		-	(886)	-	(886)	-	(886)
Balance at 31 March 2021		<u>9,447</u>	<u>239,184</u>	<u>(2,748,503)</u>	<u>(2,499,872)</u>	<u>43,295</u>	<u>(2,456,577)</u>

Consolidated Statements of Cash Flows

	Note	Year ended 31 March			Six months ended 30 September	
		2019	2020	2021	2020	2021
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	32(a)	140,454	161,605	250,259	125,467	152,847
Income tax paid		(3,645)	(7,311)	(7,389)	(772)	(7,619)
Net cash generated from operating activities		136,809	154,294	242,870	124,695	145,228
Cash flows from investing activities						
Receipt/(payment) for acquisition of subsidiaries, net of cash acquired	16, 31	1,000	(11,143)	(1,951)	-	-
Payments for investments in associates and joint ventures		(22,960)	(655)	(6)	-	(900)
Payments for property, plant and equipment		(152,944)	(57,840)	(29,367)	(19,446)	(44,278)
Payments for financial assets at fair value through profit or loss		(184,020)	(289,110)	(1,134,830)	(670,530)	(40,150)
Payments for intangible assets		(575)	(1,341)	(475)	(397)	(4,908)
Loans to employees		(23,853)	(11,980)	-	-	-
Repayment of loans to employees		-	53	1,595	550	2,406
Placement of pledged deposits		(144,317)	(153,816)	(67,927)	-	(31,598)
Redemption of pledged deposits from bank		68,680	150,244	149,997	-	-
Proceeds from sale of financial assets at fair value through profit and loss		176,313	224,984	1,137,068	542,043	85,413
Proceeds from sale of property, plant and equipment		1,121	1,267	3,298	2,529	1,802
(Payment)/receipt of time deposits with original maturity over three months		(33,667)	33,667	-	-	(2,000)
Interest received		5,913	6,076	4,351	2,979	3,657
Net cash (used in)/generated from investing activities		(309,309)	(109,594)	61,753	(142,272)	(30,556)
Cash flows from financing activities						
Proceeds from borrowings		168,636	298,000	297,858	121,728	69,134
Repayment of borrowings		(7,000)	(178,636)	(367,367)	(75,493)	(87,585)
Proceeds from issuance of convertible redeemable preferred shares		-	-	296,867	-	475,585
Proceeds from issuance of bond and warrants		-	-	200,000	200,000	-
Principal elements of lease payments		(97,885)	(121,329)	(156,576)	(66,473)	(86,578)
Dividends paid to non-controlling shareholders		(1,133)	(539)	(104)	(104)	(183)
Capital contribution from non-controlling shareholders		4,150	2,200	3,586	1,500	-
Transaction costs on issuance of Series E convertible redeemable preferred shares		-	-	-	-	(9,170)
Interest paid		(32,324)	(43,543)	(56,751)	(22,778)	(27,833)
Net cash generated from/(used in) financing activities		34,444	(43,847)	217,513	158,380	333,370
Net (decrease)/increase in cash and cash equivalents		(138,056)	853	522,136	140,803	448,042
Cash and cash equivalents at the beginning of the year/period		290,385	168,457	172,618	172,618	676,304
Effects of exchange rate changes on cash and cash equivalents		16,128	3,308	(18,450)	(6,981)	(3,762)
Cash and cash equivalents at the end of the year/period	24(a)	168,457	172,618	676,304	306,440	1,120,584

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION AND REORGANISATION

1.1 General information

Arrail Group Limited (the “Company”) was incorporated in the British Virgin Islands (the “BVI”) on 23 May 2001 as a company limited by shares. On 16 November 2020, the Company discontinued as a company incorporated under the BVI Business Companies Act 2004 (as amended) and was registered by way of continuation as an exempted company limited by shares under the Companies Act (Cap.22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Accordingly, the registered office of the Company was changed from P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI, to 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, the Cayman Islands.

The Company is an investment holding company and together with its subsidiaries (the “Group”), is principally engaged in the provision of dental services (including general dentistry, orthodontics and implantology) through operations of dental clinics and hospitals in the People’s Republic of China (the “PRC”) (the “Listing Business”).

1.2 Reorganisation of the Group

As at 1 April 2018, the beginning of the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 (“Track Record Period”), and before the completion of the Reorganisation, the Listing Business was mainly operated by a number of operating entities or clinics held by (i) Shanghai Yazheng Medical Consulting Co., Ltd. (“Shanghai Yazheng”), (ii) Shanghai Shengbin Medical Consulting Service Co., Ltd. (“Shanghai Shengbin”), (iii) Beijing Shengbin Science Trade Co., Ltd. (“Beijing Shengbin”), (iv) Hangzhou Shengbin Health Management Consulting Co., Ltd. (“Hangzhou Shengbin”) and (v) Shenzhen Ruijian Consulting Management Co., Ltd. (“Shenzhen Ruijian”) (collectively, the “Five Operating Entities”), and their subsidiaries in the PRC. The Company controlled these operating entities via a series of contractual arrangements (the “Previous Contractual Arrangements”) signed between Beijing Ruier Shengbin Medical Technology Co., Ltd. (“Beijing Ruier” or the “WFOE”, an indirectly wholly owned subsidiary of the Company), the Five Operating Entities and their respective nominee shareholders.

In preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Listing”) and to streamline the corporate structure, the Group underwent a reorganisation (the “Reorganisation”) within the Group which principally involved the following:

(a) Acquisitions of operating entities by Beijing Ruier

As mentioned above, the operating entities were controlled by the Company via the Previous Contractual Arrangements before the Reorganisation. According to the List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單)》) (the “Negative List”), medical institutions fall within the “restricted” investment category, and therefore may not be held 100% by foreign investors, and foreign investments are restricted to the form of joint venture. The provision of dental medical services is subject to foreign investment restriction in accordance with the Negative List. As part of the Reorganisation, Beijing Ruier acquired the maximum equity interests (i.e. 70% (other than medical institutions in Sichuan Province, where foreign investors are allowed to hold up to 90% equity interest) in 12 major operating entities to the extent possible under the prevailing PRC laws and regulations and put them under the respective regional management platforms. The remaining interest in the 12 operating entities that were controlled by the Company are then held by Shenzhen Ruijian, which is legally wholly owned by Ms Zou Lifang as nominee shareholder.

(b) New Contractual Arrangements

On 20 August 2020, Beijing Ruier, Shenzhen Ruijian, Ms Zou Lifang, each of the 12 operating entities (the “VIE Entities”) entered into a series of contractual arrangements (the “New Contractual Arrangements”) pursuant to which the Group is able to:

- (i) receive substantially all of the economic interest returns generated by Shenzhen Ruijian in consideration for the business support and consultancy services provided by Beijing Ruier;
- (ii) obtain an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. The nominee shareholder and Shenzhen Ruijian agreed to refund all amount received in the transfer of equity interests or assets, as the case maybe, to Beijing Ruier;

- (iii) exercise the equity holders' voting rights of Shenzhen Ruijian; and,
- (iv) obtain a pledge over all of nominee shareholder's equity interest in Shenzhen Ruijian to Beijing Ruier as a security to guarantee the performance of the contractual obligations and payment of outstanding debts under the New Contractual Arrangements.

As a result of the New Contractual Arrangements, the Group is considered to control Shenzhen Ruijian as it has rights to exercise power over Shenzhen Ruijian, receive variable returns from its involvement with Shenzhen Ruijian, and have the ability to affect those returns through its power over Shenzhen Ruijian. Consequently, the Company regarded Shenzhen Ruijian as controlled entity and consolidated the financial position and results of operations of Shenzhen Ruijian in the consolidated financial statements of the Group.

In June 2021, given the New Contractual Arrangements have been taken effect, the relevant parties over the Previous Contractual Arrangements entered into a termination agreement and dismantled the Previous Contractual Arrangements.

1.3 Subsidiaries

The Company's major subsidiaries (including controlled and structured entities) during the Track Record Period are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the entities within the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Total aggregate effective interest of the Company held via direct or indirect equity interest held, and via Previous Contractual Arrangements and New Contractual Arrangements					Principal activities
				As at 31 March		As at 30 September 2021	Latest practicable date		
				2019	2020				
Subsidiaries									
Direct equity interest held:									
Arrail Dental Limited (b)	The BVI, limited liability company	3 April 1998	USD2,820,000	100%	100%	100%	100%	100%	Investment holding
Equity interest held via its subsidiaries:									
Arrail Institute of Advanced Dentistry (AIAD) Limited (c)	Hong Kong, limited liability company	21 February 2013	USD1,282	-	-	100%	100%	100%	Investment holding
Beijing Ruicheng Hospital Management Co., Ltd. (d)	The PRC, limited liability company	23 July 2009	RMB6,000,000	100%	100%	100%	100%	100%	Provision of dental services
Chongqing Jiuyue Dental Clinic Co., Ltd. (e)	The PRC, limited liability company	27 November 2013	RMB8,600,000	100%	100%	100%	100%	100%	Provision of dental services
Chongqing Ruisheng Dental Clinic Co., Ltd.	The PRC, limited liability company	10 March 2004	RMB8,329,400	85%	85%	85%	85%	85%	Provision of dental services
Chongqing Ruitai Dental Hospital Co., Ltd. (g)	The PRC, limited liability company	28 June 2017	RMB5,000,000	88%	88%	88%	88%	88%	Provision of dental services
VIE Entities/entities/equity interest held via its subsidiaries (a):									
Beijing Arrail Shengbin Medical Technology Co., Ltd. (h)	The PRC, limited liability company	25 March 1999	USD33,000,000	100%	100%	100%	100%	100%	Wholesale of medical materials
Ruishengbin (Shanghai) Finance Leasing Co., Ltd. (i)	The PRC, limited liability company	12 March 2015	USD60,000,000	100%	100%	100%	100%	100%	Provision of financing services
Beijing Shengbin Science Trade Co., Ltd. (j)	The PRC, limited liability company	17 December 1997	RMB1,000,000	100%	100%	100%	100%	100%	Provision of dental services
Shanghai Yazheng Medical Consulting Co., Ltd. (k)	The PRC, limited liability company	24 May 2002	RMB3,000,000	100%	100%	100%	100%	100%	Provision of dental services

Name	Place of incorporation/ establishment and kind of legal entity	Date of incorporation/ establishment	Particulars of issued/ paid-in capital	Total aggregate effective interest of the Company held via direct or indirect equity interest held, and via Previous Contractual Arrangements and New Contractual Arrangements					Principal activities
				As at 31 March			As at 30 September	Latest practicable date	
				2019	2020	2021	2021		
Shanghai Shengbin Medical Consulting Service Co., Ltd. (l)	The PRC, limited liability company	26 September 2001	RMB5,000,000	100%	100%	100%	100%	100%	Provision of dental services
Shanghai Ruiguan Dental Clinic Co., Ltd. (m)	The PRC, limited liability company	25 April 2014	RMB1,000,000	100%	100%	100%	100%	100%	Provision of dental services
Shanghai Ruiyun Dental Clinic Co., Ltd. (n)	The PRC, limited liability company	9 August 2015	RMB3,500,000	70%	70%	100%	100%	100%	Provision of dental services
Shanghai Ruijun Dental Clinic Co., Ltd. (o)	The PRC, limited liability company	10 May 2018	RMB5,000,000	100%	100%	100%	100%	100%	Provision of dental services
Shenzhen Rui'er Dental Medical Treatment Co., Ltd. (p)	The PRC, limited liability company	5 June 1995	RMB1,702,372	100%	100%	100%	100%	100%	Provision of dental services
Shenzhen Ruijian Dental Clinic (q)	The PRC, limited liability company	24 December 2015	RMB1,500,000	100%	100%	100%	100%	100%	Provision of dental services
Shenzhen Ruihuan Dental Clinic (r)	The PRC, limited liability company	29 July 2015	RMB1,500,000	100%	100%	100%	100%	100%	Provision of dental services
Guangzhou Ruier Medical Consulting Co., Ltd. (s)	The PRC, limited liability company	1 August 2012	RMB180,000	100%	100%	100%	100%	100%	Provision of dental services
Chengdu WuhouRuitaiRongcheng Dental Hospital Co., Ltd. (t)	The PRC, limited liability company	16 October 2014	RMB1,500,000	100%	100%	100%	100%	100%	Provision of dental services
Shanxi Ruitaiercang Dental Hospital Co., Ltd. (u)	The PRC, limited liability company	15 June 2015	RMB2,500,000	60%	60%	60%	60%	60%	Provision of dental services
Qingdao Donghe Medical Management Co. Ltd. (formerly known as Qingdao Ruitai Donghe Medical Management Co. Ltd.) (v)	The PRC, limited liability company	8 February 2017	RMB3,000,000	70%	70%	70%	70%	70%	Hospital management
Changsha Keerya Dental Hospital Co., Ltd. (w)	The PRC, limited liability company	28 November 2002	RMB5,000,000	60%	60%	60%	60%	60%	Provision of dental services
Jiangyin Meijiixin Dental Clinic Co., Ltd. (x)	The PRC, limited liability company	10 December 2013	RMB6,800,000	98%	98%	100%	100%	100%	Provision of dental services
Shanghai Ruitai Jiasheng dental clinic Co., Ltd. (y)	The PRC, limited liability company	22 January 2019	RMB5,000,000	80%	80%	100%	100%	100%	Provision of dental services

- (a) Prior to the reorganization as described in Note 1.2, the Company did not hold direct equity interest or equity interest via its subsidiaries of some VIE Entities or their subsidiaries. Nevertheless, under the Previous Contractual Arrangements and the New Contractual Arrangements (collectively the “Contractual Arrangements”) entered into with these VIE Entities and their registered owners, the Company and its other legally owned subsidiaries have had the right to exercise power over these VIE Entities, receive variable returns from its involvement in these structured entities, and have the ability to affect those returns through its power over these structured entities. As a result, they are presented as VIE Entities of the Company. Such VIE Entities became indirectly held subsidiaries upon completion of reorganization.
- (b) No audited financial statements have been prepared for Arrail Dental Limited for the years ended 31 December 2018, 2019 and 2020.

- (c) No audited financial statements have been prepared for Arrail Institute of Advanced Dentistry (AIAD) for the years ended 31 December 2018, 2019 and 2020.
- (d) The statutory financial statements of Beijing Ruicheng Hospital Management Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under China's Accounting Standards for Smaller Business Enterprises ("CASSs") were audited by Beijing Dongshen Finance & Tax Technology Co., Ltd., certified public accountants registered in the PRC.
- (e) The statutory financial statements of Chongqing Jiuyue Dental Clinic Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under CASSs were audited by Chongqing Shishen Certified Public Accountants, certified public accountants registered in the PRC.
- (f) The statutory financial statements of Chongqing Huaxi Dental Clinic Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under CASSs were audited by Chongqing Yuze Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC.
- (g) The statutory financial statements of Chongqing Ruitai Dental Hospital Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under CASSs were audited by Chongqing Shishen Certified Public Accountants, certified public accountants registered in the PRC.
- (h) The statutory financial statements of Beijing Arrail Shengbin Medical Technology Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under CASSs were audited by Beijing Dongshen Finance & Tax Technology Co., Ltd., certified public accountants registered in the PRC.
- (i) No audited financial statements have been prepared for Ruiershengbin (Shanghai) Finance Leasing Co., Ltd. for the years ended 31 December 2018, 2019 and 2020.
- (j) The statutory financial statements of Beijing Shengbin Science Trade Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under CASSs were audited by Beijing Dongshen Finance & Tax Technology Co., Ltd., certified public accountants registered in the PRC.
- (k) The statutory financial statements of Shanghai Yazheng Medical Consulting Co., Ltd. for the year ended 31 December 2018, prepared under CASSs were audited by Zhongzhun CPAs Shanghai Office, certified public accountants registered in the PRC. The statutory financial statements of Shanghai Yazheng Medical Consulting Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Shanghai Shangshen Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the year ended 31 December 2020.
- (l) The statutory financial statements of Shanghai Shengbin Medical Consulting Service Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Zhongzhun CPAs Shanghai Office, certified public accountants registered in the PRC. The statutory financial statements of Shanghai Shengbin Medical Consulting Service Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Shanghai Shi Cheng Certified Public Accountants, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the year ended 31 December 2020.
- (m) The statutory financial statements of Shanghai Ruiguan Dental Clinic Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Zhongzhun CPAs Shanghai Office, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the years ended 31 December 2019 and 2020.
- (n) The statutory financial statements of Shanghai Ruiyun Dental Clinic Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Zhongzhun CPAs Shanghai Office, certified public accountants registered in the PRC. The statutory financial statements of Shanghai Ruijun Dental Clinic Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Zhongzhun CPAs Shanghai Office, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the year ended 31 December 2020.
- (o) The statutory financial statements of Shanghai Ruijun Dental Clinic Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Zhongzhun CPAs Shanghai Office, certified public accountants registered in the PRC. The statutory financial statements of Shanghai Ruijun Dental Clinic Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Shanghai Shi Cheng Certified Public Accountants, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the year ended 31 December 2020.

- (p) The statutory financial statements of Shenzhen Rui'er Dental Medical Treatment Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Wongga Partners Certificated Public Accountant (SZ) General Partner, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the years ended 31 December 2019 and 2020.
- (q) The statutory financial statements of Shenzhen Ruijian Dental Clinic for the year ended 31 December 2018 prepared under CASSs were audited by Wongga Partners Certificated Public Accountant (SZ) General Partner, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the years ended 31 December 2019 and 2020.
- (r) The statutory financial statements of Shenzhen Ruihuan Dental Clinic for the year ended 31 December 2018 prepared under CASSs were audited by Wongga Partners Certificated Public Accountant (SZ) General Partner, certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the years ended 31 December 2019 and 2020.
- (s) The statutory financial statements of Guangzhou Ruier Medical Consulting Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Guangzhou Mingtong Certified Public Accountants Ltd., certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the years ended 31 December 2019 and 2020.
- (t) The statutory financial statements of Chengdu WuhouRuitaiRongcheng Dental Hospital Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Sichuan Team & Trust Certified Public Accountants, certified public accountants registered in the PRC. The statutory financial statements of Chengdu WuhouRuitaiRongcheng Dental Hospital Co., Ltd. for the year ended 31 December 2019, and 2020 prepared under CASSs were audited by Chengdu Mingchun Accountants Co., Ltd., certified public accountants registered in the PRC.
- (u) No audited financial statements have been prepared for Shanxi Ruitaiercang Dental Hospital Co., Ltd. for the years ended 31 December 2018, 2019 and 2020.
- (v) The statutory financial statements of Qingdao Donghe Medical Management Co. Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Qingdao Huahai Certified Public Accountants, certified public accountants registered in the PRC. The statutory financial statements of Qingdao Ruitai Donghe Medical Management Co. Ltd. for the year ended 31 December 2020 prepared under CASSs were audited by Qingdao Zhonghui Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the year ended 31 December 2018.
- (w) The statutory financial statements of Changsha Keerya Dental Hospital Co., Ltd. for the years ended 31 December 2018, 2019, and 2020 prepared under CASSs were audited by Hunan Huifan Associate Certified Public Accountants, certified public accountants registered in the PRC.
- (x) The statutory financial statements of Jiangyin Meijiixin Dental Clinic Co., Ltd. for the year ended 31 December 2018 prepared under CASSs were audited by Shanghai Ambition Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. The statutory financial statements of Jiangyin Meijiixin Dental Clinic Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Shanghai Ambition Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. The audited financial statements were yet to be issued for the year ended 31 December 2020.
- (y) The statutory financial statements of Shanghai Ruitai Jiasheng dental clinic Co., Ltd. for the year ended 31 December 2019 prepared under CASSs were audited by Shanghai Ambition Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. No audited financial statements have been prepared for Shanghai Ruitai Jiasheng dental clinic Co., Ltd. for the years ended 31 December 2018, and 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of the consolidated financial statements. These policies have been consistently applied throughout the Track Record Period, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), interpretations issued by International Accounting Standards Board (“IASB”) applicable to companies reporting under IFRSs.

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As of 31 March 2019, 2020 and 2021 and 30 September 2021, the Group was in a net liability position of RMB1,637 million, RMB2,028 million, RMB2,457 million and RMB2,911 million respectively. The Group assesses its liquidity by its ability to generate cash from operating activities and attract additional capital and/or finance funding. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors (e.g. issuance of convertible redeemable preferred shares and bonds) to fund its operations and business development. The Group’s ability to continue as a going concern is dependent on management’s ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows and continuing to gain support from existing and new investors.

On 12 August 2021, the Company entered into an addendum to the eighth amended and restated shareholders agreement with all holders of ordinary shares and preferred convertible redeemable preferred shares (the “Preferred Shares”) to modify the Redemption Commencement Date to after 31 December 2023.

The Preferred Shares are automatically converted into ordinary shares upon the closing of the qualified IPO.

Based on the above considerations, the Group’s historical performance and management’s operating and financing plans, the Group believes the cash and cash equivalents, time deposits, bank structured deposits and the operating and financing cash flows are sufficient to meet the cash requirements to fund planned operations and other obligations for at least the next twelve months after 31 March 2019, 2020 and 2021 and 30 September 2021. Therefore, the consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

2.1.1 *Change in accounting policy and disclosures*

All effective standards, amendments to standards and interpretations, which are mandatorily effective for the annual reporting period beginning on 1 April 2021, are consistently applied to the Group throughout the Track Record Period.

2.1.2 New and amended standards and interpretation not yet adopted by the Group

Certain new accounting standards, amendments and interpretations have been issued but are not yet effective for the annual reporting period beginning on 1 April 2021 and have not been early adopted by the Group during the Track Record Period. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
IFRS 1, IFRS 9, IFRS 16 and IAS 41 (Amendments)	Annual Improvements to IFRSs 2018 – 2020 cycle	1 January 2022
IAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
IAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 3 (Amendments)	References to the Conceptual Framework	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture	To be determined

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities, and
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

The Group expects that the impact to the consolidated balance sheets will not be material and deferred tax assets and deferred tax liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction will increase by approximately RMB60,963,000 respectively as at 30 September 2021 as a result of adopting the amendments. The amendment is mandatory for financial years commencing on or after 1 January 2023. At this stage, the Group does not intend to adopt the amendment before its effective date.

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (see Note 2.3 below).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statements, statements of comprehensive loss, statements of changes in deficit in equity and balance sheets respectively.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognised at cost.

2.2.3 Joint ventures

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Investments in joint ventures are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognised at cost.

2.2.4 Equity Method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.5 *Changes in ownership interests*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity holders of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within deficit in equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as permitted by applicable IFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.2.6 *Subsidiaries controlled through Previous Contractual Arrangements*

Prior to the completion of the Reorganisation, in order to comply with the PRC laws and regulations which prohibit or restrict foreign control of medical institutions, the Group operates its medical institutions through the Five Operating Entities, whose equity interests are held by their respective nominal shareholders. The Group signed Previous Contractual Arrangements with the Five Operating Entities. The Previous Contractual Arrangements include exclusive operational service agreements, exclusive option agreements, equity pledge agreement and entrustment agreement and powers of attorney, which enable the Group to:

- govern the financial and operating policies of the PRC operating entities
- exercise equity holder voting rights of the PRC operating entities
- receive substantially all of the economic interest returns generated by the PRC operating entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entities at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer, and
- obtain a pledge over all of its equity interests from its respective nominee shareholders as collateral for all of the PRC entities' payments due to the Group to secure performance of entities' obligation under the Previous Contractual Arrangements.

Accordingly, the Group has rights to control these entities. As a result, they are presented as entities controlled by the Group.

Upon completion of the Reorganisation, the PRC operating entities became indirectly hold subsidiaries.

2.3 **Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business

- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment and making strategic decisions. The chief operating decision-maker has been identified as the board of directors.

2.6 Foreign currency translation

2.6.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is USD as USD is the primary denominated currency of the Company's financing. The Company's primary subsidiaries were incorporated in mainland China and these subsidiaries considered RMB as their functional currency. As the major operations of the Group are within mainland China, the Group determined to present its consolidated financial statements in RMB (unless otherwise stated).

2.6.2 *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year/period end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses are presented in the consolidated income statements within “other (losses)/gains – net”.

2.6.3 *Group companies*

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income/(loss).

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income/(loss).

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 **Property, plant and equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the Track Record Period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

– Medical equipment	3-10 years
– Office equipment and furniture	5 years
– Motor vehicles	5 years
– Leasehold improvements	the shorter of the useful life or the lease term

Property, plant and equipment arising from a business acquisitions is depreciated over the remaining useful life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in the consolidated income statements.

2.8 Intangible assets

2.8.1 Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate purchase consideration transferred, the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses (if any). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2.8.2 Other intangible assets

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring the specific software into usage. Costs associated with maintaining computer software programs are recognised as expense as incurred.

Separately acquired service contracts are measured on initial recognition at cost. Service contracts are subsequently carried at cost less accumulated amortisation and impairment losses (if any).

Brands and licenses, non-competitive agreements and customer relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses (if any).

Estimated useful life is determined to be the shorter of the period of contractual rights or the estimated period during which such intangible assets can bring economic benefits to the Group.

The Group amortises intangible assets with a finite useful life using the straight-line method over the following periods:

Software	5 years
Service contracts	2-4 years
Brands and licenses	5-10 years
Non-competitive agreements and customer relationships	1-4 years

The Group estimates the useful life of the brand and license to be between 5 and 10 years based on the contract term of the brand and the expected useful life of the license.

2.8.3 Research and development

Research expenditures are recognised as an expense as incurred. Costs incurred on the development phase of an internal project are capitalized as intangible assets when all of the recognition criteria are met, including (a) it is technically feasible to complete the intangible asset so that it will be available for use or sale; (b) management intends to complete the intangible asset and use or sell it; (c) there is an ability to use or sell the intangible asset; (d) it can be demonstrated how the intangible asset will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and (f) the expenditure attributable to the intangible asset during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting those criteria and capitalised as intangible assets as at 31 March 2019, 2020 and 2021 and 30 September 2021.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets, including property, plant and equipment, right-of-use assets, and intangible assets (including brand and licenses), are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets

2.10.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, ("FVPL"), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.10.2 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statements.

Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statements and presented net within other (losses)/gains – net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statements.
- **FVPL:** Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statements and presented net within other (losses)/gains – net in the period in which it arises.

2.10.3 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

While cash and cash equivalents, time deposits with original maturities over three months and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold and service performed in the ordinary course of business. If collection of trade receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1.2 for the description of the Group's impairment policies.

2.14 Cash and cash equivalents and restricted cash

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and time deposits with original maturities within three months.

Time deposits with original maturities over three months and cash that is restricted from withdrawal, from use or from being pledged as security is reported separately on the face of the consolidated balance sheets, and is not included in the total cash and cash equivalents in the consolidated statements of cash flows.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company's restrictive share unit scheme (the "RSU Plan") are disclosed as treasury shares and deducted from contributed equity.

The re-designation of ordinary shares held by certain management and shareholders to Series E Preferred Shares was accounted for as deemed repurchase of ordinary shares and deemed issuance of Series E Preferred Shares. The deemed repurchase of ordinary shares is measured at fair value of ordinary shares and debited to share capital and reserves accordingly, and the deemed issuance of Series E Preferred Shares is measured at fair value of the Preferred Shares issued. The difference between fair value of ordinary shares and Preferred Shares is recognised as share-based compensation expenses according to IFRS 2 since the holders of ordinary shares deemed to be repurchased are management or existing shareholders of the Group.

Preferred Shares are classified as financial liabilities, see Note 2.17 and Note 3.3.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Convertible redeemable preferred shares

Preferred shares issued by the Company are redeemable at the option of the holder upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at any time at the option of the holders, or automatically upon occurrence of an Qualified Initial Public Offering (the "QIPO") of the Company. For details, refer to Note 29.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised in profit or loss. Fair value changes relating to market risk are recognised in profit or loss, the component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to own credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realised.

The Preferred Shares are classified as non-current liabilities unless the Preferred Shares' holders can demand the Company to redeem the Preferred Shares within 12 months after the end of the each reporting period.

2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statements as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18.1 Bond

During the Track Record Period, the Company issued a bond to a bond holder (the "Holder") which is accounted for at fair value through profit or loss, with fair value changes recognised in profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income/(loss). Amounts recorded in other comprehensive income/(loss) related to own credit risk are not subject to recycling in profit or loss, but are transferred to accumulated losses when realised.

The bond is classified as a non-current liability unless the Company has an obligation to settle the liability within 12 months after the end of the reporting period.

2.18.2 Warrants

The Group issued warrants as an upfront payment for issuing a bond (Note 2.18.1). The warrants can be exercised and settled with (1) class 1 ordinary shares of the Company, (2) cash determined by the underlying equity value of the Company, at the option of the holder. The warrants are initially and subsequently measured at fair value. Any changes in fair value of warrants are recognised in profit or loss.

2.18.3 Derivative liabilities

The Group recognised derivative liabilities as the result of the termination of warrants. The derivative liabilities can be settled either through (1) a predetermined amount of cash, or (2) re-entering into the warrants (Note 2.18.2), depending if the QIPO or trade sales occurs before 31 December 2022. The derivative liabilities are initially and subsequently measured at fair value. Any changes in fair value of derivative liabilities are recognised in profit or loss.

2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

2.20.1 Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.20.2 *Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income/(loss) or directly in equity. In this case, the tax is also recognised in other comprehensive income/(loss) or directly in equity, respectively.

2.21 **Employee benefits**

2.21.1 *Short-term obligations*

Liabilities for wages, salaries, bonuses and other allowances that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit payable in the consolidated balance sheets.

2.21.2 *Pension obligations*

The Company's subsidiaries incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.22 **Share-based compensation**

Share-based compensation benefits are provided to employees via the Company's RSU Plan.

Restrictive share unit awards ("RSUs")

The fair value of RSUs granted under the Company's RSU Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the RSUs granted:

- Including any market performance conditions (for example, an entity's share price);

- Excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- Including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of RSUs that are expected to vest based on the non-market performance conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, an additional expense is recognised for any modification that increases the total fair value of the share-based compensation arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

2.23 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Revenue from rendering of dental services is recognised over time because the Group's performance does not create an asset with an alternative use and the Group have an enforceable right to payment for performance completed to date.

- (a) Revenue from the rendering of orthodontics and implantology services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue on the basis of staff costs and/or costs of inventories, consumables and customised products, when appropriate, relative to the total expected costs to complete the respective service. When the payments received from customers exceed the services rendered, a contract liability is recognised.
- (b) Revenue from the rendering of other dental services is recognised when the services have been rendered given that such dental services are generally completed within a very short period of time.

For revenue from rendering of dental services that the Group have no enforceable right to payment for performance completed to date, revenue is recognised at a point in time when the performance obligation is satisfied by transferring control of the service to the customer.

Revenue from sales of goods is recognised when control of the goods has transferred, being when the goods are delivered to the customers.

For contracts where the period between the payment by the customer and the transfer of the promised service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

The Group recognise as an asset (i) the incremental costs of obtaining a contract with a customer; and (ii) the costs incurred to fulfil a contract which relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. These assets are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates.

2.24 Loss per share

2.24.1 Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares; by
- the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued during the year/period and excluding treasury shares.

2.24.2 Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities are the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment and furniture.

Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 30 June 2020 with earlier application permitted and shall be applied retrospectively.

During the years ended 31 March 2020 and 2021 and the six months ended 30 September 2020, certain monthly lease payments for the Group's leases have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 April 2019 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the pandemic during the years ended 31 March 2020 and 2021 and the six months ended 30 September 2020.

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statements over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statements on a straight-line basis over the expected lives of the related assets.

2.28 Finance income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 9 below.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions or recognised assets and liabilities denominated in a currency other than the functional currency of the Group's entities.

The Group operates mainly in the PRC with most of the transactions settled in RMB. The management considers that the business is not exposed to significant foreign exchange risk as there are no significant assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from borrowings. Borrowings carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group has not entered into any interest rate swap arrangements but will, however, continue to monitor interest rate risk exposure and will consider hedging significant interest rate risk exposure should the need arise.

As at 31 March 2019, 2020 and 2021 and 30 September 2021, the Group's borrowings at floating rates amounted to nil, RMB60,000,000 and RMB37,111,000 and RMB29,159,000, respectively. If the floating interest rates on borrowings had been 100 basis points higher/lower with all other variables held constant, the loss before income tax for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 would have increased/decreased by nil, RMB600,000, RMB371,000 and RMB292,000, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

3.1.2 Credit risk

Credit risk mainly arises from cash and cash equivalents, time deposits with original maturity over three months, restricted cash as well as credit exposures to customers and other counterparties, including outstanding receivables. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

(i) Risk management

Credit risk is managed on a group basis.

The credit risk of cash and cash equivalents, time deposits with original maturity over three months and restricted cash is limited because the counterparties are state-owned banks or reputable commercial banks located in the PRC or Hong Kong which are high credit quality financial institutions with Moody's credit ratings ranging from A1 to Baa2.

For trade receivables and other receivables, if customers or debtors are independently rated, these ratings are used. If there is no independent rating, the Group assesses the credit quality of the customers and debtors, taking into account of their financial positions, past experience and other factors.

For the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021, the Group has no significant concentrations of credit risk as no revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue.

(ii) *Impairment of financial assets*

The Group has three types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents, restricted cash and time deposits
- trade receivables, and
- other receivables.

Cash and cash equivalents, restricted cash and time deposits

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash and time deposits with original maturity over three months since they are substantially deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared risk characteristics.

The management calculates the expected credit losses based on the customers' historical credit loss information and further incorporates forward-looking adjustments, which are derived using linear regression, to reflect management's forecasts of macroeconomic factors in different scenarios, including Consumer Price Index ("CPI"), Producer Price Index ("PPI") and Gross Domestic Products ("GDP") of the PRC in which it provides services, as this affects the customers' ability to settle the receivables.

The loss allowances of trade receivables as at 31 March 2019, 2020 and 2021 and 30 September 2021 were determined on a collective basis as follows:

	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	12 to 15 months	Over 15 months	Total
As at 31 March 2019							
<i>Corporate clients and commercial insurance companies</i>							
Expected loss rate	1%	2%	3%	16%	26%	96%	27%
Gross carrying amount (RMB'000)	10,933	10,087	12,126	1,170	586	11,914	46,816
Loss allowance (RMB'000)	(142)	(158)	(365)	(189)	(152)	(11,488)	(12,494)
<i>Local medical insurance bureaus</i>							
Expected loss rate	2%	100%	100%	100%	100%	100%	8%
Gross carrying amount (RMB'000)	4,247	109	85	10	–	38	4,489
Loss allowance (RMB'000)	(99)	(109)	(85)	(10)	–	(38)	(341)
<i>Local public hospitals</i>							
Expected loss rate	2%	4%	29%	100%	100%	100%	7%
Gross carrying amount (RMB'000)	1,547	1,184	186	33	37	11	2,998
Loss allowance (RMB'000)	(35)	(42)	(54)	(33)	(37)	(11)	(212)

	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	12 to 15 months	Over 15 months	Total
As at 31 March 2020							
<i>Corporate clients and commercial insurance companies</i>							
Expected loss rate	1%	3%	10%	14%	19%	97%	28%
Gross carrying amount (RMB'000)	15,992	7,120	5,551	1,108	207	10,263	40,241
Loss allowance (RMB'000)	(191)	(241)	(542)	(152)	(40)	(10,006)	(11,172)
<i>Local medical insurance bureaus</i>							
Expected loss rate	4%	91%	100%	100%	100%	100%	55%
Gross carrying amount (RMB'000)	797	877	103	43	13	42	1,875
Loss allowance (RMB'000)	(33)	(802)	(103)	(43)	(13)	(42)	(1,036)
<i>Local public hospitals</i>							
Expected loss rate	10%	10%	25%	100%	100%	100%	21%
Gross carrying amount (RMB'000)	753	1,421	512	175	35	51	2,947
Loss allowance (RMB'000)	(73)	(146)	(128)	(175)	(35)	(51)	(608)
As at 31 March 2021							
<i>Corporate clients and commercial insurance companies</i>							
Expected loss rate	1%	3%	10%	15%	19%	97%	18%
Gross carrying amount (RMB'000)	38,143	11,189	882	8,910	5,422	11,135	75,681
Loss allowance (RMB'000)	(330)	(280)	(86)	(1,292)	(1,019)	(10,745)	(13,752)
<i>Local medical insurance bureaus</i>							
Expected loss rate	1%	86%	100%	100%	100%	100%	8%
Gross carrying amount (RMB'000)	8,270	634	17	–	–	39	8,960
Loss allowance (RMB'000)	(85)	(545)	(17)	–	–	(39)	(686)
<i>Local public hospitals</i>							
Expected loss rate	14%	19%	34%	98%	100%	100%	28%
Gross carrying amount (RMB'000)	1,600	1,149	619	170	93	148	3,779
Loss allowance (RMB'000)	(227)	(214)	(211)	(167)	(93)	(148)	(1,060)
As at 30 September 2021							
<i>Corporate clients and commercial insurance companies</i>							
Expected loss rate	1%	5%	6%	10%	23%	82%	20%
Gross carrying amount (RMB'000)	36,665	9,462	1,792	2,622	2,084	13,772	66,397
Loss allowance (RMB'000)	(457)	(452)	(109)	(274)	(475)	(11,359)	(13,126)

	Up to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	12 to 15 months	Over 15 months	Total
<i>Local medical insurance bureaus</i>							
Expected loss rate	7%	84%	100%	100%	100%	100%	15%
Gross carrying amount (RMB'000)	7,070	721	49	–	–	52	7,892
Loss allowance (RMB'000)	(509)	(603)	(49)	–	–	(52)	(1,213)
<i>Local public hospitals</i>							
Expected loss rate	9%	16%	24%	100%	100%	100%	29%
Gross carrying amount (RMB'000)	329	576	2,149	–	–	336	3,390
Loss allowance (RMB'000)	(30)	(94)	(507)	–	–	(336)	(967)

The opening loss allowances for trade receivables reconcile to the closing loss allowances as follows:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Opening loss allowance	11,245	13,047	12,816	15,498
Increase/(decrease) in loss allowance recognised in profit or loss during the year/period	1,802	4,061	2,682	(192)
Receivables written off during the year/period as uncollectible	–	(4,292)	–	–
Closing loss allowance	13,047	12,816	15,498	15,306

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

<u>Category</u>	<u>Group definition of category</u>	<u>Basis for recognition of expected credit loss provision</u>
Performing	Receivables whose credit risk is in line with original expectations	12 month expected losses; where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime (stage 1)
Underperforming	Receivables for which a significant increase in credit risk has occurred compared to original expectations; a significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime expected losses (stage 2)
Non-performing (credit impaired)	Interest and/or principal repayments are 90 days past due	Lifetime expected losses (stage 3)
Write-off	Interest and/or principal repayments are two years past due or there is no reasonable expectation of recovery	Asset is written off

Other receivables include loans to related parties and employees, rental deposits, etc. The Group accounts for their credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of debtors, and adjusts for forward-looking macroeconomic data. The Group provides for credit losses against other receivables as follows:

<u>Group internal credit rating as at 31 March 2019</u>	<u>Equivalent internal rating</u>	<u>Expected credit loss rate</u>	<u>Gross carrying amount at default (stage 1)</u>	<u>Gross carrying amount at default (stage 2)</u>	<u>Gross carrying amount at default (stage 3)</u>
			<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
High	AA+	0.5%	30,812	–	–
	AA	1.1%	40,324	–	–
	A	2.8%	183,537	–	–
Moderate	BB	8.3%	200	–	–
	B	19.8%	694	–	–
Low	C	54.8%	131	–	–
Credit impaired	D	100.0%	–	–	19,638

Group internal credit rating as at 31 March 2020	Equivalent internal rating	Expected credit loss rate	Gross carrying amount at default (stage 1) <i>RMB'000</i>	Gross carrying amount at default (stage 2) <i>RMB'000</i>	Gross carrying amount at default (stage 3) <i>RMB'000</i>
High	AA+	0.8%	51,661	–	–
	AA	1.5%	53,403	–	–
	A	3.1%	159,921	–	–
Moderate	BB	7.6%	1,385	–	–
	B	24.5%	2,075	–	–
Low	C	54.8%	–	–	–
Credit impaired	D	100.0%	–	–	737
Group internal credit rating as at 31 March 2021	Equivalent internal rating	Expected credit loss rate	Gross carrying amount at default (stage 1) <i>RMB'000</i>	Gross carrying amount at default (stage 2) <i>RMB'000</i>	Gross carrying amount at default (stage 3) <i>RMB'000</i>
High	AA+	0.8%	71,645	–	–
	AA	1.1%	56,808	–	–
	A	4.3%	135,626	–	–
Moderate	BB	6.8%	7,795	–	–
	B	23.5%	2,568	2,250	–
Low	C	54.8%	96	–	–
Credit impaired	D	100.0%	–	–	1,546
Group internal credit rating as at 30 September 2021	Equivalent internal rating	Expected credit loss rate	Gross carrying amount at default (stage 1) <i>RMB'000</i>	Gross carrying amount at default (stage 2) <i>RMB'000</i>	Gross carrying amount at default (stage 3) <i>RMB'000</i>
High	AA+	0.8%	167,844	–	–
	AA	1.1%	49,073	–	–
	A	2.5%	59,086	–	–
Moderate	BB	4.2%	4,306	–	–
	B	28.8%	1,930	1,775	–
Low	C	46.7%	–	–	–
Credit impaired	D	100.0%	–	–	1,368

No significant changes to estimation techniques or assumptions were made during the Track Record Period.

The opening loss allowances for other receivables reconcile to the closing loss allowances as follows:

	Performing	Underperforming	Non- performing	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Opening loss allowance as at 1 April 2018	12,532	–	–	12,532
New financial assets originated or purchased	12,542	–	–	12,542
Individual financial assets transferred to non-performing (credit impaired financial assets)	(19,638)	–	19,638	–
Recoveries	(624)	–	–	(624)
Change in risk parameters	1,062	–	–	1,062
Loss allowance as at 31 March 2019	5,874	–	19,638	25,512
New financial assets originated or purchased	11,745	–	–	11,745
Individual financial assets transferred to non-performing (credit impaired financial assets)	(11,514)	–	11,514	–
Write-offs	–	–	(30,645)	(30,645)
Recoveries	(92)	–	(170)	(262)
Change in risk parameters	762	–	400	1,162
Loss allowance as at 31 March 2020	6,775	–	737	7,512
New financial assets originated or purchased	1,768	–	–	1,768
Individual financial assets transferred to under-performing	(529)	529	–	–
Individual financial assets transferred to non-performing (credit impaired financial assets)	(823)	–	823	–
Recoveries	–	–	(14)	(14)
Change in risk parameters	1,040	–	–	1,040
Loss allowance as at 31 March 2021	8,231	529	1,546	10,306
New financial assets originated or purchased	3,011	–	–	3,011
Individual financial assets transferred to non-performing (credit impaired financial assets)	–	–	–	–
Recoveries	(7,589)	(112)	(823)	(8,524)
Change in risk parameters	443	94	645	1,182
Loss allowance as at 31 September 2021	4,096	511	1,368	5,975

The gross carrying amount of other receivables, and thus the maximum exposure to loss, is as follows:

	As at 31 March			As at
	2019	2020	2021	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Performing	255,698	268,445	274,538	282,239
Underperforming	–	–	2,250	1,775
Non-performing	19,638	737	1,546	1,368
Other receivables written off	–	30,645	–	–
Total gross other receivables	275,336	299,827	278,334	285,382
Less: Loss allowance	(25,512)	(7,512)	(10,306)	(5,975)
Less: Write-off	–	(30,645)	–	–
Other receivables net of expected credit losses	<u>249,824</u>	<u>261,670</u>	<u>268,028</u>	<u>279,407</u>

Net impairment losses/(reversal of impairment losses) on financial assets recognized in profit or loss

During the Track Record Period, the following losses were recognized in profit or loss in relation to impaired financial assets:

	Year ended 31 March			Six months ended	
	2019	2020	2021	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Impairment losses/(reversal of impairment losses) on trade receivables	1,802	4,061	2,682	392	(192)
Impairment losses/(reversal of impairment losses) on other receivables	<u>12,980</u>	<u>12,645</u>	<u>2,794</u>	<u>1,695</u>	<u>(4,331)</u>
Net impairment losses/(reversal of impairment losses) on financial assets	<u>14,782</u>	<u>16,706</u>	<u>5,476</u>	<u>2,087</u>	<u>(4,523)</u>

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the policy of the Group is to regularly monitor the Group's liquidity risk and to maintain adequate liquid assets such as cash and cash equivalents, short-term time deposits and investments in bank structured deposits or to retain adequate financing arrangements to meet the Group's liquidity requirements.

(i) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of each year/period of the Track Record Period:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Floating-rate bank loan facilities				
Expiring within one year	–	–	–	98,794
Expiring beyond one year	–	60,000	82,889	–
	–	60,000	82,889	98,794
Fixed-rate bank loan facilities				
Expiring within one year	–	117,000	123,040	53,906
Expiring beyond one year	168,636	12,000	150,000	170,000
	168,636	129,000	273,040	223,906

The bank loan facilities may be drawn in RMB and have an average maturity of 1.5 years, 1.1 years, 1.2 years and 0.96 year as at 31 March 2019, 2020 and 2021 and 30 September 2021.

(ii) *Maturities of financial liabilities*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 31 March 2019						
Trade payables	131,707	–	–	–	131,707	131,707
Other payables and accruals (excluding employee benefits payable and other taxes payable)	87,051	–	–	–	87,051	87,051
Borrowings	172,624	–	–	–	172,624	168,636
Lease liabilities	153,491	142,815	295,163	235,221	826,690	651,281
Convertible redeemable preferred shares	–	2,230,268	–	–	2,230,268	2,230,268
	<u>544,873</u>	<u>2,373,083</u>	<u>295,163</u>	<u>235,221</u>	<u>3,448,340</u>	<u>3,268,943</u>
At 31 March 2020						
Trade payables	124,123	–	–	–	124,123	124,123
Other payables and accruals (excluding employee benefits payable and other taxes payable)	72,819	–	–	–	72,819	72,819
Borrowings	263,315	30,034	4,826	–	298,175	288,000
Lease liabilities	180,466	132,956	267,433	220,093	800,948	653,526
Convertible redeemable preferred shares	2,463,404	–	–	–	2,463,404	2,463,404
	<u>3,104,127</u>	<u>162,990</u>	<u>272,259</u>	<u>220,093</u>	<u>3,759,469</u>	<u>3,601,872</u>
At 31 March 2021						
Trade payables	121,320	–	–	–	121,320	121,320
Other payables and accruals (excluding employee benefits payable and other taxes payable)	87,151	–	–	–	87,151	87,151
Borrowings	205,118	19,318	3,381	–	227,817	218,491
Lease liabilities	166,865	140,356	248,372	219,104	774,697	643,147
Convertible redeemable preferred shares	3,178,465	–	–	–	3,178,465	3,178,465
Bond	205,897	–	–	–	205,897	167,345
Warrants	71,126	–	–	–	71,126	71,126
	<u>4,035,942</u>	<u>159,674</u>	<u>251,753</u>	<u>219,104</u>	<u>4,666,473</u>	<u>4,487,045</u>

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 30 September 2021						
Trade payables	114,872	–	–	–	114,872	114,872
Other payables and accruals (excluding employee benefits payable and other taxes payable)	95,676	–	–	–	95,676	95,676
Borrowings	189,507	13,637	–	–	203,144	201,557
Lease liabilities	172,305	143,173	265,906	233,115	814,499	671,103
Convertible redeemable preferred shares	–	–	4,072,152	–	4,072,152	4,072,152
Bond	211,761	–	–	–	211,761	184,569
Derivative liabilities	96,359	–	–	–	96,359	96,359
	<u>880,480</u>	<u>156,810</u>	<u>4,338,058</u>	<u>233,115</u>	<u>5,608,463</u>	<u>5,436,288</u>

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital, other reserves and Preferred Shares on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Group considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low. As a result, capital risk is not significant for the Group and measurement of capital management is not a tool currently used in the internal management reporting procedures of the Group.

3.3 Fair value estimation

3.3.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The table below analyses the Group's financial instruments carried at fair value as of each balance sheet date by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- (i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (ii) Inputs other than quoted process included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- (iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 March 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
– Bank structured deposits	–	–	12,324	12,324
	<u>–</u>	<u>–</u>	<u>12,324</u>	<u>12,324</u>
Liabilities				
Convertible redeemable preferred shares	–	–	2,230,268	2,230,268
	<u>–</u>	<u>–</u>	<u>2,230,268</u>	<u>2,230,268</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 March 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
– Bank structured deposits	–	–	77,104	77,104
	<u>–</u>	<u>–</u>	<u>77,104</u>	<u>77,104</u>
Liabilities				
Convertible redeemable preferred shares	–	–	2,463,404	2,463,404
	<u>–</u>	<u>–</u>	<u>2,463,404</u>	<u>2,463,404</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 31 March 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
– Unlisted debt instruments	–	–	30,000	30,000
– Bank structured deposits	–	–	51,004	51,004
	<u>–</u>	<u>–</u>	<u>81,004</u>	<u>81,004</u>
Liabilities				
Convertible redeemable preferred shares	–	–	3,178,465	3,178,465
Bond	–	–	167,345	167,345
Warrants	–	–	71,126	71,126
	<u>–</u>	<u>–</u>	<u>3,416,936</u>	<u>3,416,936</u>

The following table presents the Group's financial assets and liabilities that are measured at fair value as at 30 September 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Financial assets at fair value through profit or loss				
– Unlisted debt instruments	–	–	30,000	30,000
– Bank structured deposits	–	–	6,034	6,034
	<u>–</u>	<u>–</u>	<u>36,034</u>	<u>36,034</u>
Liabilities				
Convertible redeemable preferred shares				
	–	–	4,072,152	4,072,152
Bond	–	–	184,569	184,569
Derivative liabilities	–	–	96,359	96,359
	<u>–</u>	<u>–</u>	<u>4,353,080</u>	<u>4,353,080</u>

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between Level 1, 2, and 3 for recurring fair value measurements during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

The changes in level 3 instruments of Preferred Shares, Bond, Warrants and Derivative Liabilities for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 are presented in Note 29, Note 29.1, Note 29.2 and Note 29.3, respectively.

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

	Financial assets at fair value through profit or loss – bank structured deposits	Financial assets at fair value through profit or loss – debt instruments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 April 2018	4,003	–	4,003
Additions	184,020	–	184,020
Redemptions	(176,313)	–	(176,313)
Gains recognised in other losses – net	614	–	614
At 31 March 2019	<u>12,324</u>	<u>–</u>	<u>12,324</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	<u>54</u>	<u>–</u>	<u>54</u>
At 1 April 2019	12,324	–	12,324
Additions	289,110	–	289,110
Redemptions	(224,984)	–	(224,984)
Gains recognised in other losses – net	654	–	654
At 31 March 2020	<u>77,104</u>	<u>–</u>	<u>77,104</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	<u>204</u>	<u>–</u>	<u>204</u>
At 1 April 2020	77,104	–	77,104
Additions	1,104,830	30,000	1,134,830
Redemptions	(1,137,068)	–	(1,137,068)
Gains recognised in other losses – net	6,138	–	6,138
At 31 March 2021	<u>51,004</u>	<u>30,000</u>	<u>81,004</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	<u>264</u>	<u>–</u>	<u>264</u>
At 1 April 2021	51,004	30,000	81,004
Additions	40,150	–	40,150
Redemptions	(85,413)	–	(85,413)
Gains recognised in other losses – net	293	–	293
At 30 September 2021	<u>6,034</u>	<u>30,000</u>	<u>36,034</u>
Includes unrealised gains recognised in profit or loss attributable to balances held at the end of the reporting period	<u>34</u>	<u>–</u>	<u>34</u>

3.3.2 Valuation techniques and processes

The Group has a team that manages the valuation of level 3 instruments for financial reporting purpose. The team manages the valuation of the investments on a case by case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of level 3 instruments mainly includes bank structured deposits measured at FVPL (Note 23), unlisted debt instruments at fair value through profit or loss (Note 23), Preferred Shares (Note 29), Bond (Note 29.1), Warrants (Note 29.2) and Derivative Liabilities (Note 29.3). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc. Major assumptions used in the valuation and the sensitivity analysis for Preferred Shares, Bond, Warrants and Derivative Liabilities are presented in Note 29, Note 29.1, Note 29.2 and Note 29.3, respectively.

3.3.3 Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements.

	Fair value as at 31 March			Fair value as at 30 September	Significant unobservable inputs	Range of inputs as at 31 March			Range of inputs as at 30 September	Relationship of significant unobservable inputs to fair value
	2019	2020	2021	2021		2019	2020	2021	2021	
	RMB'000	RMB'000	RMB'000	RMB'000						
Bank structured deposits measured at FVPL	12,324	77,104	51,004	6,034	Expected rate of return	2.75%-4.95%	2.75%-3.85%	2.75%-4.24%	1.54%-4.69%	The higher the expected rate of return, the higher the fair value
Unlisted debt instrument at FVPL	-	-	30,000	30,000	Rate of volatility	-	-	51%	51%	The lower the volatility, the higher the fair value

The Group's bank structured deposits were mainly investment products purchased from reputable financial institutions in the PRC with floating rates. The returns on all of these bank structured deposits were not guaranteed, hence their contractual cash flows did not qualify for solely payments of principal and interest. Therefore, they were measured at fair value through profit or loss. None of these investments were past due. Changes in fair values of bank structured deposits were analysed at the end of each reporting period by the Group's management. The fair values were determined based on the expected cash flows discounted using an expected rate of return (based on management's judgement). The relevant fair value gains/(losses) were minimal because of short term maturity. From the perspective of cash management and risk control, the Group diversified its investment portfolio and mainly purchased low-risk products from reputable financial institutions and preferred those products with high-liquidity.

If the expected rate of return had decreased/increased by 100 basis points with all other variables held constant, the fair value of bank structured deposits measured at FVPL would have decreased/increased by approximately RMB123,000, RMB771,000, RMB510,000 and RMB60,000 as at 31 March 2019, 2020 and 2021 and 30 September 2021, respectively.

If the expected volatility had decreased/increased by 5% with all other variables held constant, the fair value of unlisted debt instrument at FVPL would have increased/decreased by approximately RMB690,000 and RMB690,000 as at 31 March 2021 and 30 September 2021, respectively.

3.3.4 Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost approximate their fair values since either the instruments are with short maturities or the rate of interest receivable/payable is close to the current market rate.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Contractual Arrangements

The Group conducts a substantial portion of the business through the VIE Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's medical institutions in the PRC. The Directors assessed whether or not the Group has control over the VIE Entities, has rights to variable returns from its involvement with the VIE Entities and has the ability to affect those returns through its power over the operating entities. After assessment, the Directors concluded that the Group has control over the VIE Entities as a result of the Contractual Arrangement and accordingly the financial position and their operating results of the VIE Entities are included in the Group's consolidated financial statements throughout the year/period or since the respective dates of incorporation/establishment, whichever is the shorter period.

Nevertheless, the Contractual Arrangement may not be as effective as direct legal ownership in providing the Group with direct control over the VIE Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the VIE Entities. The Directors, based on the advice of the PRC Legal Advisers, consider that save as otherwise disclosed, each agreement under the Contractual Arrangements is legal, valid and binding upon the parties thereto under the current PRC laws and regulations.

(b) Estimation of revenue recognition

The Group applied judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers. Revenue from the rendering of orthodontics and implantology services is to be recognised over time because the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. The Group determined that the input method is the best method for measuring the progress of orthodontics and implantology services because there is a direct relationship between the Group's effort (i.e., staff costs and/or costs of inventories, consumables and customised products incurred, when appropriate) and the transfer of services to the customer. The Group recognises revenue on the basis of the staff costs and/or cost of inventories, consumables and customised products, when appropriate, expended relative to the total expected costs to complete the service. Judgements are required in the determination of the estimate of the total expected costs to complete the service.

(c) Estimation of fair value of financial assets and financial liabilities

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions including credit risk, volatility and liquidity risks associated with the instruments at the end of each reporting period, which are subject to uncertainty and might materially differ from the actual results. Changes in these assumptions and estimates could materially affect the respective fair value of these financial assets and liabilities (Note 3.3).

(d) Estimation of the useful life and depreciation of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation for the Group's property, plant and equipment based on the asset's expected utility to the Group, the asset management policy of the Group may involve the disposal of assets after a specified time or after consumption of a specified proportion of the future economic benefits embodied in the asset. Therefore, the useful life of an asset may be shorter than its economic life. The estimation of the useful life of the asset is a matter of judgement based on the experience of the Group with similar assets.

(e) Estimation of the useful life and amortisation of intangible assets

The Group's management determines the estimated useful lives and related amortisation for the Group's intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the amortisation charges where useful lives are different from that of previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortisation expense in future periods.

(f) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis, or whenever events or changes in circumstances indicate that it might be impaired. As at 31 March 2019, 2020 and 2021 and 30 September 2021, the recoverable amount of cash-generating units (CGUs) was determined based on fair value less cost of disposal calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a six calendar year period.

Cash flows beyond the six calendar year period are extrapolated using the estimated growth rates stated in note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates.

Details of impairment charge, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

(g) Credit loss allowance for trade receivables, other receivables and other financial assets

Under IFRS 9, the expected credit loss of trade receivables, other receivables and other assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to calculate the loss allowances, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in Note 3.1.2.

(h) Recoverability of non-financial assets

Other non-financial assets including property and equipment, right-of-use assets and intangible assets (including brand and licenses) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount of CGU is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management with an estimation of terminal value.

(i) Business combinations

During the Track Record Period, the Group acquired the 51.22% interest of the businesses of two clinics and 100% equity interest of a company in PRC at an aggregate cash consideration of RMB17,000,000. Details of the acquisitions are set out in Note 31. In accordance with IFRS 3, the identifiable assets acquired and liabilities and contingent liabilities assumed should be measured at fair value at the acquisition date in order to determine the difference between the cost of acquisition and the fair value of the Group's share of net assets acquired, which should then be recognised as goodwill on the consolidated balance sheets.

The directors of the Company had principally made reference to the valuation results made by an external valuer appointed by the Company to determine the fair value of the net assets acquired at the acquisition date. In the absence of an active market for the above acquisition transaction undertaken by the Group, the directors of the Company has made estimates from a variety of sources, in order to determine the fair value of identifiable assets and liabilities in the above acquisition transactions. For the fair value of the intangible assets for brands, non-competitive agreements and customer relationship, the directors of the Company had made their estimates according to valuation results assessed by an external valuer appointed by the Company. As the result, the Group recognised the excess of the acquisition costs over the fair value of the net assets acquired amounting to approximately RMB6,646,000 and RMB2,405,000 in relation to the above acquisition transaction as goodwill for the years ended 31 March 2020 and 2021, respectively (see Note 31 for details of this acquisition transaction).

(j) Current and deferred income tax

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

5 SEGMENT INFORMATION

The Group's business activities, being mainly the provision of dental services (including general dentistry, orthodontics and implantology) through the operations of dental clinics and hospitals in the PRC, are regularly evaluated by the board of directors of the Group. The Group's business activities were previously operated and managed as a single segment, prior to 30 September 2021.

The Group has adopted the new business group structure due to a change in the internal reporting structure effective for the six months ended 30 September 2021 and the comparative segment information has been reclassified to conform to the reporting format under the current internal reporting structure. Management has determined the operating segments based on the reports reviewed by the board of directors for the purpose of making decisions about resource allocation and performance assessment. Segments by business group comprise Arrail Dental and Rytime Dental.

The Management assesses the performance of the operating segments based on a measure of operating profit/(loss). The measurement basis excludes the effects of allocation of certain income, expenses, gains and losses from headquarter, (impairment losses)/reversal of impairment losses on financial assets, share of net (loss)/profit of investments accounted for using the equity method, fair value changes of financial instruments and finance income and costs. There were no separate segment assets and segment liabilities information provided to the board of directors of the Group, as they does not use this information to allocate resources to or evaluate the performance of the operating segments.

	Years ended 31 March						Six months ended 30 September			
	2019		2020		2021		2020		2021	
	Revenue	Operating loss	Revenue	Operating loss	Revenue	Operating profit	Revenue	Operating profit	Revenue	Operating profit
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited) (unaudited)									
Arrail Dental	633,694	(15,497)	588,501	(47,367)	767,219	94,961	367,034	42,755	432,188	39,077
Rytime Dental	446,597	(1,142)	511,367	(18,259)	747,908	99,075	353,287	53,111	409,151	46,620
Total	1,080,291	(16,639)	1,099,868	(65,626)	1,515,127	194,036	720,321	95,866	841,339	85,697
Unallocated:										
Headquarter and corporate expense		(52,622)		(51,112)		(64,093)		(27,734)		(47,144)
(Impairment losses)/reversal of impairment losses on financial assets		(14,782)		(16,706)		(5,476)		(2,087)		4,523
Finance income		8,796		9,326		7,581		4,438		5,979
Finance costs		(37,458)		(48,011)		(51,914)		(23,790)		(32,251)
Share of net (loss)/profit of investments accounted for using the equity method		(9,939)		(2,716)		2,602		267		829
Re-designation to Series E preferred shares from issued ordinary and preferred shares		-		-		(196,712)		-		-
Fair value changes of convertible redeemable preferred shares		(192,818)		(146,049)		(424,289)		(215,234)		(428,109)
Fair value change of bond		-		-		(16,677)		(5,309)		(22,650)
Fair value change of warrants		-		-		(26,802)		(7,527)		(13,686)
Fair value changes of derivative liabilities		-		-		-		-		(1,129)
Fair value difference between termination of the warrants and recognition of derivative liabilities		-		-		-		-		(11,136)
Loss before income tax		<u>(315,462)</u>		<u>(320,894)</u>		<u>(581,744)</u>		<u>(181,110)</u>		<u>(459,077)</u>

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns substantially all of the revenues from external customers in the PRC.

As at 31 March 2019, 2020 and 2021 and 30 September 2021, substantially all of the non-current assets of the Group were located in the PRC.

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021.

Other segment information

	Years ended 31 March						Six months ended 30 September			
	2019		2020		2021		2020		2021	
	Arrail Dental	Rytime Dental	Arrail Dental	Rytime Dental	Arrail Dental	Rytime Dental	Arrail Dental	Rytime Dental	Arrail Dental	Rytime Dental
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
							(unaudited)	(unaudited)		
Depreciation and amortization	105,349	76,021	120,722	101,894	116,908	112,083	59,615	54,739	60,372	57,154
Addition to property, plant and equipment	49,043	114,434	24,385	36,577	21,606	10,803	15,599	7,800	24,611	36,926
Addition to right-of-use assets	74,308	173,480	74,874	48,700	74,967	71,230	36,108	8,823	73,410	41,124

6 REVENUE

(a) Revenue from contracts with customers

The breakdown of revenues by service categories during the Track Record Period is as follows:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
General Dentistry – recognised at a point in time	603,639	593,861	828,452	390,222	448,807
Orthodontics – recognised over time	222,427	244,973	342,273	176,882	199,680
Implantology – recognised over time	231,447	236,463	299,568	134,947	174,067
Others – recognised at a point in time	22,778	24,571	44,834	18,270	18,785
	<u>1,080,291</u>	<u>1,099,868</u>	<u>1,515,127</u>	<u>720,321</u>	<u>841,339</u>

The breakdown of revenues by geographic locations and by brands during the Track Record Period is as follows:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Northern China	483,987	473,144	637,590	301,791	357,675
Eastern China	274,000	280,702	384,664	180,267	203,342
Southern China	112,979	108,242	146,990	69,261	81,782
Western China	209,325	237,780	345,883	169,002	198,540
	<u>1,080,291</u>	<u>1,099,868</u>	<u>1,515,127</u>	<u>720,321</u>	<u>841,339</u>

(b) Liabilities related to contracts with customers**(i) Revenue recognised in relation to contract liabilities**

The following table shows the amounts of revenue recognised in each of the financial years/periods that were included in the contract liabilities at the beginning of each of the financial years/periods:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of each of the years/periods:					
– Rendering dental services	126,991	163,983	236,263	96,368	163,075

(ii) Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the financial years/periods are as follows:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts expected to be recognised as revenue:				
Within one year	163,983	236,263	209,521	193,302
After one year	11,180	13,697	11,878	24,531
	175,163	249,960	221,399	217,833

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year related to orthodontics services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. EXPENSES BY NATURE

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Employee benefits expenses	566,444	615,422	716,704	327,775	431,840
Depreciation and amortisation	181,370	222,616	228,991	114,354	117,526
Dental materials used	167,280	181,975	233,421	110,273	127,754
Advertising and marketing expenses	55,441	46,719	38,165	17,024	16,307
Office and property management expenses	49,050	49,328	49,625	24,864	25,652
Consulting fees	38,222	34,446	56,595	30,850	33,958
Auditor's remuneration					
– Audit services	1,155	1,142	2,700	1,211	4,842
– Non-audit services	–	–	–	–	–
Listing expenses (excluding auditor's remuneration)	–	–	3,171	–	17,675
Other expenses	86,122	61,829	58,098	28,620	30,042
	<u>1,145,084</u>	<u>1,213,477</u>	<u>1,387,470</u>	<u>654,971</u>	<u>805,596</u>

8. EMPLOYEE BENEFITS EXPENSES

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages, salaries, bonuses and other allowances	489,733	538,459	649,011	300,699	374,456
Social security costs and housing fund contributions (a)	76,711	76,963	67,693	27,076	57,384
	<u>566,444</u>	<u>615,422</u>	<u>716,704</u>	<u>327,775</u>	<u>431,840</u>

(a) Social security costs and housing fund contributions

The employees of the Group in the PRC are members of a state-managed pension obligations operated by the PRC Government, including social security costs and housing benefits. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 include 2, 1, 1, 2 and 1 director whose emoluments are reflected in the analysis shown in Note 36. The emoluments payable to the remaining 3, 4, 4, 3 and 4 individuals during the year/period are as follows:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Wages, salaries, bonuses and other allowances	5,480	7,717	9,753	3,000	4,866
Social security costs and housing fund contributions	292	305	390	146	240
	<u>5,772</u>	<u>8,022</u>	<u>10,143</u>	<u>3,146</u>	<u>5,106</u>

The emoluments fell within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
				(unaudited)	
Emolument bands (in HK dollar)					
HK\$500,001 – HK\$1,000,000	–	–	–	–	–
HK\$1,000,001 – HK\$1,500,000	–	–	–	2	3
HK\$1,500,001 – HK\$2,000,000	–	–	–	1	1
HK\$2,000,001 – HK\$2,500,000	2	3	–	–	–
HK\$2,500,001 – HK\$3,000,000	1	1	2	–	–
HK\$3,000,001 – HK\$3,500,000	–	–	1	–	–
HK\$3,500,001 – HK\$4,000,000	–	–	1	–	–
	<u>–</u>	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>

9 OTHER (LOSSES)/GAINS, NET

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net (losses)/gains on disposal of property, plant and equipment	(2,055)	(3,755)	(5,002)	(784)	592
Net fair value gains on financial assets at fair value through profit or loss	614	654	6,138	3,900	293
Net foreign exchange losses	(689)	(68)	(63)	(32)	(16)
(Accrual)/reversal of accrual for water discharge license penalties	(1,000)	(1,000)	–	–	2,000
Others	(1,338)	1,040	1,213	(302)	(59)
	<u>(4,468)</u>	<u>(3,129)</u>	<u>2,286</u>	<u>2,782</u>	<u>2,810</u>

10 FINANCE COSTS – NET

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Finance income					
Interest income from bank deposits	5,913	6,076	4,351	2,979	2,168
Interest income from loans to related parties and employees	2,883	3,250	3,230	1,459	3,811
	8,796	9,326	7,581	4,438	5,979
Finance costs					
Interest expense on borrowings	(8,774)	(15,159)	(19,526)	(8,086)	(5,613)
Interest expense on lease liabilities	(28,684)	(32,852)	(32,388)	(15,704)	(17,468)
Transaction costs on issuance of Series E convertible redeemable preferred shares	–	–	–	–	(9,170)
	(37,458)	(48,011)	(51,914)	(23,790)	(32,251)
	(28,662)	(38,685)	(44,333)	(19,352)	(26,272)

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the consolidated balance sheets are as follows:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Associates, unlisted entities	13,569	11,508	14,116	14,625
Joint ventures	–	–	–	1,050
	13,569	11,508	14,116	15,675

During the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021, the unrecognised share of loss of associates and joint ventures accounted for under the equity method amounted to RMB15,413,000, RMB22,853,000, RMB23,065,000 and RMB23,294,000, respectively, of which RMB10,725,000, RMB16,726,000, RMB16,544,000 and RMB16,159,000, respectively were attributed from 濟南濟東.

No impairment loss on the investments accounted for using the equity method was recognised during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

Set out below are the associates and joint ventures of the Group as at 31 March 2019, 2020 and 2021 and 30 September 2021. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entities	Place of business/ country of incorporation	% of ownership interest As at 31 March			% of ownership interest As at 30 September 2021	Nature of relationship	Principal activities
		2019	2020	2021	2021		
		%	%	%	%		
北京康泰健瑞牙科技術有限公司 ("北京康泰")	PRC	51	51	51	51	Joint venture	Provision of technical services in respect of dental materials
濟南濟東口腔醫院有限公司 ("濟南濟東")	PRC	45	45	45	45	Associate	Provision of dental services
福州美可普口腔醫院有限公司 ("福州美可普")	PRC	30	30	30	30	Associate	Provision of dental services
郴州科爾雅口腔醫院管理有限公司	PRC	32	31	31	31	Associate	Provision of dental services
廣州天河領航口腔門診部有限公司	PRC	–	–	20	20	Associate	Provision of dental services
重慶瑞登醫院管理中心(有限合夥) ("重慶瑞登")	PRC	–	–	–	12	Joint venture	Investment holding
重慶瑞征醫院管理中心(有限合夥) ("重慶瑞征")	PRC	–	–	–	20	Joint venture	Investment holding
重慶瑞新醫院管理中心(有限合夥) ("重慶瑞新")	PRC	–	–	–	8	Joint venture	Investment holding
重慶瑞歡醫院管理中心(有限合夥) ("重慶瑞歡")	PRC	–	–	–	60	Joint venture	Investment holding

The associates and joint ventures of the Group above have been accounted by using the equity method based on the financial information of the associates and joint ventures prepared under the accounting policies consistent with the Group.

The joint arrangements in relation to 北京康泰, 重慶瑞登, 重慶瑞征, 重慶瑞新 and 重慶瑞歡 require unanimous consent from all shareholders for all relevant activities. Each shareholder does not have direct rights to the assets and obligation for the liabilities of these entities. Therefore, these entities are classified as joint ventures.

The interests in associates and joint ventures disclosed above all belong to a number of individually immaterial associates and joint ventures that are accounted for using the equity method. The summarised financial information for all individually immaterial associates and joint venture are set out below:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates and joint ventures	13,569	11,508	14,116	15,675
Aggregate amounts of the group's share of:				
Profit for the year	(9,939)	(2,716)	2,602	829
Other comprehensive income	(31)	21	–	–
Total comprehensive income	(9,970)	(2,695)	2,602	829

12 INCOME TAX (CREDIT)/EXPENSES

The income tax (credit)/expense of the Group for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 is analysed as follows:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Current income tax					
– PRC corporate income tax	7,811	8,751	11,063	3,363	7,011
Deferred income tax (<i>Note 28</i>)	(19,104)	(3,820)	4,955	3,449	(1,901)
	(11,293)	4,931	16,018	6,812	5,110

The taxation on the Group's loss before income tax differs from the theoretical amount that would arise using the taxation rate of the PRC, the principal place of the Group's operations, as follows:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Loss before income tax	(315,462)	(320,894)	(581,744)	(181,110)	(459,077)
Tax calculated at statutory income tax rate of 25% in mainland China	(78,866)	(80,224)	(145,436)	(45,278)	(114,769)
Tax effects of:					
– Effect of different tax rates in other jurisdictions	47,820	36,234	162,166	55,688	119,755
– Effect of preferential tax rates of certain subsidiaries	(4,065)	(3,208)	(12,494)	(6,314)	(6,006)
– Tax losses for which no deferred tax assets was recognised	14,860	40,368	2,719	1,371	4,541
– Temporary deductible timing differences for which no deferred tax assets was recognised	957	700	560	211	(37)
– Expenses not deductible for income tax purposes	8,487	11,339	9,154	1,165	1,646
– Income not subject to tax	(486)	(278)	(651)	(31)	(20)
	(11,293)	4,931	16,018	6,812	5,110

(a) Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Act of the Cayman Islands and is not subject to tax on income or capital gains. Additionally, the Cayman Islands do not impose a withholding tax on payments of dividends to shareholders. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

(b) BVI

The Group's entities established under the International Business Companies Acts of BVI are exempted from BVI income tax.

(c) Hong Kong Income Tax

Entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on 1 April 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million. The subsidiary, Arrail Institute of Advanced Dentistry (AIAD) Limited, was established in Hong Kong and this tax policy is applicable. No provision for Hong Kong profits tax was made as the Group had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

(d) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of its operations in PRC was subject to statutory tax rate of 25% on the assessable profits for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 based on the existing legislation, interpretation and practices in respect thereof.

For the Group's PRC subsidiaries qualified as Small and Micro Enterprise ("SME") by the relevant government authorities, they are subject to a 50%-75% deduction of the assessable profits as well as a preferential tax rate of 20% or 10%, effective until 31 December 2022. During the Track Record Period, the majority of the Group's PRC subsidiaries meet the criteria of SMEs.

(e) Withholding tax in Mainland China ("WHT")

According to the New Corporate Income Tax Law ("New EIT Law"), beginning 1 January 2008, distribution of profits earned by companies in mainland China since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

The Group does not have any plan in the foreseeable future to require its subsidiaries in mainland China to distribute their retained earnings, totaling RMB361,787,000, RMB480,124,000, RMB727,258,000 and RMB772,399,000 as at 31 March 2019, 2020 and 2021 and 30 September 2021, respectively, and intends to retain them to operate and expand its business in mainland China. Accordingly, no deferred income tax liability related to WHT on undistributed earnings was accrued as of the end of each Track Record Period.

13 LOSS PER SHARE**(a) Basic loss per shares**

Basic loss per share for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year/period.

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
				(unaudited)	
Loss attributable to owners of the Company (RMB'000)	(301,178)	(316,854)	(599,420)	(189,524)	(468,429)
Weighted average number of class 1 ordinary shares outstanding	1,723,668	1,723,668	1,703,284	1,723,668	1,603,668
Weighted average number of class 2 ordinary shares outstanding	1,209,059	1,209,059	1,215,546	1,209,059	1,189,183
Basic loss per share, for class 1 and class 2 ordinary shares (expressed in RMB per share)	(102.70)	(108.04)	(205.36)	(64.62)	(167.72)

(b) Diluted loss per shares

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

During the Track Record Period, the Company had potential ordinary shares, including convertible redeemable preferred shares, warrants and derivative liabilities. As the Group incurred losses for the years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2020 and 2021, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, the amounts of diluted loss per share for the years ended 31 March 2019, 2020 and 2021 and for the six months ended 30 September 2020 and 2021 were the same as basic loss per share of the respective year/period.

The basic and diluted loss per share as presented above has not taken into account the proposed share subdivision pursuant to the shareholders' resolution passed on 1 December 2021 because the proposed share subdivision has not become effective as of the date of this report.

14 PROPERTY, PLANT AND EQUIPMENT

	Medical equipment	Office equipment and furniture	Motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost					
At 1 April 2018 (unaudited)	197,202	28,853	4,150	168,274	398,479
Additions	63,545	6,683	214	93,035	163,477
Disposals	(6,514)	(587)	–	(6,281)	(13,382)
At 31 March 2019	254,233	34,949	4,364	255,028	548,574
Additions	18,707	4,980	–	37,275	60,962
Acquisition of subsidiaries (Note 31)	640	192	213	3,800	4,845
Disposals	(9,320)	(1,279)	–	(5,787)	(16,386)
At 31 March 2020	264,260	38,842	4,577	290,316	597,995
Additions	17,881	3,290	167	11,071	32,409
Disposals	(21,680)	(5,344)	(207)	(9,554)	(36,785)
At 31 March 2021	260,461	36,788	4,537	291,833	593,619
Additions	17,609	3,646	1,058	39,224	61,537
Disposals	(7,658)	(2,106)	(1,002)	–	(10,766)
At 30 September 2021	270,412	38,328	4,593	331,057	644,390

	Medical equipment	Office equipment and furniture	Motor vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accumulated depreciation					
At 1 April 2018					
(unaudited)	(87,627)	(17,162)	(3,389)	(60,865)	(169,043)
Charge for the year	(21,553)	(4,760)	(195)	(30,302)	(56,810)
Disposals	4,629	488	–	2,641	7,758
At 31 March 2019	<u>(104,551)</u>	<u>(21,434)</u>	<u>(3,584)</u>	<u>(88,526)</u>	<u>(218,095)</u>
Charge for the year	(26,608)	(5,814)	(283)	(46,143)	(78,848)
Disposals	6,683	1,158	–	3,261	11,102
At 31 March 2020	<u>(124,476)</u>	<u>(26,090)</u>	<u>(3,867)</u>	<u>(131,408)</u>	<u>(285,841)</u>
Charge for the year	(28,306)	(5,332)	(239)	(41,545)	(75,422)
Disposals	15,797	4,473	140	8,076	28,486
At 31 March 2021	<u>(136,985)</u>	<u>(26,949)</u>	<u>(3,966)</u>	<u>(164,877)</u>	<u>(332,777)</u>
Charge for the period	(17,014)	(3,240)	(666)	(14,099)	(35,019)
Disposals	6,682	1,903	971	–	9,556
At 30 September 2021	<u>(147,317)</u>	<u>(28,286)</u>	<u>(3,661)</u>	<u>(178,976)</u>	<u>(358,240)</u>
Net book value					
At 31 March 2019	<u>149,682</u>	<u>13,515</u>	<u>780</u>	<u>166,502</u>	<u>330,479</u>
At 31 March 2020	<u>139,784</u>	<u>12,752</u>	<u>710</u>	<u>158,908</u>	<u>312,154</u>
At 31 March 2021	<u>123,476</u>	<u>9,839</u>	<u>571</u>	<u>126,956</u>	<u>260,842</u>
At 30 September 2021	<u>123,095</u>	<u>10,042</u>	<u>932</u>	<u>152,081</u>	<u>286,150</u>

For the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021, depreciation of the Group's property, plant and equipment amounting to RMB56,810,000, RMB78,848,000, RMB75,422,000, RMB38,622,000 and RMB35,019,000, respectively, have been charged to cost of sales amounting to RMB55,738,000, RMB71,360,000, RMB70,176,000, RMB36,469,000 and RMB31,806,000, respectively, to selling and distribution expenses amounting to RMB325,000, RMB362,000, RMB542,000, RMB101,000 and RMB123,000, respectively, to administrative expenses amounting to RMB701,000, RMB7,014,000, RMB4,596,000, RMB1,998,000 and RMB3,041,000, respectively, and to research and development expenses amounting to RMB46,000, RMB112,000, RMB108,000, RMB54,000 and RMB49,000, respectively.

15 LEASES

(a) Items recognised in the consolidated balance sheets

	As at 31 March			As at
	2019	2020	2021	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2021 <i>RMB'000</i>
Right-of-use assets				
Clinics and office buildings	608,882	595,950	595,114	630,315
Lease liabilities				
Current	124,888	143,936	132,140	119,972
Non-current	526,393	509,590	511,007	551,131
	651,281	653,526	643,147	671,103

Additions to the right-of-use assets for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 were RMB247,788,000, RMB123,574,000, RMB146,197,000 and RMB114,534,000, respectively.

(b) Items recognised in the consolidated income statement

	Year ended 31 March			Six months ended	
	2019	2020	2021	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Depreciation charge of right-of-use assets					
Clinics and office buildings	115,935	136,506	147,033	72,273	79,333
Interest expense (included in finance costs, net)	28,684	32,852	32,388	15,704	17,468
Expense relating to short-term leases and leases of low value assets not included in lease liabilities	31,188	12,107	14,156	6,564	7,213

A reduction in the lease payments arising from the rent concessions of nil, RMB3,880,000, RMB3,750,000, RMB849,000 and nil has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021, respectively.

The total cash outflows for leases during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 was RMB157,757,000, RMB166,288,000, RMB203,120,000, RMB88,741,000 and RMB111,259,000, respectively.

The total cash outflows in financing activities for leases during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 are as follows:

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Principal elements of lease payments	97,885	121,329	156,576	66,473	86,578
Related interest paid	28,684	32,852	32,388	15,704	17,468
	<u>126,569</u>	<u>154,181</u>	<u>188,964</u>	<u>82,177</u>	<u>104,046</u>

The weighted average incremental borrowing rate applied to the lease liabilities for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 were 4.89%, 5.05%, 5.03%, 5.03% and 4.42% per annum, respectively.

(c) The Group's leasing activities and how these are accounted for

The Group leased various clinics and office buildings under rental contracts which are typically for fixed periods of 2 to 8 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and are not used as security for borrowing purposes.

16 INTANGIBLE ASSETS

	Service contracts	Brands and licenses	Non-competitive agreements and customer relationship	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost					
At 1 April 2018 (unaudited)	7,324	29,395	18,750	5,185	60,654
Acquisition of assets (<i>Note</i>)	3,746	–	–	–	3,746
Additions	–	–	–	575	575
At 31 March 2019	<u>11,070</u>	<u>29,395</u>	<u>18,750</u>	<u>5,760</u>	<u>64,975</u>
Acquisition of assets (<i>Note 31</i>)	–	2,725	2,200	–	4,925
Additions	–	–	–	1,340	1,340
Disposals (<i>Note 31</i>)	(2,622)	–	–	–	(2,622)
At 31 March 2020	<u>8,448</u>	<u>32,120</u>	<u>20,950</u>	<u>7,100</u>	<u>68,618</u>

	Service contracts	Brands and licenses	Non- competitive agreements and customer relationship	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Acquisition of assets (<i>Note 31</i>)	–	485	600	–	1,085
Additions	–	–	–	476	476
Disposals (<i>Note 31</i>)	(1,124)	–	–	–	(1,124)
At 31 March 2021	<u>7,324</u>	<u>32,605</u>	<u>21,550</u>	<u>7,576</u>	<u>69,055</u>
Additions	–	–	–	4,908	4,908
At 30 September 2021	<u>7,324</u>	<u>32,605</u>	<u>21,550</u>	<u>12,484</u>	<u>73,963</u>
Accumulated amortisation					
At 1 April 2018 (unaudited)	(409)	(8,529)	(11,012)	(2,349)	(22,299)
Charge for the year	(1,686)	(3,768)	(1,653)	(1,518)	(8,625)
At 31 March 2019	<u>(2,095)</u>	<u>(12,297)</u>	<u>(12,665)</u>	<u>(3,867)</u>	<u>(30,924)</u>
Charge for the year	(1,057)	(3,942)	(1,436)	(827)	(7,262)
Disposals (<i>Note 31</i>)	1,592	–	–	–	1,592
At 31 March 2020	<u>(1,560)</u>	<u>(16,239)</u>	<u>(14,101)</u>	<u>(4,694)</u>	<u>(36,594)</u>
Charge for the year	(665)	(3,639)	(1,522)	(710)	(6,536)
Disposals (<i>Note 31</i>)	682	–	–	–	682
At 31 March 2021	<u>(1,543)</u>	<u>(19,878)</u>	<u>(15,623)</u>	<u>(5,404)</u>	<u>(42,448)</u>
Charge for the period	(189)	(1,318)	(772)	(895)	(3,174)
At 30 September 2021	<u>(1,732)</u>	<u>(21,196)</u>	<u>(16,395)</u>	<u>(6,299)</u>	<u>(45,622)</u>
Net book value					
At 31 March 2019	<u>8,975</u>	<u>17,098</u>	<u>6,085</u>	<u>1,893</u>	<u>34,051</u>
At 31 March 2020	<u>6,888</u>	<u>15,881</u>	<u>6,849</u>	<u>2,406</u>	<u>32,024</u>
At 31 March 2021	<u>5,781</u>	<u>12,727</u>	<u>5,927</u>	<u>2,172</u>	<u>26,607</u>
At 30 September 2021	<u>5,592</u>	<u>11,409</u>	<u>5,155</u>	<u>6,185</u>	<u>28,341</u>

Amortisations of the Group's intangible assets has been charged to administrative expenses in the consolidated income statements.

Note Acquisition of assets

On 30 April 2018, the Company's subsidiary, Beijing Ruicheng Hospital Management Co., Ltd., obtained an intangible asset – service contracts and acquired 51.22% equity interest of Dalian Ruitai Baojia Hospital Management Co., Ltd. ("Baojia Management") for consideration of RMB8,730,000. As Baojia Management had no operations at the acquisition date, the transaction was accounted for as an acquisition of assets.

The details of the fair value of the identifiable assets acquired are as follows:

	<i>RMB'000</i>
Consideration	
Cash consideration	8,730
Less: Intangible asset – service contracts acquired (per above)	<u>(3,746)</u>
Consideration for acquiring net assets of Baojia Management	<u>4,984</u>
Recognised amounts of the fair value of assets acquired	
Cash and cash equivalents	9,730
Less: non-controlling interests	<u>(4,746)</u>
Net assets of Baojia Management acquired	<u><u>4,984</u></u>
Outflow of cash to acquire Baojia Management, net of cash acquired	
Cash consideration	8,730
Less: Cash and cash equivalents acquired	<u>(9,730)</u>
Net inflow of cash – investing activities	<u><u>(1,000)</u></u>

17 GOODWILL

	<i>RMB'000</i>
At 1 April 2018, 31 March 2019 and 1 April 2019	89,416
Acquisition of businesses (<i>Note 31</i>)	<u>6,646</u>
At 31 March 2020	<u><u>96,062</u></u>
At 1 April 2020	96,062
Acquisition of business (<i>Note 31</i>)	<u>2,405</u>
At 31 March 2021 and 30 September 2021	<u><u>98,467</u></u>

(a) Impairment tests for goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to groups of CGUs. Such groups of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purpose.

Management considered that the Group only had one group of CGUs according to how it operated its business as at 31 March 2019, 2020 and 2021. On 30 September 2021, the Group has adopted the new business group structure due to a change in internal reporting structure. Management has determined the operating segments based on the reports reviewed by the board of directors for the purpose of making decisions about resource allocation and performance assessment, which comprise Arrail Dental and Rytime Dental. Goodwill is allocated to the two operating segments since 30 September 2021. A summary of the goodwill allocation is presented below.

	As at 30 September 2021
	<i>RMB'000</i>
Arrail Dental	40,893
Rytime Dental	57,574
	98,467

The impairment test is performed for the group of CGUs by engaging an independent appraiser to estimate fair value less cost of disposal ("FVLCO") as its recoverable amount. These calculations use post-tax cash flow projections based on financial budgets prepared by management covering six calendar years. The Group believes that it is appropriate to use a period longer than five years in its cash flow projection according to the approved budget, because it captures the ramp-up and fast-growing stages of the Group's new hospitals and clinics during a period of six years, which the Group expects to experience a high growth rate. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control processes established by the Group. Cash flows beyond the projected period are extrapolated using the estimated terminal growth rate. The management leveraged their extensive experiences in the industry and provided forecast based on past performance, their expectation of future business plans and external sources of information. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

The following key assumptions were used for FVLCO calculation of one group of CGUs as at 31 March 2019, 2020 and 2021:

	As at 31 March		
	2019	2020	2021
Compound annual growth rate of revenue in the projected period	19%	23%	27%
Terminal growth rate	3%	3%	3%
Post-tax discount rate	17%	17%	17%
FVLCO of the group of CGUs (in RMB million)	2,761	3,072	3,753
Carrying amount of the group of CGUs (in RMB million)	1,323	1,201	1,804

The following key assumptions were used for FVLCOG calculations of the two groups of CGUs as at 30 September 2021:

	As at 30 September 2021	
	Arrail Dental	Rytime Dental
Compound annual growth rate of revenue in the projected period	21%	26%
Terminal growth rate	3%	3%
Post-tax discount rate	15.5%	15.5%
FVLCOG of the group of CGUs (<i>in RMB million</i>)	1,902	2,775
Carrying amount of the group of CGUs (<i>in RMB million</i>)	1,054	1,088

The compound annual growth rates of revenue and the terminal growth rate used do not exceed the industry growth forecast for the market in which the Group operates. The discount rate used is post-tax and reflects market assessments of the time value and the specific risks relating to the industry. The values assigned to the key assumptions and discount rates are consistent with external information sources.

Based on the result of the goodwill impairment testing, the estimated headroom was approximately RMB1,438 million, RMB1,871 million, RMB1,949 million as at 31 March 2019, 2020 and 2021, respectively. The estimated headrooms of Arrail Dental and Rytime Dental were approximately RMB848 million and RMB1,687 million, respectively, as at 30 September 2021. As the recoverable amount was significantly above the carrying amount, no impairment was identified in respect of goodwill as at 31 March 2019, 2020 and 2021 and 30 September 2021, respectively.

The Group performs a sensitivity analysis based on the reasonably possible changes in assumptions underlying the compound annual revenue growth rate, terminal growth rate or the post-tax discount rate. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to as below:

	As at 31 March		
	2019	2020	2021
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Compound annual growth rate of revenue decreases by 10% from the original growth rate	78	884	800
Terminal growth rate decreases by 3% from the original growth rate	1,143	1,492	1,463
Post-tax discount rate increases by 10% from the original post-tax discount rate	141	410	105

	As at 30 September 2021	
	Arrail Dental	Rytime Dental
	<i>RMB'million</i>	<i>RMB'million</i>
Compound annual growth rate of revenue decreases by 10% from the original growth rate	210	672
Terminal growth rate decreases by 3% from the original growth rate	655	1,204
Post-tax discount rate increases by 10% from the original post-tax discount rate	372	817

The Directors and management have considered and assessed the reasonably possible changes in key assumptions above and have not identified any instances that would cause the carrying amount of the group of CGUs to exceed its recoverable amount. Therefore, it would not lead to any significant impairment of goodwill as at 31 March 2019, 2020 and 2021 and 30 September 2021, respectively.

18 PREPAYMENTS

The detailed information of prepayments during the Track Record Period is as below:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<i>Non-current</i>				
Prepayments for construction	540	9,644	17,259	–
Incremental costs of obtaining contracts (<i>Note</i>)	1,901	2,328	1,743	4,170
	2,441	11,972	19,002	4,170
<i>Current</i>				
Prepayments for braces	36,777	37,620	47,597	55,414
Incremental costs of obtaining contracts (<i>Note</i>)	12,478	11,245	17,468	17,773
Prepayments for inventories other than braces	11,258	9,951	24,036	28,056
Short-term lease prepayments	11,212	7,061	4,222	11,239
Prepayments for services	6,315	5,563	9,696	10,309
Listing fees	–	–	1,957	3,159
	78,040	71,440	104,976	125,950
	80,481	83,412	123,978	130,120

Note: Incremental cost of obtaining contracts represents the commissions to dentists, which are calculated based on certain percentage of total contract sum of new contracts introduced by dentists. The Group recognised an asset for the incremental costs of obtaining contracts for the commissions because the Group expects to recover these costs through future fees for the goods or services to be provided. Details are set out in Note 2.22 to this report.

19 INVESTMENTS IN SUBSIDIARIES – COMPANY

The detailed information of investments in subsidiaries for the Company during the Track Record Period is as below:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Investments in subsidiaries	280,019	320,147	296,931	293,049
Deemed investment arising from issuance of warrants (<i>Note</i>)	–	–	45,200	44,609
	280,019	320,147	342,131	337,658

Note: The amount represents the deemed investment arising from the issuance of the warrants (Note 29.2) by the Company as an upfront payment for issuance of the bond (Note 29.1) by a subsidiary, which was deemed to be an investment made by the Company into its subsidiary.

20 INVENTORIES

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Dental materials	38,455	37,500	39,036	51,850

Inventories recognised as cost of sales during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 amounted to RMB167,280,000, RMB181,975,000, RMB233,421,000, RMB110,273,000 and RMB127,754,000, respectively.

21 FINANCIAL INSTRUMENTS BY CATEGORY

The detail information of financial instruments by category during the Track Record Period is as below:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Assets as per consolidated balance sheets				
Financial assets measured at fair value through profit or loss:				
– Bank structured deposits (Note 23)	12,324	77,104	51,004	6,034
– Unlisted debt instruments (Note 23)	–	–	30,000	30,000
Financial assets measured at amortised cost:				
– Trade and other receivables (Note 22)	291,080	293,917	340,950	341,780
– Restricted cash (Note 24(b))	144,097	156,439	65,706	97,304
– Time deposits with original maturity over three months (Note 24(b))	33,667	–	–	2,000
– Cash and cash equivalents (Note 24(a))	168,457	172,618	676,304	1,120,584
	649,625	700,078	1,163,964	1,597,702

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Liabilities as per consolidated balance sheets				
Financial liabilities measured at fair value through profit or loss:				
– Convertible redeemable preferred shares (Note 29)	2,230,268	2,463,404	3,178,465	4,072,152
– Bond (Note 29.1)	–	–	167,345	184,569
– Warrants (Note 29.2)	–	–	71,126	–
– Derivative liabilities (Note 29.3)	–	–	–	96,359
Financial liabilities measured at amortised cost:				
– Borrowings (Note 27)	168,636	288,000	218,491	201,557
– Lease liabilities (Note 15)	651,281	653,526	643,147	671,103
– Trade and other payables	218,758	196,942	208,471	210,548
	3,268,943	3,601,872	4,487,045	5,436,288

22 TRADE AND OTHER RECEIVABLES

The Group	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<i>Non-current</i>				
Other receivables				
Loan to an ordinary shareholder (Note a and Note 35(c))	89,315	93,979	87,169	–
Loans to employees (Note b)	29,968	42,638	41,862	39,457
Rental deposits	49,192	49,440	56,760	56,923
Others	14,733	8,459	5,958	6,599
Less: loss allowance	(3,873)	(5,616)	(6,734)	–
	<u>179,335</u>	<u>188,900</u>	<u>185,015</u>	<u>102,979</u>
<i>Current</i>				
Trade receivables				
	54,303	45,063	88,420	77,679
Other receivables				
Loan to an ordinary shareholder (Note a and Note 35(c))	–	–	–	86,025
Loans to related parties (Note 35(c))	43,738	25,522	24,665	1,253
Amounts due from related parties (Note 35(c))	32,090	34,027	53,242	70,150
Others	16,300	15,117	8,678	24,525
Less: loss allowance	(34,686)	(14,712)	(19,070)	(20,831)
	<u>111,745</u>	<u>105,017</u>	<u>155,935</u>	<u>238,801</u>
	<u>291,080</u>	<u>293,917</u>	<u>340,950</u>	<u>341,780</u>
The Company				
	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<i>Non-current</i>				
Other receivables				
Loan to an ordinary shareholder (Note a)	89,315	93,979	87,169	–
Less: loss allowance	(2,584)	(3,579)	(4,350)	–
	<u>86,731</u>	<u>90,400</u>	<u>82,819</u>	<u>–</u>
<i>Current</i>				
Other receivables				
Loan to an ordinary shareholder (Note a)	–	–	–	86,025
Amounts due from subsidiaries	411,145	419,196	355,677	345,433
Receivables from related parties	27,430	31,413	31,564	9,865
Others	1,540	262	275	683
	<u>440,115</u>	<u>450,871</u>	<u>387,516</u>	<u>442,006</u>
	<u>526,846</u>	<u>541,271</u>	<u>470,335</u>	<u>442,006</u>

Note a: The loan to an ordinary shareholder amounting to US\$13,264,349 is secured by 396,827 class 1 ordinary shares of the Company, with interest accruing at 3% per annum, and repayable on the earlier of (i) the date falling on 12 months from the IPO, and (ii) 31 December 2023. Such loan, which amounted to US\$13,264,349 (equivalent to RMB86,025,000) as at 30 September 2021, was fully settled in October 2021.

Note b: The loans to employees are unsecured, with interest accruing at 2% per annum, and repayable after 5 years from the date of drawdown.

The carrying amounts of the Group's trade receivables were denominated in RMB and approximated their fair values. As a result, there is no exposure to foreign currency risk.

The Group generally allows a credit period of 10 to 60 days to its customers. Ageing analysis of trade receivables based on billing date is as follows:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Up to 3 months	16,727	17,542	48,013	44,064
3 to 6 months	11,380	9,418	12,972	10,759
6 months to 1 year	13,610	7,492	10,598	6,612
1 to 2 years	6,963	5,267	5,840	4,191
Over 2 years	5,623	5,344	10,997	12,053
	<u>54,303</u>	<u>45,063</u>	<u>88,420</u>	<u>77,679</u>

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Details of which are set out in Note 3.1.2 to this report.

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Bank structured deposits – current	12,324	77,104	51,004	6,034
Unlisted debt instruments – non-current (<i>Note</i>)	–	–	30,000	30,000
	<u>12,324</u>	<u>77,104</u>	<u>81,004</u>	<u>36,034</u>

Note: On 26 March 2021, the Group acquired certain preferred shares, representing 8.22% equity interest of Hangzhou Jarvis Medical Technology Company Limited (“Hangzhou Jarvis”), for consideration of RMB30,000,000, which was close to its fair value as at 31 March 2021 and 30 September 2021.

The fair values of the unlisted debt instruments are calculated using the Backsolve Method. In this model, the fair value of the financial instruments is determined by the implied equity value derived from a timely transaction in the private company's equity. Its fair values are within level 3 of the fair value hierarchy (Note 3.3.1).

24 CASH AND BANK BALANCES

(a) Cash and cash equivalents

The Group	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Cash at bank and in hand	86,308	115,937	303,198	416,561
Time deposits with original maturity within three months	82,149	56,681	373,106	704,023
	<u>168,457</u>	<u>172,618</u>	<u>676,304</u>	<u>1,120,584</u>

The weighted average effective interest rates on the Group's time deposits with original maturity within three months as at 31 March 2019, 2020 and 2021 and 30 September 2021 were 2.15%, 2.02% and 0.36% and 0.36% per annum respectively.

The Company	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Cash at bank and in hand	965	2,739	39,968	204,875
Time deposits with original maturity within three months	67,795	56,681	373,106	704,023
	<u>68,760</u>	<u>59,420</u>	<u>413,074</u>	<u>908,898</u>

The weighted average effective interest rates on the Company's time deposits with original maturity within three months as at 31 March 2019, 2020 and 2021 and 30 September 2021 were 1.96%, 2.02% and 0.36% and 0.36% per annum respectively.

(b) Restricted cash and time deposits with original maturity over three months

The Group	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Restricted cash (Note 27a)	144,097	156,439	65,706	97,304
Time deposits with original maturity over three months	33,667	–	–	2,000
	<u>177,764</u>	<u>156,439</u>	<u>65,706</u>	<u>99,304</u>

The interest rates on the Group's restricted cash and time deposits with original maturity over three months as at 31 March 2019, 2020 and 2021 and 30 September 2021 were in the range of 3.00% to 3.15%, 2.64% to 2.69% and 0.10% to 0.10% and 0.10% to 0.10% per annum, respectively.

The Company	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
Time deposits with original maturity over three months	33,667	–	–	–

The interest rates on the Company's time deposits with original maturity over three months as at 31 March 2019, 2020 and 2021 and 30 September 2021 were in the range of 3.00% to 3.15%, Nil, Nil and Nil per annum, respectively.

Cash and bank balances are denominated in the following currencies:

The Group	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
USD	263,327	218,928	530,802	1,007,314
RMB	82,094	109,945	211,045	212,282
HKD	800	184	163	292
	346,221	329,057	742,010	1,219,888

The Company	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
USD	102,427	59,420	413,074	908,606
HKD	–	–	–	292
	102,427	59,420	413,074	908,898

25 SHARE CAPITAL

Authorised:

The Group and the Company	Number of class 1 ordinary shares '000	Nominal value of class 1 ordinary shares USD'000	Number of class 2 ordinary shares '000	Nominal value of class 2 ordinary shares USD'000
As at 1 April 2018, 31 March 2019 and 2020	4,923	2,461	27,905	13,953
Increase/(decrease) of authorised share capital	1,573	787	(2,196)	(1,098)
As at 31 March 2021 and 30 September 2021	6,496	3,248	25,709	12,855

Issued:

The Group and the Company	Number of Class 1 ordinary shares '000	Number of class 2 ordinary shares '000	Number of Class 1 and class 2 ordinary shares '000	Nominal value of class 1 and class 2 ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000
As at 1 April 2018, 31 March 2019 and 2020	1,724	1,209	2,933	1,467	9,938
Issuance of shares upon fulfillment of vesting conditions of share based compensation	–	100	100	50	327
Re-designation to Series E Preferred shares (<i>Note (a)</i>)	(120)	(120)	(240)	(120)	(818)
As at 31 March 2021	1,604	1,189	2,793	1,397	9,447
As at 1 April 2021	1,604	1,189	2,793	1,397	9,447
Issuance of shares for restrictive share unit scheme (<i>Note (b)</i>)	4,799	–	4,799	2,399	15,435
As at 30 September 2021	6,403	1,189	7,592	3,796	24,882

Upon occurrence of a liquidation event, the holders of Class 1 ordinary shares shall be entitled to receive assets and funds available for distribution before the holders of Class 2 ordinary shares after full settlement to all preference shares. Other rights and preference of Class 1 and Class 2 ordinary shares are the same.

Note:

- (a) Under the Share Subscription and Share Purchase Agreement dated 8 January 2021 (the “Agreement”), certain ordinary shareholders and preferred shareholders of the Company (the “Seller of Redesignated Shares”) shall sell a total of 1,819,497 ordinary and preferred shares, including 120,000 Class 1 ordinary shares, 119,876 Class 2 ordinary shares, 408,138 Series A-1 preferred shares, 729,652 Series B preferred shares and 441,831 Series C preferred shares (the “Redesignated Shares”), to a Series E preferred shareholder of the Company (the “Buyer”). Subject to the terms and conditions of the Agreement, each ordinary and preferred share to be purchased and sold shall, concurrently with the closing of the Agreement, be reclassified and designated into one Series E Preferred Share.

The consideration paid by the Buyer was close to the fair value of the Series E preferred shares at the date of redesignation. Since the redesignation did not involve all ordinary shareholders or preferred shareholders of the Company, it was not regarded as a transaction in the capacity of shareholders. The redesignation falls into the scope of share-based payment under IFRS 2, as the transaction was effectively deemed to be an issuance of Series E preferred shares by the Company in exchange for the Redesignated Shares held by the Seller of Redesignated Shares.

As the consideration received by the Company (i.e. the fair value of the Redesignated Shares at the date of redesignation) was less than the fair value of the Series E preferred shares issued, and there was no right to a benefit and no control over economic resource obtained by the Company through the redesignation, the fair value difference between the Series E Preferred Shares issued and the Redesignated Shares at date of redesignation, amounting to RMB196,712,000, was recognised as an expense in the consolidated income statements for the year ended 31 March 2021.

- (b) On 25 June 2021, the board of the directors has approved to set up a platform incorporated in the BVI (“ESOP BVI”) to hold incentive shares for the participants under an RSU Scheme to be adopted by the Company.

Pursuant to a resolution of the board of directors of the Company on 3 August 2021, the Company adopted the RSU Plan to attract, retain and motivate the directors, employees and such other participants of the Company. The RSU Plan is effective from the date of adoption and will govern RSUs made by the Company in respect of the 10 financial years from the grant date. The total number of RSUs which may be granted and issued under the RSU Plan will not exceed 4,798,904 Class 1 ordinary shares of the Company, being 22.42% of the total shares of the Company (on an as-converted and fully-diluted basis) of the Company immediately prior to the Global Offering.

A total of 4,798,904 Class 1 Ordinary Shares was issued to the Arrail Sunshine Holdings Limited (“Arrail Sunshine”), the ESOP BVI, on 16 September 2021. As the Company has the power to govern the relevant activities of Arrail Sunshine and can derive benefits from the contributions of the eligible directors, employees and other persons (collectively, the “Grantees”), the directors of the Company consider that it is appropriate to consolidate Arrail Sunshine. Therefore, the total of 4,798,904 Class 1 ordinary shares was accounted for as treasury shares as at 30 September 2021.

26 RESERVES

The following table shows a breakdown of the balance sheet line item 'reserves' and the movements in these reserves during the year/period. A description of the nature and purpose of each reserve is provided below the table.

The Group	Treasury shares	Share premium	Share-based compensation reserves	Currency translation differences (Note)	Fair value change due to own credit risk and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2018	–	114,788	3,324	42,586	70,419	231,117
Share-based compensation	–	–	1,291	–	–	1,291
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	17,382	17,382
Currency translation differences	–	–	–	(107,652)	–	(107,652)
Others	–	–	–	–	(1,179)	(1,179)
At 31 March 2019	<u>–</u>	<u>114,788</u>	<u>4,615</u>	<u>(65,066)</u>	<u>86,622</u>	<u>140,959</u>
At 1 April 2019	–	114,788	4,615	(65,066)	86,622	140,959
Share-based compensation	–	–	445	–	–	445
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	31,326	31,326
Currency translation differences	–	–	–	(101,318)	–	(101,318)
Others	–	–	–	–	(32)	(32)
At 31 March 2020	<u>–</u>	<u>114,788</u>	<u>5,060</u>	<u>(166,384)</u>	<u>117,916</u>	<u>71,380</u>
At 1 April 2020	–	114,788	5,060	(166,384)	117,916	71,380
Issuance of shares	–	4,733	(5,060)	–	–	(327)
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	4,457	4,457
Fair value change of bond due to own credit risk	–	–	–	–	(4,711)	(4,711)
Re-designation of issued ordinary shares to Series E Preferred Shares	–	(9,729)	–	–	–	(9,729)
Currency translation differences	–	–	–	179,729	–	179,729
Non-controlling interests acquired (Note 37(a))	–	–	–	–	(3,131)	(3,131)
Non-controlling interests disposed (Note 37(b))	–	–	–	–	2,402	2,402
Others	–	–	–	–	(886)	(886)
At 31 March 2021	<u>–</u>	<u>109,792</u>	<u>–</u>	<u>13,345</u>	<u>116,047</u>	<u>239,184</u>

The Group	Treasury shares	Share premium	Share-based compensation reserves	Currency translation differences (Note)	Fair value change due to own credit risk and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2021	–	109,792	–	13,345	116,047	239,184
Issuance of shares for the RSU Plan (Note 25 (b))	(15,435)	–	–	–	–	(15,435)
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(25,197)	(25,197)
Fair value change of bond due to own credit risk	–	–	–	–	(26)	(26)
Currency translation differences	–	–	–	31,989	–	31,989
At 30 September 2021	<u>(15,435)</u>	<u>109,792</u>	<u>–</u>	<u>45,334</u>	<u>90,824</u>	<u>230,515</u>
At 1 April 2020	–	114,788	5,060	(166,384)	117,916	71,380
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	21,147	21,147
Fair value change of bond due to own credit risk	–	–	–	–	(5,998)	(5,998)
Currency translation differences	–	–	–	89,179	–	89,179
Non-controlling interests acquired (Note 37(a))	–	–	–	–	1,332	1,332
Non-controlling interests disposed (Note 37(b))	–	–	–	–	(276)	(276)
At 30 September 2020 (unaudited)	<u>–</u>	<u>114,788</u>	<u>5,060</u>	<u>(77,205)</u>	<u>134,121</u>	<u>176,764</u>

Note: Currency translation differences represent the differences arising from the translation of the financial statements of companies within the Group that have a functional currency different from the reporting currency of RMB for the financial statements of the Company and the Group.

The Company	Treasury shares	Share premium	Share-based compensation reserves	Currency translation differences	Fair value change due to own credit risk and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 April 2018	–	114,788	3,324	53,722	66,760	238,594
Share-based compensation	–	–	1,291	–	–	1,291
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	17,382	17,382
Currency translation differences	–	–	–	(78,248)	–	(78,248)
At 31 March 2019	–	114,788	4,615	(24,526)	84,142	179,019
At 1 April 2019	–	114,788	4,615	(24,526)	84,142	179,019
Share-based compensation	–	–	445	–	–	445
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	31,326	31,326
Currency translation differences	–	–	–	(72,910)	–	(72,910)
At 31 March 2020	–	114,788	5,060	(97,436)	115,468	137,880
At 1 April 2020	–	114,788	5,060	(97,436)	115,468	137,880
Issuance of shares	–	4,733	(5,060)	–	–	(327)
Re-designation of issued ordinary shares to Series E Preferred Shares	–	(9,729)	–	–	–	(9,729)
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	4,457	4,457
Currency translation differences	–	–	–	133,793	–	133,793
At 31 March 2021	–	109,792	–	36,357	119,925	266,074
At 1 April 2021	–	109,792	–	36,357	119,925	266,074
Issuance of ordinary shares for the RSU Plan (<i>Note</i> <i>25(b)</i>)	(15,435)	–	–	–	–	(15,435)
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	(25,197)	(25,197)
Currency translation differences	–	–	–	24,384	–	24,384
At 30 September 2021	(15,435)	109,792	–	60,741	94,728	249,826

The Company	Treasury shares	Share premium	Share-based compensation reserves	Currency translation differences	Fair value change due to own credit risk and others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
At 1 April 2020	–	114,788	5,060	(97,436)	115,468	137,880
Fair value change of convertible redeemable preferred shares due to own credit risk	–	–	–	–	21,147	21,147
Currency translation differences	–	–	–	65,113	–	65,113
At 30 September 2020 (unaudited)	<u>–</u>	<u>114,788</u>	<u>5,060</u>	<u>(32,323)</u>	<u>136,615</u>	<u>224,140</u>

27 BORROWINGS

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Included in non-current liabilities				
Unsecured bank borrowings (b)	–	33,600	5,302	–
Secured other borrowings (c)	–	–	18,566	12,050
	<u>–</u>	<u>33,600</u>	<u>23,868</u>	<u>12,050</u>
Included in current liabilities				
Secured bank borrowings (a)	124,636	143,000	37,800	86,260
Unsecured bank borrowings (b)	44,000	111,400	143,970	90,394
Secured other borrowings (c)	–	–	12,853	12,853
	<u>168,636</u>	<u>254,400</u>	<u>194,623</u>	<u>189,507</u>
	<u>168,636</u>	<u>288,000</u>	<u>218,491</u>	<u>201,557</u>

(a) Secured bank borrowings

Secured bank borrowings as at 31 March 2019, 2020 and 2021 and 30 September 2021 bear annual weighted average interest rate at 4.62%, 4.60%, and 4.49% and 4.59%, respectively.

The maturity of secured bank borrowings is as follows:

	As at 31 March			As at
				30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	124,636	143,000	37,800	86,260

Secured bank borrowings of the Group are secured as follows:

	As at 31 March			As at
				30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Time deposits with original maturity over three months (<i>Note 24 (b)</i>)	144,097	156,439	65,706	97,304

(b) Unsecured bank borrowings

Unsecured bank borrowings as at 31 March 2019, 2020 and 2021 and 30 September 2021 bear annual weighted average interest rate at 5.25%, 5.72%, and 5.35% and 4.62%, respectively.

The maturity of unsecured bank borrowings is as follows:

	As at 31 March			As at
				30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	44,000	111,400	143,970	90,394
Between 1 and 2 years	–	28,800	5,302	–
Between 2 and 3 years	–	4,800	–	–
	44,000	145,000	149,272	90,394

Certain unsecured bank borrowings with additional guarantees are as follows:

	As at 31 March			As at
				30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guaranteed by Zou Qifang, a director of the Company	44,000	59,000	30,000	–

Such personal guarantees by the Company's director were released on 2 August 2021.

(c) Secured other borrowings

On 15 June 2020, the Company's subsidiaries, Beijing Shengbin Science Trade Co., Ltd. ("Beijing Shengbin") and Beijing Ruicheng Hospital Management Co., Ltd. ("Beijing Ruicheng"), entered into separate agreements for and leaseback of property, plant, and equipment with 中關村科技租賃股份有限公司 ("中關村科技"), pursuant to which the lease principals amounted to RMB9,640,000 and RMB28,920,000, respectively, with interest accruing at 5.6% per annum, and payable quarterly within 3 years.

Based on the assessment of management of the Group, 中關村科技 did not obtain control of the assets and the transfer of assets did not satisfy the requirements of IFRS 15 to be accounted for as a sale of the assets. Therefore, the Group continued to recognise the assets and recognised borrowings equal to the transfer proceeds according to IFRS 9.

(d) Fair value

The fair values of the borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

(e) Compliance with financial covenants

The Group has complied with the financial covenants of its bank borrowings during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

28 DEFERRED INCOME TAX

The following is an analysis of the deferred tax balances presented on the consolidated balance sheets:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets	30,778	34,303	28,630	30,036
Deferred tax liabilities	(4,138)	(3,843)	(3,125)	(2,630)
	<u>26,640</u>	<u>30,460</u>	<u>25,505</u>	<u>27,406</u>

The following are the deferred tax assets and liabilities recognised by the Group and movements thereon during the Track Record Period.

	Tax losses	Credit loss allowance	Fair value changes of financial assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2018	9,675	2,860	(4,999)	7,536
Credited to profit or loss	15,733	2,510	861	19,104
At 31 March 2019	<u>25,408</u>	<u>5,370</u>	<u>(4,138)</u>	<u>26,640</u>

	<u>Tax losses</u>	<u>Credit loss allowance</u>	<u>Fair value changes of financial assets</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 April 2019	25,408	5,370	(4,138)	26,640
Credited/(charged) to profit or loss	<u>7,867</u>	<u>(4,342)</u>	<u>295</u>	<u>3,820</u>
At 31 March 2020	<u>33,275</u>	<u>1,028</u>	<u>(3,843)</u>	<u>30,460</u>
At 1 April 2020	33,275	1,028	(3,843)	30,460
(Charged)/credited to profit or loss	<u>(6,083)</u>	<u>410</u>	<u>718</u>	<u>(4,955)</u>
At 31 March 2021	<u>27,192</u>	<u>1,438</u>	<u>(3,125)</u>	<u>25,505</u>
At 1 April 2021	27,192	1,438	(3,125)	25,505
Credited/(charged) to profit or loss	<u>1,729</u>	<u>(323)</u>	<u>495</u>	<u>1,901</u>
At 30 September 2021	<u>28,921</u>	<u>1,115</u>	<u>(2,630)</u>	<u>27,406</u>

The deferred tax assets amounted to RMB975,000, RMB7,547,000, and RMB7,971,000 and RMB7,229,000, and deferred tax liabilities amounted to RMB981,000, RMB897,000, RMB722,000 and RMB690,000 as at 31 March 2019, 2020 and 2021 and 30 September 2021 respectively are expected to be recovered within 12 months. The remaining deferred tax assets and deferred tax liabilities as at 31 March 2019, 2020 and 2021 and 30 September 2021 are expected to be recovered after 12 months.

The unrecognised deferred tax assets as at 31 March 2019, 2020 and 2021 and 30 September 2021 are as the table below:

	<u>As at 31 March</u>			<u>As at 30 September</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deductible cumulative tax losses				
To be expired within 5 years	<u>74,986</u>	<u>242,558</u>	<u>233,195</u>	<u>251,359</u>
Deductible temporary differences	<u>15,474</u>	<u>14,057</u>	<u>17,362</u>	<u>18,563</u>

29 CONVERTIBLE REDEEMABLE PREFERRED SHARES

Since the date of incorporation, the Company has completed several rounds of financing by issuing preferred shares to investors, namely, series A-1 Preferred Shares, series A-2 Preferred Shares, series B Preferred Shares, series C Preferred Shares, series D-1 Preferred Shares, series D-2 Preferred Shares, series D-3 Preferred Shares and series E Preferred Shares.

The details of the issuance are set out in the table below:

	<u>Date of issuance</u>	<u>Purchase price (US\$/Share)</u>	<u>Number of shares</u>	<u>Total consideration</u>	
				<i>USD '000</i>	<i>RMB '000</i>
Series A-1-KPCB Preferred Shares	9 April 2010	4.21	2,077,778	8,750	59,724
Series A-1-QIMING Preferred Shares	9 April 2010	4.75	946,837	4,500	30,719
Series A-2-Xiaoming Zhang Preferred Shares	9 April 2010	4.06	64,291	261	1,783
Series A-2 Preferred Shares	9 April 2010	4.18	789,030	3,300	22,524
Series B Preferred Shares	23 August 2011	10.13	1,975,245	20,000	127,970
Series C Preferred Shares	27 March 2014	15.84	4,323,633	68,500	420,951
Series D-1 Preferred Shares	31 July 2017	30.08	1,495,836	45,000	302,738
Series D-3 Preferred Shares	29 December 2017	33.43	1,256,502	42,000	274,436
Series D-2 Preferred Shares	9 February 2018	39.20	765,312	30,000	189,582
Series E Preferred Shares	29 January 2021	39.08	1,819,497	71,098	467,206
(Note)					
Series E Preferred Shares	29 January 2021	46.47	510,010	23,700	155,740
Series E Preferred Shares	31 March 2021	46.47	430,400	20,000	131,426
Series E Preferred Shares	7 April 2021	46.47	645,601	30,000	192,955
Series E Preferred Shares	8 April 2021	46.47	257,008	11,942	76,810
Series E Preferred Shares	22 April 2021	46.47	489,795	22,760	146,390
Series E Preferred Shares	30 April 2021	46.47	198,845	9,240	59,430

Note: 1,819,497 Series E Preferred Shares represented the transfer and redesignation of the Redesignated Shares from the Sellers of the Redesignated Shares to the Buyer. Please refer to Note 25 for details.

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

Each holder of Preferred Shares shall be entitled to receive from the Company, out of funds legally available, non-cumulative dividends per Preferred Share held by such holder accrued at the rate which is decided and declared by the Company's board of directors, when and if declared by the board of directors, prior and in preference to holders of all other current or future class or series of shares of the Company, including the ordinary shares.

(b) Conversion feature

The Preferred Shares shall be converted into ordinary shares at the option of holders at any time after the considerations of each series of Preferred Shares were fully-paid, or automatically converted into ordinary shares at the then effective applicable conversion price upon the closing of the QIPO.

QIPO means an Initial Public Offering ("IPO") managed by a leading underwriter reasonably acceptable to Preferred Shares' holders, with the Company's pre-money market capitalization of at least US\$1,000,000,000.

(c) Redemption feature

Prior to revised and restated of memorandum of association of the Company dated 29 January 2021, if there is (a) no QIPO until 31 December 2020 ("Redemption Commencement Date") or (b) occurrence of a material breach of any Transaction Documents by the Company, any Preferred Share holder (the "Requesting Holder") may, with written notice, request that the Company redeems and the Company shall redeem all or a portion of the then outstanding Preferred Shares held by such Requesting Holder (the "Redemption Shares").

After the revised and restated of memorandum of association of the Company dated 29 January 2021, the Redemption Commencement Date is modified to be (i) for series E Preferred Share holders, three years from the issuance date, or after receiving any notice of redemption by Series A – D Preferred Shares' holders; (ii) for Series A – D Preferred Shares holders, 31 December 2021.

Preferred Shares issued by the Company are redeemable at the option of the holder after the Redemption Commencement Date. If the number of shares that may then be legally redeemed by the Company is less than the number of shares requested to be redeemed (including but not limited to the lack of sufficient fund), then the number of shares redeemed from each Preferred Share holder shall be reduced on a pro rata basis (calculated on a total amount of entitlement basis). After that, the remaining shares requested to be redeemed shall be carried forward and redeemed as soon as the Company has legally available funds to do so.

The redemption price shall be paid by the Company to the Preferred Shares' holders in an amount equal to a simple six percent (6%) per annum interest of the original issue price on each Preferred Share accrued during the period from the issuance date of each Preferred Share until the date on which the redemption price is paid in full, and any accrued but unpaid dividends.

(d) Liquidation preferences

Liquidation happens if (a) there is any liquidation, dissolution or winding up, either voluntarily or involuntarily, of the Company and (b) deemed liquidation events happen. Deemed liquidation events include (i) any sale, disposition, lease or conveyance by any Group entities of all or substantially all of its assets; (ii) any merger or consolidation of any Group entities after which the holders of such Group entities' voting securities prior to such transaction own or control less than a majority of the outstanding voting securities of the surviving corporation (on an as-converted basis) or other entity on account of shares held by them prior to the transaction; or (iii) a sale of no less than a majority of the outstanding voting securities of any Group entities (on an as-converted basis). The deemed liquidation events can be waived if it is determined in writing by the majority Preferred Shares' holders that such event is not a liquidation event.

Upon the occurrence of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the assets of the Company legally available for distribution shall be distributed among the holders of the issued and outstanding shares (on an as-converted basis) in the following order and manner:

Each holder of Preferred Shares shall be entitled to receive for each Preferred Share held, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of previous Preferred Shares and ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equal to one hundred fifty percent (150%) of the applicable preferred issue price, plus all accrued or declared but unpaid dividends on such Preferred Share. If the assets and funds available for distribution shall be insufficient to permit the payment to such holders of the full preferred preference amount, the liquidation preference amount will be paid to the preferred shareholders in the following order: first to holders of any Preferred Shares, second to holders of Class 1 ordinary shares, third to holders of Class 2 ordinary shares.

The movements of the convertible redeemable preferred shares are set out as below:

	<i>RMB'000</i>
At 1 April 2018 (unaudited)	1,919,112
Change in fair value	175,436
Includes: change in fair value due to own credit risk	(17,382)
Currency translation differences	135,720
	<u>2,230,268</u>
At 31 March 2019	<u>2,230,268</u>
Total change in fair value for the year included in “Fair value change of convertible redeemable preferred shares”	<u>192,818</u>
At 1 April 2019	2,230,268
Change in fair value	114,723
Includes: change in fair value due to own credit risk	(31,326)
Currency translation differences	118,413
	<u>2,463,404</u>
At 31 March 2020	<u>2,463,404</u>
Total change in fair value for the year included in “Fair value change of convertible redeemable preferred shares”	<u>146,049</u>
At 1 April 2020	2,463,404
Issuance of preferred shares	296,867
Reclassification of balance due to the re-designation from issued ordinary shares (Note 25)	10,547
Re-designation to Series E Preferred Shares from the Redesignated Shares (Note 25)	196,712
Change in fair value	419,832
Includes: change in fair value due to own credit risk	(4,457)
Currency translation differences	(208,897)
	<u>3,178,465</u>
At 31 March 2021	<u>3,178,465</u>
Total change in fair value for the year included in “Fair value change of convertible redeemable preferred shares”	<u>424,289</u>
At 1 April 2021	3,178,465
Issuance of preferred shares	475,585
Change in fair value	453,306
Includes: change in fair value due to own credit risk	25,197
Currency translation differences	(35,204)
	<u>4,072,152</u>
At 30 September 2021	<u>4,072,152</u>
Total change in fair value for the period included in “Fair value change of convertible redeemable preferred shares”	<u>428,109</u>

As at 31 March 2020 and 2021, the Preferred Shares were classified as current liabilities, on the basis that (i) Redemption Commencement Date for Series A – D Preferred Shares' holders is within one year of 31 March 2020 and 2021 respectively; and (ii) Series E Preferred Shares' holders can redeem after receiving any notice of redemption by Series A-D Preferred Shares' holders.

On 12 August 2021, the Company entered into an addendum to the eighth amended and restated shareholders agreement with all ordinary and preferred shareholders to modify the Redemption Commencement Date to after 31 December 2023. Accordingly, the Preferred Shares were classified as non-current liabilities as at 30 September 2021.

The convertible redeemable preferred shares are not traded in an active securities market, as such, the Group engaged an independent valuer to assess the fair value of the convertible redeemable preferred shares using a discount cash flow model. Key assumptions using in the models are set out below:

	As at 31 March			As at
	2019	2020	2021	30 September 2021
Discount rate	17%	17%	17%	15.5%
Risk-free interest rate	2.3%	0.16%	0.06%	0.04%
Discount for lack of marketability (“DLOM”)	15%	10%	10%	5%
Volatility	47%	50%	49%	46%

If the equity value of the Company had decreased by 10% with all other variables held constant, the fair value of Preferred Shares would have decreased by approximately RMB207,913,000, RMB220,904,000, RMB309,300,000, and RMB389,211,000 as at 31 March 2019, 2020 and 2021 and 30 September 2021, respectively. If the equity value of the Company had increased by 10% with all other variables held constant, the fair value of Preferred Shares would have increased by approximately RMB207,377,000, RMB220,873,000, RMB315,978,000 and RMB390,792,000 as of 31 March 2019, 2020 and 2021 and 30 September 2021, respectively.

Discount rate (post-tax) was estimated by weighted average cost of capital as at each valuation date. The directors estimated according to the risk-free interest rate based on the yield of US Government Bonds with a maturity life close to the QIPO timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the annualised standard deviation of the daily return embedded in historical stock prices of comparable companies with a time horizon close to the expected term. Probability weight among redemption, liquidation and IPO scenarios was based on the Company's best estimates. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

Change in fair value of Preferred Shares was recorded in “fair value change of convertible redeemable preferred shares” in the consolidated income statements, and the fair value change in the Preferred Shares that was attributable to change of own credit risk of this liability was recorded in other comprehensive income/(loss).

29.1 Bond

On 16 March 2020, a subsidiary of the Company, Beijing Arrail Shengbin Medical Technology Co. Limited (the “Bond Borrower”), signed an investment agreement (“Original Bond Investment Agreement”) where the Bond Borrower issued a bond with principal amount of RMB200 million to an investor (the “Bond Holder”). The Bond was drawn down and issued on 10 April 2020. The Bond will mature on the earlier date (the “Maturity Date”) of (i) voluntary early repayment by the Group after one year from issue date; (ii) four years from the issue date of the bond; (iii) the holder of the warrants exercised the warrants (Note 29.2) and requested for early repayment from the Group, after one year from the issue date of the Bond; or (iv) in any event of default (i.e. default in payment, breach of representation, etc.). The Bond interest rate is set at the rate of 5.8% per annum and will be paid semi-annually. In the event that the Group elects to make a voluntary early repayment, the Group will repay the principal plus additional interest equivalent to a yield of 14.2% Internal Rate of Return (IRR) if there is no QIPO or 11.8% IRR if there is a QIPO on the date of election.

On June 29, 2021, the Bond Borrower and the Bond Holder entered into a new bond investment agreement (“New Bond Investment Agreement”) to supersede the terms of the Original Bond Investment Agreement. Pursuant to the New Bond Investment Agreement, which provided a QIPO occurring before 31 December 2022, the Bond Holder is entitled to request the Bond Borrower to repay the bond and its accrued interest within 15 days from the date of such listing. Other terms are the same as the Original Bond Investment Agreement.

The bond is presented in the consolidated balance sheets as follows:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Bond issued, at fair value	–	–	167,345	184,569

The Bond was secured by corporate guarantees from various group entities and the future service fee receivable from VIE Entities of the Bond Borrower.

Movements of the Bond during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 are set out below:

	<i>RMB'000</i>
At 1 April 2018 (unaudited), 31 March 2019 and 2020	–
Issuance	151,608
Interest paid	(5,651)
Change in fair value	21,388
Includes: change in fair value due to own credit risk	4,711
At 31 March 2021	<u>167,345</u>
Total change in fair value for the year included in “Fair value change of bond”	<u>16,677</u>
At 1 April 2021	167,345
Interest paid	(5,452)
Change in fair value	22,676
Includes: change in fair value due to own credit risk	26
Includes: change in fair value due to modification of bond	9,628
At 30 September 2021	<u>184,569</u>
Total change in fair value for the period included in “Fair value change of bond”	<u>22,650</u>

The Bond is not traded in an active securities market, as such, the Group engaged an independent valuer to assess the fair value of the Bond using a discount cash flow model. Key assumptions in determine of its fair value are set as below:

	As at 31 March			As at
	2019	2020	2021	30 September
				2021
Discount rate	–	–	14.15%	13.85%

If the discount rate had decreased/increased by 1% with all other variables held constant, the fair value of Bond would have increased/decreased by approximately RMB3,965,000 and RMB2,326,000 as at 31 March 2021 and 30 September 2021, respectively.

29.2 Warrants

The warrants are presented in the consolidated balance sheets as follows:

	As at 31 March		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Current liabilities			
Warrants, at fair value	–	–	71,126

In connection with the issuance of a Bond as described in Note 29.1, warrants were issued to an affiliate of the Bond Holder (the “Warrants Holder”) in which the Warrants Holder has the option to exercise one of following three rights: (1) subscribe for class 1 ordinary shares of the Company at the exercise price of the class 1 ordinary shares set out in the warrants agreement (the “Warrants Exercise Price”); (2) receiving cash profit between the warrants’ fair value (the “Cash Profit Fair Value”) and the Warrants Exercise Price; and (3) selling the warrants back to the Company at the put option price, which is determined by a certain formula based on difference between 5.8% and IRR (a yield of 14.2% IRR if there is no QIPO or 11.8% IRR if there is a QIPO). The Cash Profit Fair Value is based on either (i) if listed in public market: weight average market price of 30 days before exercise; or (ii) if not listed: last round equity financing valuation. No warrants were exercised since the issuance of the warrants.

On 29 June 2021, the Company, the Bond Borrower, the Bond Holder and the Warrants Holders (the “Bond and Warrants Parties”) entered into a deed of termination and undertaking, pursuant to which, the Bond and Warrants Parties agreed that the warrants shall be cancelled immediately (Note 29.3).

Movements of warrants during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 are set out below:

	RMB'000
At 1 April 2018, 2019 and 2020	–
Issuance	48,392
Change in fair value	26,802
Currency translation differences	(4,068)
At 31 March 2021	71,126
Total change in fair value for the year included in “Fair value change of Warrants”	26,802

	<i>RMB'000</i>
At 1 April 2021	71,126
Change in fair value	13,686
Currency translation differences	(1,094)
Termination of warrants (Note 29.3)	(83,718)
	<u> </u>
At 30 September 2021	<u> </u> <u> </u> –
Total change in fair value for the period included in “Fair value change of Warrants”	<u> </u> <u> </u> 13,686

The warrants are not traded in an active securities market, as such, the Group engaged an independent valuer to assess the fair value of warrants by using a Binomial-Tree Model. Key assumptions in determining its fair value are set out below:

	<u>As at 31 March</u>		
	<u>2019</u>	<u>2020</u>	<u>2021</u>
Volatility	–	–	46%
Risk-free interest rate	–	–	0.64%

Management considers that the change in the equity value of the Company is the most sensitive factor to the fair value of the warrants. If the equity value of the Company had decreased/increased by 10% with all other variables held constant, the fair value of the warrants would have been decreased/increased by approximately RMB5,837,000 as at 31 March 2021.

29.3 Derivative liabilities

The derivative liabilities are presented in the consolidated balance sheets as follows:

	<u>As at 31 March</u>			<u>As at</u> <u>30 September</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2021</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities				
Derivative liabilities, at fair value	<u> </u> <u> </u> –	<u> </u> <u> </u> –	<u> </u> <u> </u> –	<u> </u> <u> </u> 96,359

On 29 June 2021, the Bond and Warrants Parties entered into a deed of termination and undertaking, pursuant to which, the parties agreed that (i) the warrants shall be cancelled immediately and the warrants documents shall be terminated immediately and irrevocably; (ii) in full consideration of the cancellation and termination of the warrants documents, the Company shall pay to the Warrants Holder an amount of US\$15.62 million on or prior to the third business day from the date of consummation of an IPO; (iii) in the event that (y) the Company fails to consummate an IPO on or prior to 31 December 2022; or (z) the Company contemplates a trade sale, the Bond and Warrants parties shall, by no later than 5 Business Days from the Re-entry Date (in the case of (y)) or by no later than 30 Business Days before closing of any trade sale (in the case of (z)), re-enter into a warrants purchase agreement, a warrants instrument and the warrants, in each case in form and substance the same as the warrants documents (Note 29.2).

In March 2022, the derivative liabilities were fully settled by the Company.

Movements of derivative liabilities during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021 are set out below:

	<i>RMB'000</i>
At 1 April 2018, 2019, 2020 and 2021	–
Recognition of derivative liabilities	94,854
Change in fair value included in “Fair value change of derivative liabilities”	1,129
Currency translation differences	376
	<u>96,359</u>
At 30 September 2021	<u>96,359</u>
Recognition of derivative liabilities	94,854
Termination of the warrants (Note 29.2)	(83,718)
	<u>11,136</u>
Fair value difference between termination of the warrants and recognition of derivative liabilities	<u>11,136</u>

The derivative liabilities are not traded in an active securities market, as such, the Group engaged an independent valuer to assess the fair value of derivative liabilities using discounted cash flow method to determine the underlying equity fair value of the Group. Key assumptions at the issuance are set as below:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
Volatility	–	–	–	46%
Risk-free interest rate	–	–	–	0.65%

If the expected volatility had decreased/increased by 1% with all other variables held constant, the fair value of derivative liabilities would have been increased/decreased by approximately RMB360,000 as at 30 September 2021.

30 TRADE AND OTHER PAYABLES

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Group				
Trade payables	131,707	124,123	121,320	114,872
Other payables	146,625	142,347	173,348	210,005
	<u>278,332</u>	<u>266,470</u>	<u>294,668</u>	<u>324,877</u>
	As at 31 March			As at 30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Company				
Other payables	38,127	3,309	51,918	77,438
	<u>38,127</u>	<u>3,309</u>	<u>51,918</u>	<u>77,438</u>

Ageing analysis of trade payables of the Group based on invoice date is as follows:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Up to 3 months	72,927	67,228	65,180	72,762
3 to 6 months	23,589	26,374	25,535	19,390
6 months to 1 year	17,334	15,387	17,061	10,479
Over 1 year	17,857	15,134	13,544	12,241
	<u>131,707</u>	<u>124,123</u>	<u>121,320</u>	<u>114,872</u>

The breakdown of other payables is as follows:

The Group	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Amounts due to minority shareholders	34,946	9,917	16,906	16,685
Amounts due to former shareholders	13,060	4,228	14,366	14,179
Amounts due to related parties (Note 35(c))	4,512	2,466	21,130	18,841
Loan from a related party (Note 35(c))	3,618	3,618	3,618	–
Employee benefits payable	54,376	58,510	72,780	98,413
Taxes payable	5,198	11,018	13,417	15,916
Others	30,915	52,590	31,131	45,971
	<u>146,625</u>	<u>142,347</u>	<u>173,348</u>	<u>210,005</u>

The Company	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
Amounts due to minority shareholders	22,826	1,311	12,146	16,685
Amounts due to former shareholders	13,060	1,128	10,366	14,179
Amounts due to related parties	1,127	813	21,020	24,778
Others	1,114	57	8,386	21,796
	<u>38,127</u>	<u>3,309</u>	<u>51,918</u>	<u>77,438</u>

The carrying amounts of trade and other payables were denominated in RMB and approximated their fair values due to their short-term maturities.

31 BUSINESS COMBINATION**(a) Acquisition of business of Dalian Shahekou Baojia Dental Clinic**

Dalian Shahekou Baojia Dental Clinic is a business that provides dental services to individual customers.

In June 2019, the Group signed an agreement to acquire 51.22% interest of the business of Dalian Shahekou Baojia Dental Clinic for consideration of RMB7.00 million and intangible assets disposed of RMB1.03 million. The excess of the consideration over net fair value of assets and liabilities acquired amounting to RMB5.75 million was recorded as goodwill.

The following table summarises the total purchase consideration for acquiring the business of Dalian Shahekou Baojia Dental Clinic, the fair value of assets acquired, and the liabilities assumed at the acquisition date:

	30 June 2019
	<i>RMB'000</i>
Consideration	
Cash consideration	7,000
Settlement of pre-existing service contracts (<i>Note 16</i>)	1,030
Total purchase consideration	8,030
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,566
Prepayments, other receivables and other current assets	501
Intangible assets: brand (<i>Note 16</i>)	1,235
Intangible assets: non-competitive agreements and customer relationship (<i>Note 16</i>)	2,200
Deferred tax liabilities	(343)
Other payables and accruals	(705)
Net identifiable assets acquired	4,454
Less: non-controlling interests	(2,173)
Add: Goodwill (<i>Note 17</i>)	5,749
Net assets acquired	8,030
	30 June 2019
	<i>RMB'000</i>
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration	7,000
Less: Cash and cash equivalents acquired	(1,566)
Net outflow of cash – investing activities	5,434

The goodwill is attributable to Dalian Shahekou Baojia Dental Clinic's synergies expected to arise after the Group's acquisition of this business.

(b) Acquisition of Company Xi'an Ruitai Dental Hospital Co. Ltd.

Xi'an Ruitai Dental Hospital Management Co. Ltd. is a company that provides dental services to individual customers.

In August 2019, the Group acquired a 100% equity interest of Xi'an Ruitai Hospital Management Co. Ltd for consideration of RMB7.00 million. The excess of the consideration over net fair value of assets and liabilities acquired amounting to RMB0.90 million was recorded as goodwill.

The following table summarises the total purchase consideration for acquiring Xi'an Ruitai Hospital Management Co. Ltd, the fair value of assets acquired, and the liabilities assumed at the acquisition date:

	31 August 2019
	<i>RMB'000</i>
Consideration	
Purchase consideration	7,000
Total purchase consideration	<u>7,000</u>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (<i>Note 14</i>)	4,845
Cash and cash equivalents	1,291
Prepayments, other receivables and other current assets	63
Intangible assets: brand (<i>Note 16</i>)	1,490
Other payables and accruals	(1,362)
Deferred tax liabilities	(224)
Total identifiable net assets	6,103
Add: Goodwill (<i>Note 17</i>)	897
	<u><u>7,000</u></u>
	31 August 2019
	<i>RMB'000</i>
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	7,000
Less: Cash and cash equivalents acquired	(1,291)
Net outflow of cash – investing activities	<u><u>5,709</u></u>

The goodwill is attributable to Xi'an Ruitai Hospital Management Co. Ltd's synergies expected to arise after the Group's acquisition of this company.

(c) Acquisition of business of Dalian Shahekou Bailixia Dental Clinic

Dalian Shahekou Bailixia Dental Clinic is a business that provides dental services to individual customers.

In December 2020, the Group signed an agreement to acquire a 51.22% equity interest of the business of Dalian Shahekou Bailixia Dental Clinic for consideration of RMB3.00 million and intangible assets disposed of RMB0.44 million. The excess of the consideration over net fair value of assets and liabilities acquired amounting to RMB2.41 million was recorded as goodwill.

The following table summarises the total purchase consideration for acquiring the business of Dalian Ruisheng Baojia Dental Clinic, the fair value of assets acquired, and the liabilities assumed at the acquisition date:

	31 December 2020
	<i>RMB'000</i>
Consideration	
Purchase consideration	3,000
Settlement of pre-existing service contracts (<i>Note 16</i>)	442
	<hr/>
Total purchase consideration	3,442
	<hr/>
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,049
Prepayments, other receivables and other current assets	108
Intangible assets: brand (<i>Note 16</i>)	485
Intangible assets: non-competitive agreements and customer relationship (<i>Note 16</i>)	600
Other payables and accruals	(100)
Deferred tax liabilities	(108)
	<hr/>
Total identifiable net assets	2,034
Less: Non-controlling interests	(997)
Add: Goodwill (<i>Note 17</i>)	2,405
	<hr/>
	3,442
	<hr/> <hr/>
	31 December 2020
	<i>RMB'000</i>
Outflow of cash to acquire the business, net of cash acquired	
Cash consideration	3,000
Less: Cash and cash equivalents acquired	(1,049)
	<hr/>
Net outflow of cash – investing activities	1,951
	<hr/> <hr/>

The goodwill is attributable to Dalian Ruisheng Baojia Dental Clinic's synergies expected to arise after the Group's acquisition of this business.

(d) Other information

The acquisition-related costs were not significant and were charged directly to administrative expenses in the consolidated income statements for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

The post-acquisition revenue and net loss contributed by the acquired businesses above were not material to the Group during the Track Record Period.

(c) Reconciliation of liabilities generated from/(used in) financing activities

	Liabilities from financing activities						Interest payables (included in trade and other payables)
	Convertible redeemable preferred shares	Bond	Warrants	Derivative liabilities	Lease liabilities	Borrowings	
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	
Liabilities from financing activities as at 1 April 2018 (unaudited)	1,919,112	-	-	-	501,378	7,000	-
Cash inflows	-	-	-	-	-	168,636	-
Cash outflows	-	-	-	-	(126,569)	(7,000)	(3,640)
Changes in fair value	175,436	-	-	-	-	-	-
Leases	-	-	-	-	247,788	-	-
Accrued interest	-	-	-	-	28,684	-	3,878
Foreign exchange adjustments	135,720	-	-	-	-	-	-
Liabilities from financing activities as at 31 March 2019	2,230,268	-	-	-	651,281	168,636	238
Cash inflows	-	-	-	-	-	298,000	-
Cash outflows	-	-	-	-	(154,181)	(178,636)	(10,691)
Changes in fair value	114,723	-	-	-	-	-	-
Leases	-	-	-	-	123,574	-	-
Accrued interest	-	-	-	-	32,852	-	10,456
Foreign exchange adjustments	118,413	-	-	-	-	-	-
Liabilities from financing activities as at 31 March 2020	2,463,404	-	-	-	653,526	288,000	3
Cash inflows	296,867	151,608	48,392	-	-	297,858	-
Cash outflows	-	(5,651)	-	-	(188,964)	(367,367)	(18,712)
Changes in fair value	419,832	21,388	26,802	-	-	-	-
Reclassification of balance due to the re-designation from issued ordinary shares	10,547	-	-	-	-	-	-
Re-designation to Series E Preferred Share from the Redesignated Shares	196,712	-	-	-	-	-	-
Leases	-	-	-	-	146,197	-	-
Accrued interest	-	-	-	-	32,388	-	19,526
Foreign exchange adjustments	(208,897)	-	(4,068)	-	-	-	-
Liabilities from financing activities as at 31 March 2021	3,178,465	167,345	71,126	-	643,147	218,491	817

	Liabilities from financing activities						Interest payables (included in trade and other payables)
	Convertible redeemable preferred shares	Bond	Warrants	Derivative liabilities	Lease liabilities	Borrowings	
	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	
Liabilities from financing activities as at 31							
March 2021	3,178,465	167,345	71,126	–	643,147	218,491	817
Cash inflows	475,585	–	–	–	–	69,134	–
Cash outflows	–	(5,452)	–	–	(104,046)	(91,681)	(817)
Changes in fair value	453,306	22,676	13,686	1,129	–	–	–
Leases	–	–	–	–	114,534	–	–
Accrued interest	–	–	–	–	17,468	5,613	–
Foreign exchange adjustments	(35,204)	–	(1,094)	376	–	–	–
Termination of warrants and recognition of derivative liabilities	–	–	(83,718)	94,854	–	–	–
Liabilities from financing activities as at 30							
September 2021	<u>4,072,152</u>	<u>184,569</u>	<u>–</u>	<u>96,359</u>	<u>671,103</u>	<u>201,557</u>	<u>–</u>
Liabilities from financing activities as at 31							
March 2020	2,463,404	–	–	–	653,526	288,000	3
Cash inflows	–	151,608	48,392	–	–	121,728	–
Cash outflows	–	–	–	–	(82,177)	(75,493)	(3,222)
Changes in fair value	194,087	11,307	7,527	–	–	–	–
Leases	–	–	–	–	41,654	–	–
Accrued interest	–	–	–	–	15,704	–	4,195
Foreign exchange adjustments	(100,536)	–	(1,740)	–	–	–	–
Liabilities from financing activities as at 30							
September 2020 (unaudited)	<u>2,556,955</u>	<u>162,915</u>	<u>54,179</u>	<u>–</u>	<u>628,707</u>	<u>334,235</u>	<u>976</u>

33 CONTINGENCIES

As at 31 March 2019, 2020 and 2021 and 30 September 2021, the Group did not have any material contingent liabilities.

34 COMMITMENTS**(a) Capital commitments**

Significant capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	As at 31 March			As at 30 September
	2019	2020	2021	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	21,337	12,630	16,094	10,035

35 RELATED PARTY TRANSACTIONS**(a) Names and relationships with related parties**

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related party	Relationship with the Group
Zou Qifang	Director of the Company
Hangzhou Jarvis	Entity controlled by a close family member of a director
Hangzhou Shengchao Medical Technology Company Limited ("Hangzhou Shengchao")	Entity controlled by a close family member of a director
福州美可普	Associate of the Group
濟南濟東	Associate of the Group
北京康泰	Joint Venture of the Group
Beier Holdings Limited	Entity controlled by a director
Rise Day Holdings Limited	Entity controlled by a director
Ever Respect Limited	Entity controlled by a director
Qin Jessie Xin	Director of the Company
Qiming Venture Partners II, L.P.	Shareholder of the Company
Qiming Venture Partners II-C, L.P.	Shareholder of the Company
Qiming Managing Directors Fund II, L.P.	Shareholder of the Company

(b) Significant transactions with related parties

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

	Year ended 31 March			Six months ended 30 September	
	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i>
<u>Sales of goods</u>					
Hangzhou Jarvis	960	388	–	–	–
Hangzhou Shengchao	–	1,532	10,334	3,214	1,897
福州美可普	1,061	246	1,892	959	1,385
濟南濟東	196	29	32	4	90
	<u>2,217</u>	<u>2,195</u>	<u>12,258</u>	<u>4,177</u>	<u>3,372</u>
<u>Purchases of goods</u>					
Hangzhou Shengchao	–	7,040	16,030	4,915	11,416
北京康泰	8,446	6,316	5,746	2,706	4,133
	<u>8,446</u>	<u>13,356</u>	<u>21,776</u>	<u>7,621</u>	<u>15,549</u>
<u>Receiving services</u>					
Hangzhou Jarvis	636	108	–	–	–
Hangzhou Shengchao	–	376	581	234	365
	<u>636</u>	<u>484</u>	<u>581</u>	<u>234</u>	<u>365</u>
<u>Loans to related parties</u>					
濟南濟東	20,000	10,470	1,500	–	–
北京康泰	–	–	150	–	–
	<u>20,000</u>	<u>10,470</u>	<u>1,650</u>	<u>–</u>	<u>–</u>
<u>Repayment of loans to related parties</u>					
濟南濟東	7,000	–	–	–	–
北京康泰	80	–	–	–	–
	<u>7,080</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<u>Interest from loans to related parties</u>					
濟南濟東	793	–	–	–	–

(c) Balances with related parties

The following balances are outstanding as at 31 March 2019, 2020 and 2021 and 30 September 2021 in relation to transactions with related parties:

	As at 31 March			As at
	2019	2020	2021	30 September
	RMB'000	RMB'000	RMB'000	2021
				RMB'000
<u>Trade related receivables</u>				
Hangzhou Jarvis	1,114	1,575	1,575	–
Hangzhou Shengchao	–	1,731	13,524	11,347
福州美可普	1,046	512	1,813	753
濟南濟東	5,476	–	–	–
北京康泰	3,989	3,989	3,989	3,989
	<u>11,625</u>	<u>7,807</u>	<u>20,901</u>	<u>16,089</u>
<u>Amounts due from related parties</u>				
<i>(Note 22)</i>				
<i>Non-trade nature</i>				
Hangzhou Jarvis	28,105	–	–	–
Hangzhou Shengchao	–	25,792	42,359	57,585
濟南濟東	131	–	93	96
北京康泰	413	1,795	2,139	2,604
Beier Holdings Limited	3,441	6,440	8,651	9,865
	<u>32,090</u>	<u>34,027</u>	<u>53,242</u>	<u>70,150</u>
<u>Trade related payables</u>				
Hangzhou Jarvis	23,493	–	–	–
Hangzhou Shengchao	–	8,690	26,521	36,113
北京康泰	1,129	769	1,395	2,347
	<u>24,622</u>	<u>9,459</u>	<u>27,916</u>	<u>38,460</u>
<u>Amounts due to related parties</u>				
<i>(Note 30)</i>				
<i>Non-trade nature</i>				
Zou Qifang	1,127	1,861	2,351	309
Rise Day Holdings Limited	3,385	605	3,068	3,027
Qin Jessie Xin	–	–	2,568	2,534
Qiming Venture Partners II, L.P.	–	–	11,925	11,769
Qiming Venture Partners II-C, L.P.	–	–	1,044	1,031
Qiming Managing Directors Fund II, L.P.	–	–	174	171
	<u>4,512</u>	<u>2,466</u>	<u>21,130</u>	<u>18,841</u>

	As at 31 March			As at
				30 September
	2019	2020	2021	2021
	RMB'000	RMB'000	RMB'000	RMB'000
<u>Loans to related parties (Note 22)</u>				
<i>Non-trade nature</i>				
Zou Qifang	3,789	3,987	3,698	–
Ever Respect Limited	20,201	21,255	19,714	–
Beier Holdings Limited (i)	89,315	93,979	87,169	86,025
濟南濟東 (ii)	19,468	–	823	823
北京康泰	280	280	430	430
	<u>133,053</u>	<u>119,501</u>	<u>111,834</u>	<u>87,278</u>
<u>Loan from a related party (Note 30)</u>				
<i>Non-trade nature</i>				
Zou Qifang	<u>3,618</u>	<u>3,618</u>	<u>3,618</u>	<u>–</u>

As at 31 March 2019, 2020 and 2021 and 30 September 2021, outstanding balances due to/from related parties, loan to/from Zou Qifang and loan to Ever Respect Limited were unsecured, non-interest bearing and repayable on demand.

Notes:

- (i) The loan to Beier Holdings Limited, amounting to US\$13,264,349, is secured by 396,827 class 1 ordinary shares of the Company, with interest accruing at 3% per annum, and repayable on the earlier of (i) the date falling on 12 months from the IPO, and (ii) 31 December 2023 (Note 22). Such loan amounted to US\$13,264,349 (equivalent to RMB86,025,000) as at 30 September 2021, was fully settled in October 2021.
- (ii) As at 31 March 2019, 2020 and 2021 and 30 September 2021, loans to 濟南濟東, with gross balances amounted to RMB19,468,000, nil and RMB823,000 and RMB823,000, respectively, were unsecured, with annual interest rates ranging from 0% to 7%, and repayable in 1 to 3 years from the borrowing date. The loss allowance for loans to 濟南濟東 as at 31 March 2019, 2020 and 2021 and 30 September 2021 amounted to RMB19,468,000, nil, RMB823,000 and RMB823,000, respectively. On 31 March 2020, the Group agreed to waive the outstanding loan to 濟南濟東 amounting to RMB38,970,000 to support its operation and such balance was written-off. During the year ended 31 March 2021, the Group provided an additional loan to 濟南濟東 amounting to RMB823,000 to 濟南濟東.

The amounts due from Hangzhou Shengchao, 濟南濟東 and 北京康泰 and loans to related parties as at 30 September 2021 amounting to RMB57,585,000, RMB96,000, RMB2,604,000 and RMB87,278,000 respectively were settled subsequently.

The amount due to Zou Qifang as at 30 September 2021 amounting to RMB309,000 was settled subsequently. The remaining amounts due to related parties as at 30 September 2021 were withheld from certain related parties for PRC tax purposes, and the settlement of such amounts depends on the progress of tax declaration and tax filing with the PRC tax authorities.

(d) Key management personnel compensation

	Year ended 31 March			Six months ended 30 September	
	2019	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries, bonuses and other allowances	4,776	6,970	8,135	2,830	3,771
Share-based compensation expenses	1,291	445	–	–	–
Social security costs and contributions to housing provident fund	416	396	323	125	254
Allowances and benefits in kind	1,529	1,798	1,657	545	1,283
	<u>8,012</u>	<u>9,609</u>	<u>10,115</u>	<u>3,500</u>	<u>5,308</u>

36 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of every director and the chief executive officer for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021 is set out below:

For the year ended 31 March 2019:

Name	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's	Share-based compensation	Total
					contribution to a retirement benefit scheme		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>							
ZOU Qifang	–	936	–	1,529	–	–	2,465
<i>Director</i>							
ZOU Jianlong	–	207	–	–	18	–	225
QI Yong	–	207	–	–	129	–	336
(Note (i))	–	207	–	–	129	–	336
Qin Jessie Xin	–	1,036	–	–	–	1,291	2,327
Zhou Wei	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
HU Xubo	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
QIU Yumin	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
Denis Francis KINANE	270	–	–	–	–	–	270
(Note (i))	270	–	–	–	–	–	270
XU Xiaou	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
MIAO Jingwen	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
Total	<u>270</u>	<u>2,386</u>	<u>–</u>	<u>1,529</u>	<u>147</u>	<u>1,291</u>	<u>5,623</u>

APPENDIX I
ACCOUNTANT'S REPORT

For the year ended 31 March 2020:

Name	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>							
ZOU Qifang	–	952	144	1,798	–	–	2,894
<i>Director</i>							
ZOU Jianlong	–	223	100	–	19	–	342
QI Yong	–	225	50	–	115	–	390
(Note (i))	–	225	50	–	115	–	390
Qin Jessie Xin	–	972	127	–	–	445	1,544
Zhou Wei	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
HU Xubo	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
QIU Yumin	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
Denis Francis KINANE	279	–	–	–	–	–	279
(Note (i))	279	–	–	–	–	–	279
XU Xiaou	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
MIAO Jingwen	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
Total	279	2,372	421	1,798	134	445	5,449

For the year ended 31 March 2021:

Name	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>							
ZOU Qifang	–	941	144	1,657	–	–	2,742
<i>Director</i>							
ZOU Jianlong	–	257	172	–	14	–	443
QI Yong	–	256	86	–	86	–	428
(Note (i))	–	256	86	–	86	–	428
Qin Jessie Xin	–	1,019	210	–	–	–	1,229
Zhou Wei	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
HU Xubo	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
QIU Yumin	–	–	–	–	–	–	–
Denis Francis KINANE	272	–	–	–	–	–	272
(Note (i))	272	–	–	–	–	–	272
XU Xiaou	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
MIAO Jingwen	–	–	–	–	–	–	–
(Note (i))	–	–	–	–	–	–	–
Total	272	2,473	612	1,657	100	–	5,114

APPENDIX I
ACCOUNTANT'S REPORT

For the six months ended 30 September 2020 (unaudited):

Name	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>							
ZOU Qifang	-	480	-	545	-	-	1,025
<i>Director</i>							
ZOU Jianlong	-	174	-	-	5	-	179
QI Yong	-	115	-	-	34	-	149
(Note (i))	-	250	-	-	-	-	250
Qin Jessie Xin	-	-	-	-	-	-	-
Zhou Wei	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
HU Xubo	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
QIU Yumin	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
Denis Francis KINANE	140	-	-	-	-	-	140
(Note (i))	-	-	-	-	-	-	-
XU Xiaouou	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
MIAO Jingwen	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
	<u>140</u>	<u>1,019</u>	<u>-</u>	<u>545</u>	<u>39</u>	<u>-</u>	<u>1,743</u>

For the six months ended 30 September 2021:

Name	Fees	Salaries	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>Chairman</i>							
ZOU Qifang	-	634	-	1,283	-	-	1,917
<i>Director</i>							
ZOU Jianlong	-	307	-	-	27	-	334
QI Yong	-	240	-	-	49	-	289
(Note (i))	-	259	-	-	-	-	259
Qin Jessie Xin	-	-	-	-	-	-	-
Zhou Wei	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
HU Xubo	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
QIU Yumin	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
Denis Francis KINANE	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
XU Xiaouou	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
MIAO Jingwen	-	-	-	-	-	-	-
(Note (i))	-	-	-	-	-	-	-
ZHANG Jincai	-	1,020	-	-	45	-	1,065
(Note (ii))	-	-	-	-	-	-	-
	<u>-</u>	<u>2,460</u>	<u>-</u>	<u>1,283</u>	<u>121</u>	<u>-</u>	<u>3,864</u>

Note:

(i) Hu Xubo and QI Yong were resigned as director of the Company on 29 January 2021 and 22 June 2021 respectively. MIAO Jingwen, ZHOU Wei, QIU Yu Min, Denis Francis KINANE and XU Xiaou were resigned as director of the Company on 23 June 2021.

(ii) ZHANG Jincai was appointed as director of the Company on 15 July 2021.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors for the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021.

(d) Information about loans, quasi-loans or other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors

Save as disclosed in Note 35, no loans, quasi-loans or other dealings were entered into by the Company in favor of directors, controlled bodies corporate by and connected entities with such directors during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2020 and 2021.

37 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisitions of additional interests in subsidiaries

During the year ended 31 March 2021, the Group acquired additional equity interests in certain subsidiaries from the relevant non-controlling shareholders at cash consideration of RMB1,262,000, RMB1,325,000 and RMB1,018,000 respectively. The differences between the carrying amounts of non-controlling interests acquired and consideration paid are set out below.

	Year ended
	31 March 2021
	<i>RMB'000</i>
Total carrying amount of non-controlling interests acquired	474
Less: total consideration paid to non-controlling interests	<u>(3,605)</u>
Total difference recognized within equity	<u><u>(3,131)</u></u>

During the six months ended 30 September 2020, the Group acquired additional equity interests in certain subsidiaries from the relevant non-controlling shareholders at cash consideration of RMB1,325,000 and RMB1,018,000 respectively. The differences between the carrying amounts of non-controlling interests acquired and consideration paid are set out below.

	Six months ended 30 September 2020
	<i>RMB'000</i> (unaudited)
Total carrying amount of non-controlling interests acquired	3,675
Less: total consideration paid to non-controlling interests	<u>(2,343)</u>
Total difference recognized within equity	<u><u>1,332</u></u>

(b) Disposals of interests in subsidiaries without change of control

During the year ended 31 March 2021, the Group disposed of certain equity interests in subsidiaries to third parties for a total cash consideration of RMB1,120,000, RMB1,750,000 and RMB500,000 respectively. The differences between the carrying amounts of equity interest disposed of and consideration received are set out below.

	Year ended 31 March 2021
	<i>RMB'000</i>
Total carrying amount of equity interests disposed	(968)
Less: total consideration received from non-controlling interests	<u>3,370</u>
Total difference recognized within equity	<u><u>2,402</u></u>

During the six months ended 30 September 2020, the Group disposed of certain equity interests in subsidiaries to third parties for a total cash consideration of RMB1,120,000. The differences between the carrying amounts of equity interest disposed of and consideration received are set out below.

	Six months ended 30 September 2020
	<i>RMB'000</i> (unaudited)
Total carrying amount of equity interests disposed	(1,396)
Less: total consideration received from non-controlling interests	<u>1,120</u>
Total difference recognized within equity	<u><u>(276)</u></u>

During the six months ended 30 September 2021, the Group disposed of certain equity interests in subsidiaries to third parties for a total cash consideration of RMB700,000, RMB700,000 and RMB1,400,000 respectively. The differences between the carrying amounts of equity interest disposed of and consideration received are set out below.

	Six months ended 30 September 2021
	<i>RMB'000</i>
Total carrying amount of equity interests disposed	(2,800)
Less: total consideration received from non-controlling interests	<u>2,800</u>
Total difference recognized within equity	<u><u>–</u></u>

38 DIVIDENDS

No dividend was declared by the Company during the years ended 31 March 2019, 2020 and 2021 and the six months ended 30 September 2021.

39 EVENTS AFTER THE REPORTING PERIOD

On 1 October 2021, approximately 3.6 million RSUs of the Company were granted to certain directors and eligible employees. RSUs will be vested and become realisable only at the end of the first 6 months, the first year, the first 18 months and the second year from the commencement date of dealings in the Company's shares on the Stock Exchange of Hong Kong Limited ("Vesting Period") at the respective proportion of 25%, 25%, 25% and 25%, provided that the participants pass the annual performance review administered by the Board of the directors of the Company. Vesting Period may be different due to specific cases or exception. Share-based compensation expenses relating to the RSUs amounted to not less than RMB90 million, RMB120 million and RMB30 million will be recognised in profit or loss in the financial years ending 31 March 2022, 2023 and 2024 respectively.

Pursuant to the shareholders' resolution passed on 1 December 2021, the basic and diluted loss per share have not taken into account the proposed share subdivision because the proposed share subdivision has not become effective as of the date of this report.

Save as disclosed above and elsewhere in this report, there have been no other material events subsequent to the Track Record Period, which require adjustment or disclosure in accordance with IFRSs.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2021 and up to the date of this report.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 September 2021 as if the Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 30 September 2021 or at any future dates.

Audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at 30 September 2021	Estimated net proceeds from the Global Offering	Conversion of convertible redeemable preferred shares into ordinary shares upon Listing	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 September 2021	Unaudited pro forma adjusted consolidated net tangible assets per Share	
<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 3)</i>	<i>(Note 4, 5)</i>	<i>(Note 4, 5)</i>	<i>(Note 4, 5)</i>
RMB'000	RMB'000	RMB'000	RMB'000	RMB	HK\$

Based on an
Offer Price of
HK\$14.62
per share

(3,088,343)	504,139	4,072,152	1,487,948	3.22	4.00
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Notes:

- (1) The audited consolidated net tangible liabilities of the Group attributable to the equity owners of the Company as at 30 September 2021 is extracted from the Accountant's Report set out in Appendix I to this prospectus, which is based on the audited consolidated net liabilities of the Group attributable to the equity owners of the Company as at 30 September 2021 of RMB2,961,535,000 with adjustments for the intangible assets and goodwill as at 30 September 2021 of RMB28,341,000 and RMB98,467,000 respectively.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Global Offering are based on 46,527,500 new Shares and the indicative Offer Price of HK\$14.62 per share, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately RMB28,388,000 which have been accounted for during the Track Record Period) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.
- (3) Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into ordinary shares on a one to one basis. These Preferred Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB4,072,152,000, being the carrying amounts of the Preferred Shares as of 30 September 2021.
- (4) The unaudited pro forma consolidated net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 461,619,350 Shares (excluding the 119,972,600 ordinary shares (after Share Subdivision) that was issued and will be granted pursuant to the RSU Plan subsequent to 30 September 2021) were in issue assuming that the Global Offering and Share Subdivision have been completed on 30 September 2021 but takes no account of any Shares which may fall to be issued upon the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by the Company pursuant to the general mandates. No other events after the reporting period affect the unaudited pro forma consolidated net tangible assets as at 30 September 2021.
- (5) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the amounts stated in RMB are converted into Hong Kong dollars at a rate of HK\$1 to RMB0.8065. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 September 2021.

**B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO
FORMA FINANCIAL INFORMATION**

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

To the Directors of Arrail Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Arrail Group Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 September 2021, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 9 March 2022, in connection with the proposed initial public offering of the shares of the Company (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 30 September 2021 as if the proposed initial public offering had taken place at 30 September 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended 30 September 2021, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7, *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 30 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 9 March 2022

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE COMPANY LAWS OF THE CAYMAN ISLANDS**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the company laws of the Cayman Islands.

The Company was continued into the Cayman Islands as an exempted company with limited liability on 16 November 2020 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on December 1, 2021. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent of at least three-fourths of the voting rights of the holders of the shares of that class present and voting in person or by proxy at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by

proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them, respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the date of the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resigns;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) he is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or

done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following

paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any

other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the voting rights held cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member, including the right to speak and vote individually on a show of hands or on a poll.

All Shareholders of the Company (including a Shareholder which is a Clearing House (or its nominee(s))) shall have the right to speak and vote at a general meeting except where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted. Otherwise, all members shall have the right to vote at a general meeting.

(c) *Annual general meetings*

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorised officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND THE COMPANY LAWS OF THE CAYMAN ISLANDS**

- (b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Hong Kong Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Islands laws, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them, respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. COMPANY LAWS OF THE CAYMAN ISLANDS

The Company was continued into the Cayman Islands as an exempted company on 16 November 2020 subject to the Cayman Companies Act. Certain provisions of the company laws of the Cayman Islands are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the company laws of the Cayman Islands, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in section 37 of the Cayman Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands, and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated in the BVI on May 23, 2001 as a company limited by shares. On November 16, 2020, our Company discontinued as a company incorporated under BVI Business Companies Act 2004 (as amended) and was registered by way of continuation as an exempted company limited by shares under the Cayman Companies Act. Our registered office address is at Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in Appendix III to this prospectus.

Our registered place of business in Hong Kong is at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 26, 2021. Mr. WONG Keith Shing Cheung has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong.

As at the date of this prospectus, our Company's head office was located at 6F, Building 11, No. 18 Ziyue Road, Chaolai Science Park, Chaoyang District, Beijing, the PRC.

2. Changes in share capital of our Company

The changes in the share capital of our Company during the two years immediately preceding to the date of this prospectus are set forth below:

- (i) on December 24, 2020, our Company allotted and issued 100,000 Class 2 Ordinary Shares to Qin Jessie XIN;
- (ii) Under our Series E Pre-IPO Investment, our Company allotted and issued series E preferred shares in the following manner:
 - (a) 510,010 Series E Preferred Shares to Elbrus Investments Pte. Ltd. on January 29, 2021;
 - (b) 430,400 Series E Preferred Shares to WF Asian Reconnaissance Fund Limited on March 31, 2021;
 - (c) 451,921, 86,080 and 107,600 Series E Preferred Shares to Worldwide Healthcare Trust PLC, OrbiMed Genesis Master Fund, L.P. and OrbiMed New Horizons Master Fund, L.P., respectively, on April 7, 2021;

- (d) 215,200, 33,200 and 8,608 Series E Preferred Shares to MIRAE ASSET NEW ECONOMY FUND L.P., Grand Sunshine Holdings Limited and SHI Yaping, respectively, on April 8, 2021;
 - (e) 21,520, 21,520, 215,200 and 231,555 Series E Preferred Shares to JC International Company Limited, CAI Patrick, Hina Growth Opportunities Fund, L.P. and Hina Group Fund VII, L.P., respectively, on April 22, 2021;
 - (f) 165,475 and 33,370 Series E Preferred Shares to Shanghai Xing Tou Han Rui Corporate Management Centre (Limited Partnership) (上海興投漢睿企業管理中心(有限合夥)) and Shenzhen HanNeng New Economy Equity Investment Fund Corporation (Limited Partnership) (深圳漢能新經濟股權投資基金合夥企業(有限合夥)), respectively, on April 30, 2021; and
- (iii) on September 16, 2021, for the purpose of the Employee Incentive Plan, our Company allotted and issued 4,798,904 Shares to the ESOP BVI.

We expect to conduct the Share Subdivision immediately before the Listing, pursuant to which each share (including Ordinary Shares and Preferred Shares) with par value US\$0.5 in our issued and unissued share capital will be subdivided into 25 shares with par value US\$0.02 each, such that immediately following such Share Subdivision, our Company's authorized share capital was US\$25,000,000 divided into (i) 197,197,850 Class 1 Ordinary Shares, with a par value of US\$0.02 each, (ii) 642,729,675 Class 2 Ordinary Shares, with a par value of US\$0.02 each, (iii) 34,547,375 Series A-1 Preferred Shares, with a par value of US\$0.02 each, (iv) 21,333,025 Series A-2 Preferred Shares, with a par value of US\$0.02 each, (v) 49,381,125 Series B Preferred Shares, with a par value of US\$0.02 each, (vi) 108,090,825 Series C Preferred Shares, with a par value of US\$0.02 each, (vii) 37,395,900 Series D-1 Preferred Shares, with a par value of US\$0.02 each, (viii) 19,132,800 Series D-2 Preferred Shares, with a par value of US\$0.02 each, (ix) 31,412,525 Series D-3 Preferred Shares, with a par value of US\$0.02 each, and (x) 108,778,900 Series E Preferred Shares, with a par value of US\$0.02 each.

For details on our Company's authorized and issued share capital and the Series E Pre-IPO Investment, see "History, Reorganization and Corporate Structure—Pre-IPO Investments" and "Share Capital—Authorized and Issued Share Capital."

Save as disclosed above, there was no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. Changes in share capital of our subsidiaries*

A summary of the corporate information and the particulars of our major subsidiaries are set out in Note 1.3 to the Accountant's Report as set out in Appendix I. Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

Chongqing Ruijing

On January 25, 2021, Chongqing Ruijing was established as a limited liability company in the PRC with a registered capital of RMB1.0 million.

Xiamen Siming Ruier Dental Clinic Co., Ltd. (廈門思明瑞爾口腔門診部有限公司)

On December 9, 2020, Xiamen Siming Ruier Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB3.4 million.

Ruiershengbin (Shanghai) Finance Leasing Co., Ltd. (瑞爾聖彬(上海)融資租賃有限公司)

On June 16, 2020, the registered capital of Ruiershengbin (Shanghai) Finance Leasing Co., Ltd. was increased from US\$30.0 million to US\$60.0 million.

Chongqing Ruijia Dental Clinic Co., Ltd. (重慶瑞佳口腔門診有限公司)

On July 27, 2020, Chongqing Ruijia Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB5.0 million.

Chengdu Jinniu Ruitai Dental Clinic Co., Ltd. (成都金牛瑞泰口腔門診部有限公司)

On January 27, 2021, Chengdu Jinniu Ruitai Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB4.0 million.

Hainan Ruier Shengbin Medical Technology Management Co., Ltd. (海南瑞爾聖彬醫療科技管理有限公司)

On January 5, 2021, Hainan Ruier Shengbin Medical Technology Management Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB3.0 million.

Hainan Ruier Shengbin Supply Chain Technology Management Co., Ltd. (海南瑞爾聖彬供應鏈科技管理有限公司)

On January 5, 2021, Hainan Ruier Shengbin Supply Chain Technology Management Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB3.0 million.

Changsha Ruitai Xiao Dental Clinic Co., Ltd. (長沙市瑞泰西奧口腔門診有限公司)

On October 26, 2020, Changsha Ruitai Xiao Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB1.0 million.

Dalian Ruisheng Baojia Dental Clinic Co., Ltd. (大連瑞盛葆嘉口腔診所有限公司)

On December 9, 2020, Dalian Ruisheng Baojia Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB1.0 million.

Beijing Ruitai Tonglu Dental Hospital Co., Ltd. (北京瑞泰通潞口腔醫院有限公司)

On September 28, 2020, Beijing Ruitai Tonglu Dental Hospital Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB10.0 million.

Chongqing Ruiyang Dental Clinic Co., Ltd. (重慶瑞揚口腔門診有限公司)

On March 2, 2021, Chongqing Ruiyang Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB5.0 million.

Chengdu Gaoxin Ruihang Dental Clinic Co., Ltd. (成都高新瑞航口腔門診部有限公司)

On March 2, 2021, Chengdu Gaoxin Ruihang Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB2.0 million.

Beijing Ruier Ruijie Dental Hospital Co., Ltd. (北京瑞爾瑞捷口腔醫院有限公司)

On April 12, 2021, Beijing Ruier Ruijie Dental Hospital Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB1.0 million.

Beijing Ruier Ruixing Dental Clinic Co., Ltd. (北京瑞爾瑞星口腔門診部有限責任公司)

On July 23, 2021, Beijing Ruier Ruixing Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB3.0 million.

Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司)

On August 11, 2021, Chongqing Ruihong Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB5.0 million.

Hangzhou Gaode Ruier Dental Clinic Co., Ltd. (杭州高德瑞爾口腔門診部有限公司)

On August 18, 2021, Hangzhou Gaode Ruier Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB3.0 million.

Chongqing Ruichuan Hospital Management Co., Ltd. (重慶瑞川醫療管理有限公司)

On August 25, 2021, Chongqing Ruichuan Hospital Management Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB1.0 million.

Beijing Ruier Ruiyang Dental Clinic Co., Ltd. (北京瑞爾瑞洋口腔門診部有限責任公司)

On November 17, 2021, Beijing Ruier Ruiyang Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB3.0 million.

Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司)

On November 30, 2021, Chongqing Ruihua Dental Clinic Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB6.5 million.

Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. (廣州越秀瑞泰口腔醫院有限公司)

On January 11, 2022, Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. was established as a limited liability company in the PRC with a registered capital of RMB10 million.

Note:

- * *There were certain changes in the partnership interest in nine limited liability partnerships established in the PRC, namely Chongqing Ruikun Hospital Management Center (Limited Partnership) (重慶瑞琨醫院管理中心(有限合夥)), Chongqing Ruideng Hospital Management Center (Limited Partnership) (重慶瑞登醫院管理中心(有限合夥)), Chongqing Ruiyu Hospital Management Center (Limited Partnership) (重慶瑞渝醫院管理中心(有限合夥)), Chongqing Ruirong Hospital Management Center (Limited Partnership) (重慶瑞融醫院管理中心(有限合夥)), Chongqing Ruixin Hospital Management Center (Limited Partnership) (重慶瑞新醫院管理中心(有限合夥)), Chongqing Ruihuan Hospital Management Center (Limited Partnership) (重慶瑞歡醫院管理中心(有限合夥)), Chongqing Ruizheng Hospital Management Center (Limited Partnership) (重慶瑞征醫院管理中心(有限合夥)), Chongqing Ruichen Hospital Management Center (Limited Partnership) (重慶瑞晨醫院管理中心(有限合夥)), Chongqing Ruiang Hospital Management Center (Limited Partnership) (重慶瑞昂醫院管理中心(有限合夥)), all of which are incentive platforms set up at subsidiary level with some of our employees acting as limited partners.*

4. Written Resolutions of the Shareholders of Our Company dated December 1, 2021, 2021

Written resolutions of our Shareholders were passed on December 1, 2021, pursuant to which, among others:

- (i) our Company approved and conditionally adopted the Memorandum and Articles of Association with effect from the Listing; and
- (ii) the Share Subdivision was approved and our Directors were authorized to take all actions as they consider necessary or desirable to implement the Share Subdivision shortly before Listing;

- (iii) conditional on (1) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as stated in this prospectus; (2) the Underwriting Agreements having been duly executed by the Underwriters and our Company and (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- (a) the Global Offering was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Board was authorized to allot and issue the Offer Shares;
 - (b) the Over-allotment Option was approved and the Directors were authorized to effect the same and to allot and issue up to 6,979,000 Shares upon the exercise of the Over-allotment Option;
 - (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares (including the power to make or grant offers, agreements or grant securities which might require Shares to be allotted and issued), otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in a general meeting, shall not exceed the sum of 20% of the aggregate number of our Shares in issue immediately following the completion of the Share Subdivision and the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option);
 - (d) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirement of the Listing Rules such number of Shares as will represent up to 10% of the aggregate number of our Shares in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and

- (e) the general mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate number of our Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate number of our Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (d) above (up to 10% of the aggregate number of our Shares in issue immediately following the completion of the Global Offering).

Each of the general mandates referred to in paragraphs (iii)(c), (iii)(d), and (iii)(e) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on December 1, 2021, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Share Subdivision and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or out of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or out of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result

in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Islands laws.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases out of profits of the Company, out of the share premium account of the Company or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the share premium account of the Company or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 581,591,950 Shares in issue immediately following the completion of the Share Subdivision and the Global Offering, but assuming the Over-allotment Option is not exercised, could accordingly result in up to approximately 58,159,195 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

6. RSU Scheme

Summary of the Principal Terms

The following is a summary of the principal terms of the RSU Scheme approved and adopted by the Board on August 3, 2021 (the “**Adoption Date**”). The terms of the RSU Scheme are not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purpose of the RSU Scheme

The purpose of RSU Scheme is to attract, retain and motivate our Directors, employees and such other participants, and to provide a means of compensating them through the grant of awards (“**Awards**”) for their contribution to the growth and profits of the Group, and to allow such Directors, employees and other persons to participate in the growth and profitability of the Group.

(b) Administration

The RSU Scheme shall be subject to the administration of the Board, and the decision of the Board shall be final and binding on all parties. The Board shall have the right to (i) interpret and construe the provisions of the RSU Scheme, (ii) determine the persons who will be offered Awards under the RSU Scheme, the number of Shares and other terms in relation to such Awards, (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary, and (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the scheme.

(c) Who May Join

The participant of the RSU Scheme is any person belong to any of (i) the employee (whether full time or part time) of the Company or its subsidiaries; (ii) any Director, including independent non-executive Director, of the Company, or any director of any of the subsidiaries; and (iii) any other consultant to the Group who, in the sole opinion of the Board, will contribute or have contributed to the Group.

(d) *Grant of Restricted Share Unites*

Restricted Share Units (“RSUs”) may be granted at any time and from time to time as determined by the Board during the period commencing on the Adoption Date until the tenth (10th) anniversary of the Adoption Date (or such earlier date as the Board may determine at its sole discretion without notice) after which no further RSUs will be granted.

After the Board determines that it will grant RSUs, it will advise the grantee in an award agreement (“**Award Agreement**”) of the terms, conditions, and restrictions related to the grant, including the number of RSUs.

(e) *Vesting Criteria and Other Terms*

The Board will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid-out to the grantee. The Board may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Board in its discretion. The vesting schedules are stipulated in the respective Award Agreement between the Company and the grantees.

(f) *Form and Timing of Payment*

Payment of realized RSUs will be made as soon as practicable after the date(s) determined by the Board and set forth in the Award Agreement. The Board, in its sole discretion, may settle realized RSUs in cash, Shares, or a combination of both.

The Shares to be transferred or paid out in settlement of an Award will be subject to all the provisions of the Articles of the Company for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of the Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of the Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of the Company. A Share transferred in settlement of an Award shall not carry any voting right until the completion of the registration of the grantee as the holder thereof.

Notwithstanding anything herein to the contrary, an Award may not be settled or paid out and the Shares may not be transferred to the grantees unless such transfer is in compliance with all applicable laws, as they are in effect on the date of transfer.

(g) Forfeiture of Awards

Upon the circumstances set forth in the Award Agreement, the applicable unvested RSUs will be forfeited to the Company automatically. Any RSUs cancelled or due to breach of the terms of the RSU Scheme will be forfeited to the Company automatically upon the cancellation.

(h) Maximum number of Shares Available for Subscription

The initial Shares which may be transferred or paid-out in settlement of all Awards to be granted under the RSU Scheme of the Company shall not exceed 4,798,904 ordinary Shares, being 22.42% of the total Shares of the Company (on an as-converted and fully-diluted basis) of the Company immediately prior to the Global Offering. The number of underlying shares to be granted (i.e. 4,798,904) under the RSU Plan is the aggregate amount of incentive shares reserved based on resolutions in the previous rounds of Pre-IPO Investments passed in 2010, 2011, 2014, 2017 and 2020 and agreed by the relevant Shareholders. Such incentive shares have not been granted to any employees in the previous rounds of Pre-IPO Investments. Pursuant to the resolution of the Board dated August 3, 2021, 3,668,941 RSUs under the RSU Scheme, corresponding to a total of 3,668,941 out of the 4,798,904 underlying Ordinary Shares held by ESOP BVI, has been granted to certain eligible employees before the Listing. Awards forfeited or cancelled in accordance with the terms of the RSU Scheme shall not be counted for the purpose of calculating this limit. Shares that have actually been transferred or paid-out under the RSU Scheme under any Award will not be returned to the RSU Scheme and will not become available for future distribution under the RSU Scheme; for the avoidance of doubt Shares subject to any Awards which are forfeited to the Company due to failure to vest will become available for future grant under the RSU Scheme. Shares used to satisfy the tax withholdings related to an Award (if the Board determines that Shares may be used to satisfy the tax withholdings related to an Award) will become available for future grant or sale under the RSU Scheme.

(i) Limited Transferability of Awards

Unless otherwise determined by the Board or provide in the Award Agreement, an Award shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any Award, except for the transmission of an Award on the death or incapacitation of the grantee to his personal representative(s) by will or by the laws of descent and distribution. Any breach of the foregoing shall entitle the Company to cancel any outstanding Award or part thereof granted to such grantee without incurring any liability on the part of the Company.

(j) Share Capital

The settlement or payout of any Award shall be subject to the members of the Company approving any necessary increase in the authorized share capital of the Company. Subject thereto, the Board shall make available sufficient authorized but unissued share capital of the Company to meet subsisting requirements on the settlement or payout of all outstanding Awards from time to time.

The Awards do not carry any right to vote in the general meetings of the Company, or any right to dividend, or any other rights whether or not arising on the liquidation of the Company.

(k) Alteration of the RSU Scheme

The Board may amend any of the provisions of the RSU Scheme (including with limitation to amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the RSU Scheme) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

(l) Term and Termination

The RSU Scheme will become effective upon the Adoption Date, and will continue in effect for a term of ten (10) years from the Adoption Date.

The Company may terminate the operation of the RSU Scheme at any time by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further Award will be granted. Awards (to the extent not already settled, paid-out, lapsed or cancelled) granted prior to such termination shall continue to be valid in accordance with the RSU Scheme and Award Agreement.

(m) Cancellation of Awards

Subject to the consent from the relevant grantee, the Board may at its discretion cancel Awards previously granted to the relevant grantees and yet to be vested.

Cancelled Awards may be re-issued after such cancellation has been approved provided that re-issued Awards shall only be granted in compliance with the terms of the RSU Scheme.

For the avoidance of doubt, Awards which have been vested shall not be regarded as cancelled Awards.

(n) *Restrictions of Grants and Directions*

The Board and the administrator of the RSU Scheme shall not grant RSUs to any selected person nor shall they give any direction or recommendation to the trustee appointed by the Board with respect to any RSU, Award or Share under the RSU Scheme in any of the following circumstances:

- (i) where any director of the Company is in possession of unpublished inside information (as defined in the SFO) in relation to the Company or where dealings by directors of the Company are prohibited under any code or requirement of the Listing Rules or any applicable laws, rules or regulations. In particular, during the period commencing one month immediately preceding the earlier of:
 - (A) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year or any other interim period (whether or not required under the Listing Rules); and
 - (B) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules).
- (ii) if any RSU is proposed to be granted to a Director, it shall not be granted on any day on which the financial results of the Company are published and during the period of:
 - (A) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (B) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.
- (iii) any grant of an award to any Director, chief executive of the Company or Substantial Shareholder, any of their respective associates, or any other connected person, shall be subject to the prior approval of the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of such RSUs) and shall otherwise be subject to compliance with the requirements of the Listing Rules.

(o) Shareholders Rights

The grantees shall not have any rights with respect to the Shares underlying the RSUs granted pursuant to the respective Award Agreement (including, without limitation, voting or dividend rights) prior to the settlement and delivery of the Shares as specified therein. Upon the settlement of the vested RSUs and the delivery of the corresponding Shares, to the extent being kept and administered by the trust or escrow account for the respective grantee, the grantee acknowledges and agrees that all the voting rights attached to such Shares will be immediately and automatically assigned to the designated person appointed by the trust agent of such Shares.

Awards Granted under the RSU Scheme

The overall limit on the number of underlying Shares to be granted under the RSU Scheme is 4,798,904 Ordinary Shares (or 119,972,600 Ordinary Shares assuming the completion of the Share Subdivision), which have been reserved by the ESOP BVI. No additional Shares will be issued by the Company under the RSU Scheme in the Global Offering.

On October 1, 2021, 616 employees were approved by the Board to be grantees under the RSU Scheme with a total of 3,668,941 underlying Shares (or 91,723,525 underlying Shares assuming the completion of the Share Subdivision). None of such grantees have interest in the underlying Shares of more than 2% of our total issued share capital upon completion of the Global Offering.

The following table summarizes the number of the RSUs granted to the Directors and senior management of the Company under the RSU Scheme as of the date of this prospectus

<u>Name</u>	<u>Address</u>	<u>Position</u>	<u>Number of Shares underlying the RSUs granted (before Share Subdivision)</u>	<u>Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming that the Over-allotment option is not exercised)^(Note)</u>
Mr. ZOU Qifang	501 Eurovilla, Houshayu, Shunyi District, Beijing, the PRC	Executive Director, Chairman of the Board, and chief executive officer	407,852	1.75%

Name	Address	Position	Number of Shares underlying the RSUs granted (before Share Subdivision)	Approximate percentage of issued Shares immediately after completion of the Global Offering (assuming that the Over-allotment option is not exercised)^(Note)
Ms. Qin Jessie XIN	Room 902, Unit 5, Bldg. 9, Cuidieyuan, Century Town, Haidian District, Beijing, the PRC	Executive Director, chief financial officer	45,000	0.19%
Mr. ZHANG Jincai	13-3, Huayuan Meilin Apartment, Wenyi Community, Wuchang Street, Yuhang District, Hangzhou, Zhejiang Province, the PRC	Executive Director, chief medical officer, general manager of hospitals and clinics	60,000	0.26%
Mr. ZOU Jianlong	12F, Block 11, Jindi Tennis Garden, Antuo Mountain 9th Road, Xiang'an Community, Futian District, Shenzhen, Guangdong Province, the PRC	Executive Director, vice president	152,546	0.66%
Other four senior management team members			411,400	1.77%

Note:

The calculation is based on the total number of 581,591,950 Shares in issue immediately after completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised).

The above-mentioned granted RSUs will become realizable in four equal installments for each grantee, with 25% of the total number of Shares subject to such RSUs becoming realizable after each of the sixth month starting from the Listing Date, provided that the respective grantee holding such RSUs passes the annual performance review administered by the Board for each of the immediately preceding calendar years. The remaining RSUs which have not been granted will be determined by the Board to be granted to eligible participants pursuant to the RSU Scheme. Upon the settlement of the vested RSUs and the delivery of the corresponding Shares, to the extent being kept and administered by the trust or its escrow account for the respective grantee, the voting rights attached to such Shares will be assigned to Mr. Zou as the designated person appointed by the trust agent.

Save as disclosed above, no other core connected person of the Company (excluding subsidiaries of the Company) has been identified to be the grantees under the RSU Scheme prior to the Global Offering. The Company will comply with Chapter 14A and other applicable Listing Rules when granting awards to eligible participants from time to time.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (i) the exclusive operation services agreement (獨家運營服務協議) dated August 20, 2020, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司), Zou Lifang (鄒立芳), Beijing Shengbin Science Trade Co., Ltd. (北京聖彬科貿有限公司), Beijing Ruicheng Hospital Management Co., Ltd. (北京瑞程醫院管理有限公司), Shanghai Yazheng Medical Consulting Service Co., Ltd. (上海亞正醫療諮詢服務有限公司), Shenzhen Ruier Hospital Management Co., Ltd. (深圳瑞爾醫院管理有限公司), Shanghai Ruitai Jiasheng Dental Clinic Co., Ltd. (上海瑞泰佳盛口腔門診部有限公司), Hangzhou Shengbin Health Management Consulting Co., Ltd. (杭州聖彬健康管理諮詢有限公司), Shanghai Shengbin Medical Consulting Service Co., Ltd. (上海聖彬醫療諮詢服務有限公司), Qingdao Ruiqi Medical Management Co., Ltd. (青島瑞旗醫療管理有限公司) (currently known as Qingdao Ruiqi Rytime Dental Hospital Co., Ltd. (青島瑞旗瑞泰口腔醫院有限公司)), Chongqing Huaxi Dental Clinic Co., Ltd. (重慶市華西口腔門診有限公司) (currently known as Chongqing Ruisheng Dental Clinic Co., Ltd. (重慶瑞升口腔門診有限公司)), Chongqing Jiuyue Dental Clinic Co., Ltd. (重慶久悅口腔門診有限公司), Chongqing Ruitai Dental Hospital Co., Ltd. (重慶瑞泰口腔醫院有限公司) and Chengdu Wuhou Ruitai Rongcheng Dental Hospital Co., Ltd. (成都武侯瑞泰融誠口腔醫院有限公司);



- (ii) a confirmation letter to the exclusive operation services agreement (關於獨家運營服務協議的確認函) dated June 28, 2021, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司), Zou Lifang (鄒立芳), Chongqing Jinmei Investment Co., Ltd. (重慶金美投資有限公司) and Chongqing Ruisheng Dental Clinic Co., Ltd. (重慶瑞升口腔門診有限公司) (previously known as Chongqing Huaxi Dental Clinic Co., Ltd. (重慶市華西口腔門診有限公司));
- (iii) a confirmation letter to the exclusive operation services agreement (關於獨家運營服務協議的確認函) dated December 3, 2021, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司), Zou Lifang (鄒立芳), Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司) and Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司);
- (iv) a confirmation letter to the exclusive operation services agreement (關於獨家運營服務協議的確認函) dated March 1, 2022, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司), Zou Lifang (鄒立芳) and Guangzhou Yuexiu Ruitai Dental Hospital Co., Ltd. (廣州越秀瑞泰口腔醫院有限公司);
- (v) the exclusive option agreement in relation to 100% equity interests and assets of Shenzhen Ruijian Consulting Management Co., Ltd. (關於深圳市瑞健諮詢管理有限公司100%股權及資產之獨家購買權協議) dated August 20, 2020, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Zou Lifang (鄒立芳) and Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司);
- (vi) the shareholders' rights entrustment agreement in relation to 100% equity interests of Shenzhen Ruijian Consulting Management Co., Ltd. (關於深圳市瑞健諮詢管理有限公司100%股權之股東權利委託協議) dated August 20, 2020, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Zou Lifang (鄒立芳) and Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司);
- (vii) the equity pledge agreement in relation to 100% equity interests of Shenzhen Ruijian Consulting Management Co., Ltd. (關於深圳市瑞健諮詢管理有限公司100%股權之股權質押協議) dated August 20, 2020, entered into among Beijing Ruier Shengbin Medical Technology Co., Ltd. (北京瑞爾聖彬醫療科技有限公司), Zou Lifang (鄒立芳) and Shenzhen Ruijian Consulting Management Co., Ltd. (深圳市瑞健諮詢管理有限公司);

- (viii) a cornerstone investment agreement dated March 7, 2022, entered into among our Company, ORBIMED GENESIS MASTER FUND, L.P., WORLDWIDE HEALTHCARE TRUST PLC, MORGAN STANLEY ASIA LIMITED, UBS SECURITIES HONG KONG LIMITED and UBS AG HONG KONG BRANCH;
- (ix) a cornerstone investment agreement dated March 7, 2022, entered into among our Company, Abax Asian Structured Private Credit Fund III, LP, MORGAN STANLEY ASIA LIMITED, UBS SECURITIES HONG KONG LIMITED and UBS AG HONG KONG BRANCH;
- (x) a cornerstone investment agreement dated March 7, 2022, entered into among our Company, HARVEST INTERNATIONAL PREMIUM VALUE (SECONDARY MARKET) FUND SPC (acting on behalf of HARVEST GREAT BAY INVESTMENT SP), MORGAN STANLEY ASIA LIMITED, UBS SECURITIES HONG KONG LIMITED, UBS AG HONG KONG BRANCH and Haitong International Securities Company Limited;
- (xi) a cornerstone investment agreement dated March 7, 2022, entered into among our Company, Hudson Bay Master Fund Ltd., MORGAN STANLEY ASIA LIMITED, UBS SECURITIES HONG KONG LIMITED and UBS AG HONG KONG BRANCH;
- (xii) a cornerstone investment agreement dated March 7, 2022, entered into among our Company, TOP VAST (HONG KONG) LIMITED, MODERN DENTAL GROUP LIMITED, MORGAN STANLEY ASIA LIMITED, UBS SECURITIES HONG KONG LIMITED and UBS AG HONG KONG BRANCH; and
- (xiii) Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our business:

No.	Trademark	Class	Place of registration	Registered Owner	Registration Number	Expiry Date
1.		44	PRC	Beijing Ruicheng Ruitai Dental Hospital Branch	44936802A	January 27, 2031
2.		10	PRC	Beijing Ruicheng Ruitai Dental Hospital Branch	44930374	December 13, 2030
3.		3	PRC	Beijing Ruicheng Ruitai Dental Hospital Branch	44907413A	January 13, 2031
4.		5	PRC	Beijing Ruicheng Ruitai Dental Hospital Branch	44907421	March 20, 2031
5.		44	PRC	Beijing Ruier	8657072	November 06, 2031
6.		44	PRC	Beijing Ruier	8657061	November 06, 2031
7.		44	PRC	Beijing Ruier	8657057	November 06, 2031
8.		44	Hong Kong	The Company	303588210	November 4, 2025

(b) Copyrights

As of the Latest Practicable Date, our Group had registered the following copyright which we consider to be material to our business:

<u>No.</u>	<u>Copyright</u>	<u>Type</u>	<u>Registration number</u>	<u>Copyright Owner</u>	<u>Date of Creation</u>
1.	Rytime Dental (瑞泰口腔) LOGO	Artwork	國作登字-2014- F-00159847	Beijing Ruicheng Ruitai Dental Hospital Branch	July 14, 2014

(c) Domain names

As of the Latest Practicable Date, our Group owned the following domain names which we consider to be material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registrant</u>	<u>Expiry Date</u>
1.	arrailgroup.com	Beijing Ruier	February 1, 2023
2.	arrail-dental.com	Beijing Shengbin	December 30, 2026
3.	rekq028.com	Chengdu Wuhou Ruitai	September 18, 2022
4.	beauty920.com	Jiangyin Meijiixin	September 6, 2022
5.	beauty920.cn	Jiangyin Meijiixin	September 6, 2022
6.	mjx920.com	Jiangyin Meijiixin	September 6, 2022
7.	mjx920.cn	Jiangyin Meijiixin	September 6, 2022
8.	xartkq.com	Shaanxi Ruitaiercang	July 24, 2024
9.	rytime.cn	Beijing Ruicheng Ruitai Dental Hospital Branch	August 1, 2023
10.	rytime.com.cn	Beijing Ruicheng Ruitai Dental Hospital Branch	August 1, 2023

(d) Patents

As of the Latest Practicable Date, our Group had registered the following patents which we consider to be material to our business:

<u>No.</u>	<u>Type</u>	<u>Patent Name</u>	<u>Owner</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Application Date</u>
1.	Utility model (實用新型)	Denture support (一種義齒支架)	Kangtai Jianrui	PRC	2019203805937	March 23, 2019
2.	Invention patent (發明專利)	Mounting method for false tooth biting test (一種義齒咬合實 驗用安裝方法)	Kangtai Jianrui	PRC	2018101250515	February 7, 2018
3.	Utility model (實用新型)	False tooth test combination frame (一種義齒試驗合 架)	Kangtai Jianrui	PRC	2018202182493	February 7, 2018
4.	Utility model (實用新型)	Implant assembly (一種種植體組件)	Kangtai Jianrui	PRC	2018202182756	February 7, 2018
5.	Utility model (實用新型)	Implant denture (一種種植義齒)	Kangtai Jianrui	PRC	2018202182915	February 7, 2018
6.	Utility model (實用新型)	Frame is closed in artificial tooth experiment (義齒試驗合架)	Kangtai Jianrui	PRC	2018202183015	February 7, 2018
7.	Utility model (實用新型)	A fever dish for holding artificial tooth (一種用於盛放義 齒的燒盤)	Kangtai Jianrui	PRC	2018202183104	February 7, 2018
8.	Utility model (實用新型)	Denture implanting body (一種義齒種植體)	Kangtai Jianrui	PRC	2018202183299	February 7, 2018
9.	Utility model (實用新型)	A positioner for artificial tooth is polished (一種用於義齒打 磨的定位裝置)	Kangtai Jianrui	PRC	2018202215995	February 7, 2018

No.	Type	Patent Name	Owner	Place of Registration	Patent Number	Application Date
10.	Utility model (實用新型)	Artificial tooth turning table platform (一種義齒車削桌台)	Kangtai Jianrui	PRC	2018202216004	February 7, 2018
11.	Utility model (實用新型)	A positioning system for artificial tooth is polished (一種用於義齒打磨的定位系統)	Kangtai Jianrui	PRC	201820221737X	February 7, 2018
12.	Utility model (實用新型)	Artificial tooth processing table platform (一種義齒加工桌台)	Kangtai Jianrui	PRC	2018202218071	February 7, 2018
13.	Utility model (實用新型)	Wear -type magnifying glass (一種頭戴式放大鏡)	Kangtai Jianrui	PRC	2018202218086	February 7, 2018
14.	Utility model (實用新型)	Denture observation shielding device (義齒觀察遮擋器)	Kangtai Jianrui	PRC	2018202218090	February 7, 2018
15.	Utility model (實用新型)	Abutment outer crown connecting structure (一種基台外冠連接結構)	Kangtai Jianrui	PRC	2018202218103	February 7, 2018

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts and appointment letters***(a) Executive Directors*

Each of our executive Director has entered into a service contract with our Company on December 1, 2021. The initial term of his service contract shall commence from the date of his/her appointment as a Director and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on November 25, 2021. The initial term for their appointment letters shall commence from the date of his/her appointment as a Director and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

- (i) Remuneration and benefits in kind of approximately RMB5.6 million, RMB5.4 million and RMB5.1 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended March 31, 2019, 2020 and 2021.
- (ii) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending March 31, 2022, is expected to be approximately RMB7.0 million in aggregate (excluding discretionary bonus).
- (iii) Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) *Interests and short positions of our Directors and the Chief Executives in the share capital of our Company and its associated corporations following completion of the Share Subdivision and the Global Offering*

Immediately following completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), the interests and/or short positions (as applicable) of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares*

<u>Name</u>	<u>Nature of interest</u>	<u>Number of Shares (as adjusted after the Share Subdivision)⁽¹⁾</u>	<u>Approximate percentage of interest in our Company immediately after the Share Subdivision and the Global Offering⁽²⁾</u>
Mr. ZOU Qifang	Beneficial owner	4,916,475	0.85%
	Interest in controlled corporations ⁽³⁾	58,591,700	10.07%
	Interest of a party to an agreement ⁽⁴⁾	119,972,600	20.63%
Ms. Qin Jessie XIN	Interest in a controlled corporation ⁽⁵⁾	1,250,000	0.21%

Notes:

- (1) All the Class 1 and Class 2 Ordinary Shares and the Preferred Shares will be converted into Shares on a one to one basis by way of re-designation to Shares on the Listing Date.

- (2) The calculation is based on the total number of 581,591,950 Shares in issue immediately after completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised).
- (3) Each of Rise Day Holdings Limited, Mingda International Limited and Beier Holdings Limited is wholly owned by Mr. ZOU Qifang, among which, Mingda International Limited is in turn wholly owned by Rise Day Holdings Limited. Therefore, Mr. Zou is deemed to be interested in the Shares held by each of them under the SFO.

On June 10, 2021, Mr. Zou transferred 1 share of Rise Day Holdings Limited, being the total share capital of it, to United Culture Assets Limited, which is a BVI company wholly owned by an independent trustee entrusted by Mr. Zou. A family trust was established over United Culture Assets Limited for the benefits of Mr. Zou and his family members accordingly, of which Mr. Zou acts as the protector and settlor.

- (4) The Board has set up a platform in the BVI to hold incentive shares in a total amount of 4,798,904 Ordinary Shares, representing approximately 22.42% of the total issued share capital of the Company immediately before the Global Offering, for the participants under an RSU Scheme adopted by the Company on August 3, 2021. The voting rights of the ESOP BVI is held by Mr. Zou by way of proxy.
- (5) Mismic Limited is a BVI company wholly owned by an independent trustee entrusted by Ms. Qin Jessie XIN for a family trust established for the benefits of Ms. Xin and her family members. Therefore, Ms. Qin Jessie XIN is deemed to be interested in the Shares held by it under the SFO.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Share Subdivision and the Global Offering (assuming the Over-allotment Option is not exercised), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Company, see the section headed “Substantial Shareholders” in this prospectus.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this prospectus:

- (i) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to

Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;

- (ii) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;
- (iii) none of the Directors nor any of the persons listed in “—E. Other Information—4. Consent of experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (iv) none of the Directors nor any of the persons listed in “—E. Other Information—4. Consent of experts” below is materially interested in any contract or arrangement with the Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;
- (v) save in connection with Underwriting Agreements, none of the persons listed in “—E. Other Information—4. Consent of experts” below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (vi) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and
- (vii) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company’s five largest customers and five largest suppliers.

D. OTHER INFORMATION**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, the Directors were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material adverse impact on our business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares to be converted from the Preferred Shares), the Shares to be issued pursuant to the Global Offering (including the additional Shares which may fall to be issued pursuant to any exercise of the Over-allotment Option).

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate fee of US\$1 million for acting as the sponsor for the Listing.

4. Consents of Experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
Morgan Stanley Asia Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

<u>Name</u>	<u>Qualification</u>
UBS Securities Hong Kong Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO
Commerce & Finance Law Offices	Legal advisers as to PRC laws
Harney Westwood & Riegels	Legal advisers as to Cayman Islands laws
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Cap. 588)
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Lincoln Cheung	Barrister-at-law in Hong Kong

As of the Latest Practicable Date, none of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

6. Bilingual document

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. No Material and Adverse Change

Our Directors confirm that, save as disclosed in the prospectus, as far as they are aware, there had been no material adverse change in our financial, trading position or prospects since September 30, 2021, being the date of our combined financial statements as set out in “Appendix I—Accountant’s Report” of this prospectus, up to the date of this prospectus.

8. Preliminary Expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

9. Other Disclaimers

- (i) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (a) save as disclosed in the section headed “History, Reorganization and Corporate Structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (b) save as disclosed in the section headed “Underwriting” in this prospectus, there are no commissions (but not including commission to sub-underwriters) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and
 - (c) save as disclosed in the section headed “Underwriting” in this prospectus, there are no commissions, discounts, brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed “—Other information—Consent of experts” received any such payment or benefit.
- (ii) Save as disclosed in this prospectus:
 - (a) there are no founder, management or deferred shares in our Company or or any member of our Group;
 - (b) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given within the two years immediately preceding the date of this prospectus, or are proposed to be paid, allotted or given to any promoters;

- (c) none of the Directors or the experts named in the part headed “—E. Other information—4. Consent of experts” above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;
- (e) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;
- (f) there are no outstanding debentures of our Company or any member of our Group;
- (g) there are no other stock exchange on which any part of the equity or debt securities of our Company is listed or dealt in or on which listing or permission to deal is being or is proposed to be sought;
- (h) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and
- (i) there are no contracts or arrangements subsisting at the date of this prospectus in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) a copy of each of the **GREEN** Application Form;
- (b) the written consents referred to in “Statutory and General Information—D. Other Information—4. Consents of Experts” in Appendix IV to this prospectus; and
- (c) a copy of each of the material contracts referred to in “Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on display on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.arrailgroup.com during a period of 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of the Company;
- (b) the Accountant’s Report and the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix I and Appendix II to this prospectus, respectively;
- (c) the audited financial statements of our Group for the financial years ended March 31, 2019, 2020, 2021 and six months ended September 30, 2021;
- (d) the legal opinion issued by Commerce & Finance Law Offices, our PRC Legal Advisers in respect of general matters and property interests of our Group in the PRC;
- (e) the letter of advice from Harney Westwood & Riegels, our legal adviser as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law as referred to in “Summary of the Constitution of Our Company and the Company Laws of the Cayman Islands” in Appendix III to this prospectus;
- (f) the legal opinion issued by Lincoln Cheung, barrister-at-law and our legal adviser as to Hong Kong laws in respect of the Offshore Warrant (as defined in its issued legal opinion);
- (g) the industry report prepared by Frost & Sullivan;

- (h) the material contracts referred to in “B. Further Information about Our Business—1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in “D. Other Information—4. Consents of Experts” in Appendix IV to this prospectus;
- (j) the service contracts or letters of appointment referred to in “C. Further information about Our Directors—1. Particulars of Directors’ service contracts and appointment letters” in Appendix IV to this prospectus;
- (k) the Cayman Companies Act; and
- (l) the terms of the RSU Plan.

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