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

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.

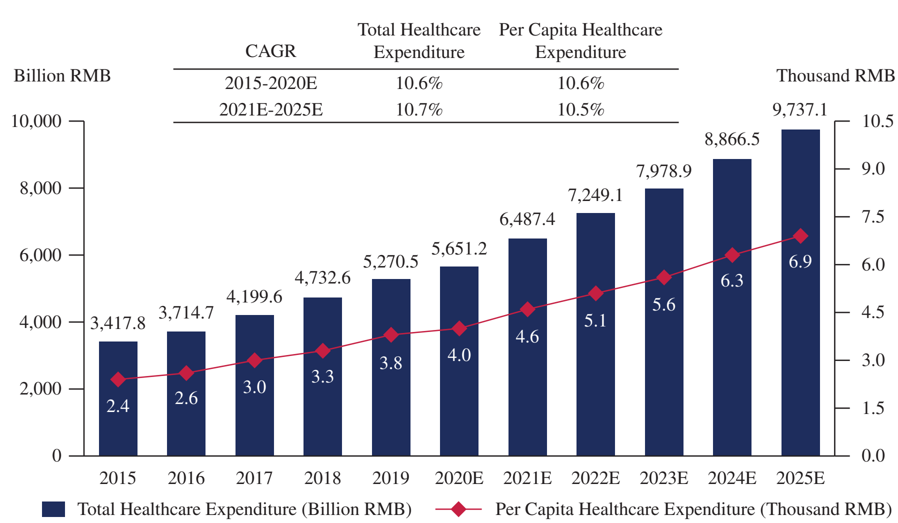
THE HEALTHCARE SERVICES MARKET IN CHINA

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.

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.

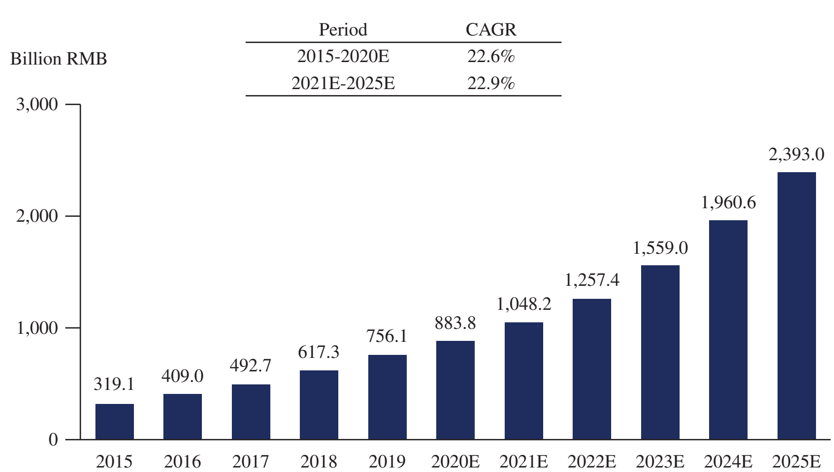
Expanding middle and upper market consumers

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.

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 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.

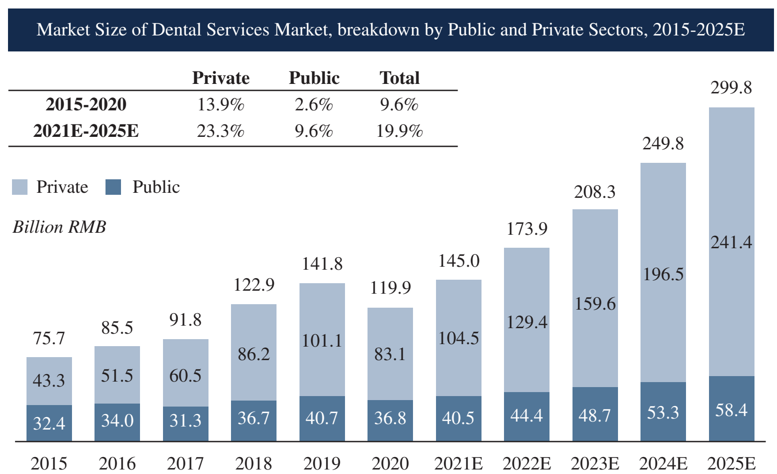
As consumers are increasingly willing to pay a premium for high quality dental services, delivering customized and quality services will enable dental services providers to charge a premium price. According to the Frost & Sullivan Report, chain dental services providers has attracted more investments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

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.

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%. 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

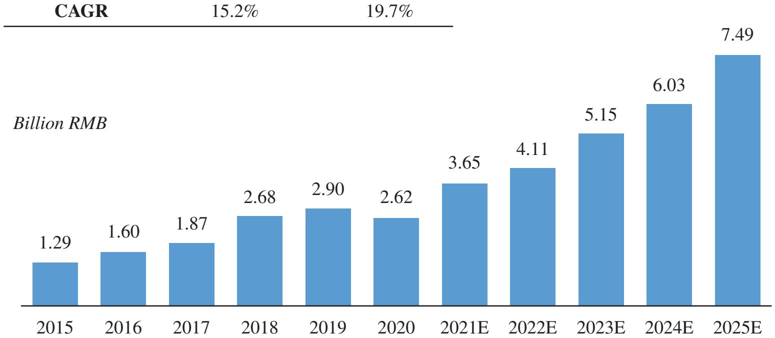
Premium private dental services providers in China generally offer quality dental solutions with premium pricing to target upper market consumers who possess high purchasing power. According to the Frost & Sullivan Report, the premium dental services providers typically charge listed prices at least 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%.

Market Size of Premium Private Dental Services Market in China, 2015-2025E

	2015-2020	2021E-2025E
CAGR	15.2%	19.7%



Source: Frost & Sullivan analysis

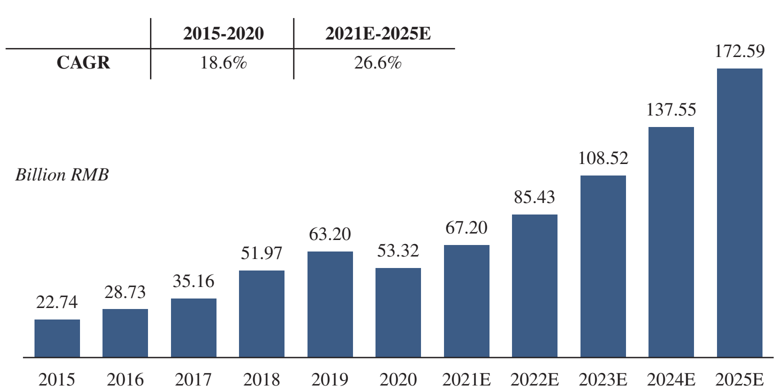
Overview of the Middle-End Private Dental Services Market in China

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%.

Market Size of Middle-End Private Dental Services Market in China, 2015-2025E



Source: Frost & Sullivan analysis

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.

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.

- *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.

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.

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.

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.

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

(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 was founded in 1993 in Beijing. Leveraging its long operating history and patient-centric approach in delivering services, JIAMEI Dental has built and maintained a strong brand and reputation in the industry.

(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".

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.

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.