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 document. 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 document.

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 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.

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 document. Regarding the changes in accounting policies and disclosures, see Note 2 to the Accountant's Report in Appendix I to this document.

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 document.

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.

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.

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."

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%

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.

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.

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.

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 have been closed temporarily since late December 2021. 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."

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 document.

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.

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.

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.

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.

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 document.

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.

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.

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 document.

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 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.

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 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	(304,169)	(28.2%)	(325,825)	(29.6%)	(597,762)	(39.5%)	(187,922)	(26.1%)	(464,187)	(55.2%)
Loss attributable to:										
Owners of the Company	(301,178)	(27.9%)	(316,854)	(28.8%)	(599,420)	(39.5%)	(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%
	(304,169)	(28.2%)	(325,825)	(29.6%)	(597,762)	(39.5%)	(187,922)	(26.1%)	(464,187)	(55.2%)

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 items that our management do not consider to be indicative of our operating performance. 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) [**REDACTED**], (vi) change in fair value due to modification of bond and (vii) fair value difference between termination of the warrants and recognition 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) [**REDACTED**], (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of warrants and recognition of derivative liabilities and (viii) transaction cost on issuance of Series E convertible redeemable preferred shares.

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

	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	–	–	–
[REDACTED](5)	–	–	**[REDACTED]**	–	**[REDACTED]**
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					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	–	–	–
[REDACTED](5)	–	–	**[REDACTED]**	–	**[REDACTED]**

	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	–	–	–	–	1,129
Adjusted net (loss)/profit for the year/period	(110,060)	(179,331)	55,912	34,839	31,188

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-[**REDACTED**] 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 [**REDACTED**]. 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 one-off and non-cash in nature. We do not expect to record any further fair value changes of warrants after the [**REDACTED**], 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 and non-operational in nature, and is not indicative of our core operating results.

(5) [**REDACTED**] relate to this [**REDACTED**] of the Company. This item is adjusted for as it is one-off in nature and 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 one-off and 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 one-off and 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. This item is one-off in nature. 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.

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.

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%

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	18.3%	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	3.5%	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:

	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.

The following table sets forth a breakdown of dental professional service fee included in our consulting fees by professional suppliers 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)				
Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage
Supplier A	3,181	24.1%	Supplier A	6,178	40.9%	Supplier A	7,130	21.6%	Supplier A	1,968	14.4%	Supplier F	7,038	39.8%
Supplier B	1,728	13.1%	Supplier F	2,920	19.3%	Supplier F	5,272	16.0%	Supplier J	1,762	12.9%	Supplier K	1,427	8.1%
Supplier D	300	2.3%	Supplier G	1,312	8.7%	Supplier J	4,266	12.9%	Supplier F	1,200	8.8%	Supplier A	280	1.6%
Supplier E	250	1.9%	Supplier H	736	4.9%	Supplier K	589	1.8%	Supplier H	582	4.3%	Supplier E	137	0.8%
Supplier eee	229	1.7%	Supplier I	635	4.2%	Supplier H	582	1.8%	Supplier D	364	2.6%	Supplier jjj	64	0.4%
Others	7,502	56.9%	Others	3,319	22.0%	Others	15,108	45.9%	Others	7,813	57.0%	Others	8,743	49.3%
Total	13,190	100.0%		15,100	100.0%		32,947	100.0%		13,689	100.0%		17,689	100.0%

(2) The following table sets forth a breakdown of consulting fees included in our cost of revenues by major suppliers 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)				
Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage
Supplier A	3,181	19.3%	Supplier A	6,178	33.6%	Supplier A	7,130	20.4%	Supplier A	1,968	12.6%	Supplier F	7,038	33.2%
Supplier B	1,728	10.5%	Supplier F	2,920	15.9%	Supplier F	5,272	15.0%	Supplier J	1,762	11.2%	Supplier K	1,427	6.7%
Supplier C	320	1.9%	Supplier G	1,312	7.1%	Supplier J	4,266	12.2%	Supplier F	1,200	7.7%	Supplier M	540	2.5%
Supplier D	300	1.8%	Supplier H	736	4.0%	Supplier K	589	1.7%	Supplier H	582	3.7%	Supplier A	280	1.3%
Supplier E	250	1.5%	Supplier I	635	3.5%	Supplier H	582	1.7%	Supplier D	364	2.3%	Supplier E	137	0.7%
Others	10,737	65.0%	Others	6,589	35.9%	Others	17,153	49.0%	Others	9,805	62.5%	Others	11,771	55.6%
Total	16,516	100.0%		18,370	100.0%		34,992	100.0%		15,681	100.0%		21,193	100.0%

(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 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.

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

(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:

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)				
Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage
Supplier N	1,355	27.3%	Supplier N	1,200	34.9%	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 Q	147	12.7%
Supplier O	158	3.2%	Supplier Q	309	9.0%	Supplier Q	296	13.0%	Supplier U	119	11.4%	Supplier N	94	8.1%
Supplier P	100	2.0%	Supplier R	240	7.0%	Supplier U	217	9.5%	Supplier X	65	6.2%	Supplier Z	90	7.7%
Supplier Q	76	1.5%	Supplier S	128	3.7%	Supplier V	104	4.6%	Supplier W	52	5.0%	Supplier aa	77	6.6%
Others	2,725	54.8%	Others	979	28.4%	Others	1,007	44.1%	Others	437	41.7%	Others	460	39.6%
Total	4,971	100.0%		3,443	100.0%		2,282	100.0%		1,047	100.0%		1,162	100.0%

(3) Primarily include travelling expenses and property management expenses.

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%
[REDACTED]	–	–	–	–	[REDACTED]	[REDACTED]	–	[REDACTED]	[REDACTED]	[REDACTED]
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

(2) The following table sets forth a breakdown of consulting fees included in our administrative expenses by major suppliers 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)				
Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage
Supplier bb	2,300	14.2%	Supplier dd	1,248	10.8%	Supplier dd	2,908	16.5%	Supplier ii	2,396	16.6%	Supplier mm	3,039	29.0%
Supplier A	1,071	6.6%	Supplier ee	1,233	10.6%	Supplier ii	2,396	13.6%	Supplier jj	1,829	12.6%	Supplier ggg	856	8.2%
Supplier cc	836	5.2%	Supplier ff	1,049	9.0%	Supplier jj	1,829	10.4%	Supplier kk	1,440	10.0%	Supplier hhh	300	2.9%
Supplier B	576	3.5%	Supplier gg	572	5.0%	Supplier M	1,778	10.1%	Supplier M	1,324	9.2%	Supplier iii	300	2.9%
Supplier H	403	2.5%	Supplier hh	304	2.6%	Supplier kk	1,440	8.2%	Supplier A	1,287	8.9%	Supplier nn	300	2.9%
Others	11,000	68.0%	Others	7,190	62.0%	Others	7,261	41.2%	Others	6,184	42.7%	Others	5,671	54.1%
Total	16,186	100.0%		11,596	100.0%		17,612	100.0%		14,460	100.0%		10,466	100.0%

(3) Primarily include travelling expenses, training expenses, and recruitment expenses.

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:

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)					
Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage	Supplier	Amount	Percentage
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.

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 document.

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.

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.

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 [**REDACTED**] of RMB[**REDACTED**] 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.

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 19.6% 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.

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.

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 67.0% 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.

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.

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 [**REDACTED**] of RMB[**REDACTED**] 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.

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.

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 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 RMB[**REDACTED**] million mainly due to an increase in accrued [**REDACTED**], 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.

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.

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.

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 document.

	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

	As of March 31,			As of September 30,
	2019	2020	2021	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	(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 equity and liabilities	1,875,736	1,902,991	2,350,754	2,868,656

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 September 30,
	2019	2020	2021	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	330,479	312,154	260,842	286,150

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.

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 December 31,
	2019	2020	2021	2021	2021
	(RMB in thousands)				
					(unaudited)
Current assets:					
Inventories	38,455	37,500	39,036	51,850	52,346
Prepayments	78,040	71,440	104,976	125,950	137,065
Trade and other receivables	111,745	105,017	155,935	238,801	164,577
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	95,658
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	1,107,958
Total current assets	586,785	620,118	1,092,961	1,642,523	1,559,604

	As of March 31,			As of September 30,	As of December 31,
	2019	2020	2021	2021	2021
	(RMB in thousands)				
					(unaudited)
Current liabilities:					
Trade and other payables	278,332	266,470	294,668	324,877	328,846
Contract liabilities	163,983	236,263	209,521	193,302	186,906
Current tax liabilities	4,451	5,891	9,565	8,957	8,957
Borrowings	168,636	254,400	194,623	189,507	134,491
Convertible redeemable preferred shares	–	2,463,404	3,178,465	–	–
Bond	–	–	167,345	184,569	180,866
Warrants	–	–	71,126	–	–
Lease liabilities	124,888	143,936	132,140	119,972	130,206
Derivative liabilities	–	–	–	96,359	95,673
Total current liabilities	740,290	3,370,364	4,257,453	1,117,543	1,065,945
Net current assets/(liabilities)	(153,505)	(2,750,246)	(3,164,492)	524,980	493,659

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.

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 document.

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)			
Current				
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.

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.

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 document. 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 Ended September 30,
	2019	2020	2021	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 December 31, 2021, RMB53.2 million, or 68.5% 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.

The following table sets forth our other receivables as of the dates indicated:

	As of March 31,			As of September 30,
	2019	**2020**	**2021**	**2021**
	(RMB in thousands)			
Non-current				
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
Current				
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 [**REDACTED**].

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 December 31, 2021, RMB26,664.0, 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 December 31, 2021, RMB157.5 million, or 55.4% of our other receivables outstanding as of September 30, 2021, was settled.

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 September 30,
	2019	2020	2021	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
	146,625	142,347	173,348	210,005
Total	278,332	226,470	294,668	324,877

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 September 30,
	2019	2020	2021	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
[**REDACTED**] fee payable	–	–	[**REDACTED**]	[**REDACTED**]

	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	1,130
Total	30,915	52,590	31,131	45,972

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 decease 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 [**REDACTED**], but the actual settlement date still depends on the progress of tax declaration and tax filing with the PRC tax authorities.

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 September 30,
	2019	2020	2021	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 Ended September 30,
	2019	2020	2021	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 December 31, 2021, RMB102.7 million, or 89.4% of our trade payables outstanding as of September 30, 2021, was settled.

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 [**REDACTED**] payable of RMB[**REDACTED**] million.

As of December 31, 2021, RMB113.6 million, or 54.1% 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	12,324	77,104	81,004	36,034

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**	**Percentage of the total principal amount purchased during the TRP**
	(RMB'000)	
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.

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	Issuer	Term (days)	Credit rating	Interest rate
	(RMB'000)				
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	Issuer	Term (days)	Credit rating	Interest rate
	(RMB'000)				
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**				

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-[**REDACTED**] 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.

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.

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 document, 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 document.

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 document.

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 September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Non-current				
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

	As of March 31,			As of September 30,
	2019	2020	2021	2021
	(RMB in thousands)			
Current				
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
[**REDACTED**] fees	–	–	[**REDACTED**]	[**REDACTED**]
	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, [**REDACTED**] 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 December 31, 2021. As of December 31, 2021, RMB13.5 million, RMB13.1 million, RMB14.5 million, or 99.2%, 68.3%, 62.0% 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.

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	175,163	249,960	221,399	217,833

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	175,163	249,960	221,399	217,833

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 December 31, 2021:

	As of December 31, 2021
	(RMB in thousands)
Up to 3 months	53,420
3 to 6 months	14,086
6 months to 1 year	4,638
1 to 2 years	8,887
Total	81,031

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 [**REDACTED**], 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 December 31, 2021, we had RMB1.1 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 [**REDACTED**] from the [**REDACTED**], 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 document.

INDEBTEDNESS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

	As of March 31			As of September 30,	As of December 31,
	2019	2020	2021	2021	2021
	(RMB in thousands)				
					(unaudited)
Borrowings	168,636	288,000	218,491	201,557	134,491
Convertible redeemable preferred shares	2,230,268	2,463,404	3,178,465	4,072,152	4,053,368
Bond	–	–	167,345	184,569	180,866
Warrants	–	–	71,126	–	–
Lease liabilities	651,281	653,526	643,147	671,103	688,503
Derivative liabilities	–	–	–	96,359	95,673
Total	3,050,185	3,404,930	4,278,574	5,225,740	5,152,901

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 December 31,
	2019	2020	2021	2021	2021
	(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	87,500
Unsecured bank borrowings	44,000	111,400	143,970	90,394	46,991
Secured other borrowings	–	–	12,853	12,853	–
	168,636	254,400	194,623	189,507	134,491
	168,636	288,000	218,491	201,557	134,491

Note:

(1) For details of our interest-bearing bank borrowings, see Note 27 in Appendix I to this document.

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 Nine Months Ended December 31,
	2019	2020	2021	2021	2021
	(In percentages)				
Bank borrowings (secured)	4.62%	4.60%	4.49%	4.59%	4.49%
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 December 31,
	2019	2020	2021	2021	2021
	(RMB in thousands)				
					(unaudited)
Secured					
Within one year	124,636	143,000	37,800	86,260	87,500
Unsecured					
Within one year	44,000	111,400	143,970	90,394	46,991
Between one and two years	–	28,800	5,302	–	–
Between two and three years	–	4,800	–	–	–
	44,000	145,000	149,272	90,394	46,991
Total	168,636	288,000	187,072	176,654	134,491

As of December 31, 2021, we had obtained bank loan facilities of RMB470.0 million, of which RMB336.6 million, or 71.6%, was unutilized and available.

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 December 31,
	2019	2020	2021	2021	2021
	(RMB in thousands)				
					(unaudited)
Current liabilities	–	2,463,404	3,178,465	–	–
Non-current liabilities	2,230,268	–	–	4,072,152	4,053,368
Total	2,230,268	2,463,404	3,178,465	4,072,152	4,053,368

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
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
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)
As of March 31, 2021	3,178,465

	Convertible redeemable preferred shares
	(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)
As of September 30, 2021	4,072,152
Total change in fair value for the period included in "Fair value changes of convertible redeemable preferred shares"	428,109

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 document.

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. In the event that the Investor demands an early repayment within 15 days from the date of the aforementioned qualified initial public offering, we will settle the amount payable with our own capital resources. For further information regarding our bond, see Notes 29.1 and 39 to the Accountant's Report in Appendix I to this document.

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$88 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 will be settled on or prior to the third business day after the [**REDACTED**] as agreed in the New Warrant Documents. We will settle the amount payable according to the stipulated timeline with our own capital resources.

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 [**REDACTED**] 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 document.

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 RMB688.5 million as of December 31, 2021.

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 RMB95.7 million as of December 31, 2021. For further information regarding our derivative liabilities, see Note 29.3 to the Accountant's Report in Appendix I to this document.

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.

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 [**REDACTED**] from the [**REDACTED**], 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 document. Going forward, we will continue to engage in certain transactions with related parties.

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) [**REDACTED**], (vi) change in fair value due to modification of bond and (vii) fair value difference between termination of the warrants and recognition 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) [**REDACTED**], (vi) change in fair value due to modification of bond, (vii) fair value difference between termination of warrants and recognition of derivative liabilities and (viii) transaction cost on issuance of Series E convertible redeemable preferred shares. 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.

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 [**REDACTED**] 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.

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.

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 [**REDACTED**] 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.

[**REDACTED**]

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 [**REDACTED**] 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 [**REDACTED**] 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 our Company had the [**REDACTED**] 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 [REDACTED] from the [REDACTED](2)	Conversion of convertible redeemable preferred shares into ordinary shares upon [REDACTED](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 [**REDACTED**] of HK$[**REDACTED**] per share	[(3,088,343)]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per share	[(3,088,343)]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

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 document, 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 RMB[2,961,535,000] with adjustments for the intangible assets and goodwill as of September 30, 2021 of RMB[28,341,000] and RMB[98,467,000], respectively.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] new Shares and the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per share, respectively, after deduction of the [**REDACTED**] fees and other related expenses (excluding [**REDACTED**] of approximately RMB[**REDACTED**] 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 [**REDACTED**] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) Upon the [**REDACTED**] and the completion of the [**REDACTED**], 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 RMB[**REDACTED**], 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 [**REDACTED**] 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 [**REDACTED**] 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 [**REDACTED**] 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.

(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 RMB[0.8176]. 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 document, 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 document 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 document, 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.