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Application Proof of

HUGE 沪鸽

Huge Dental Limited

(the “Company”)

(Incorporated under the laws of the Cayman Islands with limited liability)

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HUGE 沪鸽

Huge Dental Limited

(Incorporated under the laws of the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED] Shares (subject to the [REDACTED] [REDACTED])
Number of [REDACTED] [REDACTED] Shares (subject to reallocation)
Number of [REDACTED] [REDACTED] Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED] [REDACTED] HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value : US\$[0.00000025] per Share [REDACTED]

Joint Sponsors, [REDACTED]



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The [REDACTED] (for themselves and on behalf of the [REDACTED]) may, where considered appropriate and with our consent, reduce the number of [REDACTED] and/or the indicative [REDACTED] range that stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] and/or the indicative [REDACTED] range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at <https://www.hugedental.cn/> as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the [REDACTED]. For more details, see the sections headed “Structure of the [REDACTED]” and “How to Apply for [REDACTED]” in this document.

Prior to making an [REDACTED] decision, prospective [REDACTED] should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed “Risk Factors” in this document.

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[REDACTED]

[REDACTED]

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

EXPECTED TIMETABLE⁽¹⁾

[REDACTED]

CONTENTS

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full document. You should read the whole document before you decide to [REDACTED] in the [REDACTED]. Various expressions used in this section are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this document.

There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

OVERVIEW

Our vision is to become a leader in the global dental industry and safeguard dental health. Our mission is to empower oral healthcare with advanced techniques, providing innovative, high-quality and cost-effective solutions for dental professionals worldwide.

We are one of the leading dental material companies among domestic players in China, offering a wide range of dental clinical products, dental laboratory products and dental digital products in various application scenarios across key specialty areas in dentistry. Our comprehensive product portfolio caters to all scenarios in dental medical institutions (including dental hospitals and clinics) and laboratories, effectively addressing the diverse clinical needs of our customers, including restoration, implantation, endodontics, orthodontics and pediatrics. We are the largest manufacturer of dental impression taking materials and among the largest domestic manufacturers of dental clinical materials in China in terms of sales revenue in 2023, holding the most dental clinical materials with the CE Mark or FDA approval among domestic manufacturers, according to Frost & Sullivan.

Our Business Model

We aspire to establish ourselves as a strong contender in the market for dental clinical products and dental laboratory products in China, which has traditionally been dominated by well-known foreign brands. Through our commitment to intensive research and development, we have achieved product standards comparable to those leading international brands. We have also focused on sales, establishing market presence through long-term marketing efforts, strategic partnerships and competitive pricing. As a result, our brand has a strong domestic recognition, with many dental professionals familiar with our cost-effective alternatives to imported products. This has helped us constantly build a solid reputation and earn the trust of our customers. Notably, in several subcategories, including elastomeric impression materials and synthetic resin teeth, we have surpassed these renowned foreign brands, becoming the top-ranked company by sales revenue in 2023, according to Frost & Sullivan.

We have built a robust global sales network to realize the commercial potential of our products. In China, we serve a wide range of dental medical institutions, supported by an extensive network of distributors and dental laboratories. Overseas, our products have been certified in over 60 countries and regions. Our key overseas markets include Europe, the U.S. and Southeast Asia. We are competitive in both the European and the U.S. markets, and we aspire to become a market leader in the Southeast Asian market.

SUMMARY

Our brands, namely *Huge* (滬鴿), *Hujishu* (護脊舒), *Kaijing* (凱晶), *Kaifeng* (凱豐), *Kaili* (凱麗), *Kaibiao* (凱標), *Meijiayin* (美佳印), *Meiyiting* (美益汀), *Meijingci* (美晶瓷), *Huge Meiyue* (滬鴿美悅), *Meitiangu* (美天固) and *VinciSmile* have gained significant visibility through this extensive market development in the dental medical device industry and earned a strong market reputation. Leveraging our advanced research and development capabilities, high production capacity and our highly efficient professional service system, we are committed to developing and manufacturing products that demonstrate internationally recognized performance standards and continuing to explore opportunities in overseas markets.

Our Products

Our products are divided into dental clinical products, dental laboratory products and dental digital products. Our dental clinical products include a wide range of high-quality products designed to address various dental treatment needs. Our dental laboratory products are used in dental laboratories to make dental restorations (such as crowns, bridges, dentures), where they undergo further processing before being utilized by dentists for patient treatment. Our dental digital products primarily include intraoral scanner, 3D printer and 3D printing material, which are under continuous development. The following table illustrates the broad range of dental departments covered by our major products.

	<u>Restorative</u>	<u>Implantology</u>	<u>Orthodontics</u>	<u>Endodontics</u>	<u>Pediatrics</u>
Dental Clinical Products					
Impression Taking Materials:					
Elastomeric impression material . . .	✓	✓	✓	✓	
A-silicone for bite registration . . .	✓	✓	✓	✓	
Glass Ionomer Materials:					
Glass ionomer cement	✓		✓	✓	✓
Resin Adhesive Materials:					
Light cure dental adhesive	✓	✓	✓	✓	✓
Bonding resin cement (dual cure)	✓	✓	✓	✓	✓
Restorative Resin Materials:					
Light cure composite resin	✓	✓	✓	✓	
Flowable resin	✓			✓	✓
Pediatric Dental Prevention:					
Sodium fluoride tooth protector . .					✓
Enamel coating resin for pit and fissure sealing	✓				✓
Orthodontics:					
Invisible orthodontic aligner			✓		✓
Dental Laboratory Products					
Removable Denture Restoration					
Materials:					
Synthetic resin teeth	✓				✓
Temporary crown and bridge resin block	✓	✓			✓
Denture base resin	✓				✓
Fixed Denture Restoration					
Materials:					
Zirconia block	✓	✓			✓
Dental Digital Products					
Intraoral scanner	✓	✓	✓	✓	✓
3D printer and printing materials	✓	✓	✓		

SUMMARY

Globally, our products have been certified in over 60 countries and regions worldwide, including 26 FDA-cleared or approved products, 28 products with the CE Mark and 15 NMPA-approved products, reflecting our strong domestic and international presence and strategically positions us within the competitive dental medical devices market. The following diagram sets forth representative products within our product portfolio.



Among our product offerings, four products, namely elastomeric impression material, synthetic resin teeth, temporary crown and bridge resin block, and invisible orthodontic aligner, contributed to over 5% of revenue in each period during the Track Record Period. Details of these products are listed in the following table. Elastomeric impression material is the largest revenue-contributing product, which accounts for nearly 40% of our total revenue for each period of the Track Record Period. Synthetic resin teeth and temporary crown and bridge resin block together account for over 30% of our total revenue for each period of the Track Record Period.

Our elastomeric impression materials and synthetic resin teeth ranked first in terms of sales revenue in China in 2023, according to Frost & Sullivan. Our elastomeric impression materials also ranked first among domestic brands in global market in terms of sales revenue in 2023, according to the same source.

Product	Representative Image	Description	Major Approved Regions
Elastomeric impression material (彈性體印模材料)		Elastomeric impression materials are used for taking precise impressions for crowns, bridges, inlays, onlays, telescopic crowns, attachments, implants, orthodontics and other precision restorations. Our elastomeric impression materials provide highly accurate impressions, are resistant to deformation, and have a dimensional change rate of less than 1%.	China (Class II medical device), EU, U.S., Japan, Canada, Australia, Brazil, Indonesia

SUMMARY

Product	Representative Image	Description	Major Approved Regions
Removable Denture Restoration: Synthetic resin teeth (合成樹脂牙)		Synthetic resin teeth are used for making complete removable dentures, partial removable dentures and temporary implant teeth. Our products cover the high, medium and low-end resin teeth markets, offering an ideal combination of hardness and toughness, making them resistant to cracking. They bond well with denture base materials, are easy to modify anatomically, and are available in over 150 shape designs. The color options are based on the most popular global palettes, including multi-color, three-layer, four-layer, and five-layer visible resin teeth.	China (Class III medical device), EU, U.S., Japan, Canada, Australia, Brazil, Indonesia
Temporary crown and bridge resin block (臨時冠橋樹脂塊) . . .		Resin blocks are used for fabricating temporary crowns, bridges, night guards, and surgical guides for implants, and are available in a variety of color options. Our products feature natural tooth-like layering, high flexural strength, excellent post-milling polishing performance, good biocompatibility and long wear resistance.	China (Class II medical device), EU, U.S., Japan, Canada, Australia, Brazil
Invisible orthodontic aligner (無托槽隱形正畸矯治器)		Invisible orthodontic aligners are used for correcting non-skeletal dental malocclusions in the permanent dentition stage. Our product integrates computer-aided design, orthodontic techniques, 3D printing technology and advanced intelligent manufacturing processes. Made from medical-grade resin materials, it eliminates the need for traditional fixed braces with wires and brackets, ensuring effective results while offering advantages in comfort, aesthetics and hygiene.	China (Class II medical device), EU, U.S., Canada, Australia, Indonesia

SUMMARY

As we continue to enrich our product portfolio and actively market additional products, we view the following products as representative ones that have the potential to drive our future growth. In addition, we plan to further develop our removable denture and implant restoration products to expand our product portfolio by leveraging digital technologies. For additional information about our products, see “Business — Our Products.”

Product	Representative Image	Description	Major Approved Regions
Glass ionomer cement (玻璃離子水門汀)	 <p data-bbox="571 576 715 640">(Luting cement) (黏結型)</p>  <p data-bbox="571 763 715 825">(Filling cement) (充填型)</p>	Glass ionomer cement is used for filling defects in non-stress-bearing areas of permanent teeth and cavities in primary teeth, as well as for bonding metal or ceramic inlays, crowns, bridges, posts and orthodontic bands. Its fluoride-releasing properties can effectively help prevent caries. Our product is independently developed, with the entire process, from glass material melting and liquid synthesis to the formulation and final product manufacturing, being entirely completed in-house.	China (Class III medical device), EU, U.S., Australia, Indonesia
Light cure dental adhesive (光固化牙體黏接劑)		Our light cure dental adhesive and bonding resin cement (dual cure) are domestically leading products, capable of bonding and cementing restorations made from various materials. They are versatile products suitable for both light-curing and self-curing mechanisms. These products not only match imported counterparts in terms of material strength, film-forming thickness, water absorption and solubility but also offer strong options for color and transparency. They are highly user-friendly, with excellent bonding strength, and show great potential to replace imported products of this type.	China (Class III medical device), EU, U.S., Indonesia
Bonding resin cement (dual cure) (黏固用樹脂水門汀(雙固化)) . . .		Our light cure dental adhesive and bonding resin cement (dual cure) are domestically leading products, capable of bonding and cementing restorations made from various materials. They are versatile products suitable for both light-curing and self-curing mechanisms. These products not only match imported counterparts in terms of material strength, film-forming thickness, water absorption and solubility but also offer strong options for color and transparency. They are highly user-friendly, with excellent bonding strength, and show great potential to replace imported products of this type.	China (Class III medical device), EU, U.S., Indonesia

SUMMARY

The following table sets forth a breakdown of our revenue by product category and highlights the revenue contribution of our top revenue-contributing products (products contributing over 5% of revenue during each period of the Track Record Period).

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023		2024			
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Dental Clinical Products								
Impression Taking Materials⁽¹⁾	113,244	40.5%	148,485	41.4%	108,922	40.9%	136,478	44.9%
<i>Including:</i>								
<i>Elastomeric impression</i>								
<i>material</i>	101,999	36.4%	130,774	36.6%	97,945	36.6%	112,352	37.0%
Glass Ionomer Materials⁽²⁾	8,446	3.0%	12,613	3.5%	9,165	3.4%	10,741	3.5%
Resin Adhesive Materials⁽³⁾	2,324	0.8%	4,507	1.3%	3,044	1.1%	3,986	1.3%
Orthodontics⁽⁴⁾	24,562	8.8%	27,746	7.8%	21,493	8.0%	20,848	6.9%
<i>Including:</i>								
<i>Invisible orthodontic aligner</i>								
<i>(for full-cycle treatment)</i>	23,912	8.5%	26,165	7.3%	20,155	7.5%	18,620	6.1%
Other Dental Clinical Products⁽⁵⁾								
	354	0.1%	1,291	0.4%	1,040	0.4%	784	0.3%
Dental Laboratory Products								
Removable Denture								
Restoration Materials	114,074	40.7%	140,225	39.2%	106,763	39.9%	112,643	37.1%
<i>Including:</i>								
<i>Synthetic resin teeth</i>	67,273	24.0%	83,848	23.4%	63,460	23.7%	63,813	21.0%
<i>Temporary crown and bridge resin block</i>	24,061	8.6%	29,193	8.2%	23,125	8.7%	28,515	9.4%
Fixed Denture Restoration Materials								
	8,556	3.1%	12,327	3.5%	9,250	3.5%	10,336	3.4%
Dental Digital Products⁽⁶⁾	398	0.1%	2,760	0.8%	1,913	0.7%	2,485	0.8%
Others⁽⁷⁾	8,114	2.9%	7,659	2.1%	5,657	2.1%	5,443	1.8%
Total	280,072	100.0%	357,613	100.0%	267,247	100.0%	303,744	100.0%

Notes:

- (1) Impression taking materials include our elastomeric impression material and other materials specialized for dental impression taking.
- (2) Glass ionomer materials include our glass ionomer cement and resin-modified glass ionomer cement.
- (3) Resin adhesive materials include our light cure dental adhesive and bonding resin cement (dual cure), as well as certain pretreatment materials for adhesion.
- (4) Orthodontics includes invisible orthodontics aligners offered as comprehensive full-cycle treatment packages (with aligner treatment solutions) or as individual units available for purchase in smaller quantities.
- (5) Other dental clinical products include our restorative resin materials and materials for pediatric dental prevention.
- (6) Revenue from dental digital products during the Track Record Period was primarily generated through the sales of supplier-provided intraoral scanners branded under our name.
- (7) Include other miscellaneous income.

SUMMARY

Our Achievements and Path Forward

As of the Latest Practicable Date, we held 33 domestic registration certificates for Class II and Class III medical devices, representing the largest number among domestic dental material companies in China, according to Frost & Sullivan. We view the broad range of regulatory certifications as not only exemplifying the breadth of our offerings but also underscoring the quality and reliability of our product portfolio.

We experienced robust growth during the Track Record Period. Our revenue increased by 27.7% from RMB280.1 million in 2022 to RMB357.6 million in 2023, and increased by 13.7% from RMB267.2 million for the nine months ended September 30, 2023 to RMB303.7 million for the same period of 2024. Our net profit increased by 38.0% from RMB64.0 million in 2022 to RMB88.4 million in 2023, and increased by 6.6% from RMB72.9 million for the nine months ended September 30, 2023 to RMB77.7 million for the same period of 2024.

Going forward, we look to capitalize on the opportunities and solidify our market position in the dental medical device industry. We plan to upgrade and expand production at our Rizhao manufacturing facility with advanced automation to improve efficiency, quality and capacity. In parallel, we will establish a manufacturing facility in Indonesia, which will serve as a strategic base for our global expansion. We believe this dual-factory strategy in China and Indonesia will ultimately strengthen the stability of both our domestic and overseas supply chains. To support long-term growth, we also intend to invest in the research and development efforts that focus on advancing digital technologies. Building on this foundation, we aim to further expand our global logistics and sales network, establish warehousing centers and enhance domestic sales through team expansion and targeted marketing.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our continuous growth and differentiated us from our competitors: (i) a dental material company in China with the most Class II and Class III registrations among domestic companies, offering a wide range of products, and known for quality and strong global presence; (ii) three key product categories covering five application scenarios across key specialty areas in dentistry to capture the high-potential dental medical devices market to ensure sustainable growth; (iii) well-positioned to embrace digital transformation in the dental medical device industry through in-house research and development capabilities; (iv) a mature sales network with comprehensive pre-sales and after-sales support on a global scale; (v) modern automation and standardized production systems, governed by stringent quality management protocols, enabling us to achieve significant scale efficiencies; and (vi) our founder and experienced senior management team with deep involvement in the dental medical market and global business insight.

SUMMARY

OUR GROWTH STRATEGIES

We intend to pursue the following key strategies to grow our business: (i) driven by product development, embrace digital transformation, and provide customers with better and cost-effective products; (ii) be responsive to customer demands, focus on product expansion to cover various application scenarios across all specialty areas in dentistry, and enhance product competitiveness; (iii) continuously expand global footprint to enhance international presence; (iv) invest in automation and the manufacturing plant in Indonesia to enhance production, reduce costs, and strengthen our supply chains; and (v) anchor a talent strategy in product development and innovation while integrating international perspectives.

RESEARCH AND DEVELOPMENT

We place significant emphasis on product research and development, actively pursuing technological breakthroughs for our existing products while also exploring new product opportunities. In our industry, the advantages of products stem from the leading edge provided by technological differences. We possess such edge in many of our products and our advanced technology positions us as a leader in China and holds potential for import substitution. Furthermore, as technologies advance and patient needs evolve, new generations of products and materials continue to emerge. Our investment in research and development ensures that we remain at the forefront of the industry. We have obtained national high-tech enterprise certification and received national and provincial R&D awards.

As digital technology plays a crucial role in the entire field of dental materials, significantly enhancing the efficiency of design, production and application, we have been focusing on the research and development of digital technology applications in removable denture restoration, fixed denture restoration, implant restoration, and invisible orthodontic aligners. See “Business — Our Products — Our Next-generation Digital Technology Supported Products” for details. We are also exploring 3D printing technologies and materials designed to replace traditional resin teeth, and we intend to explore AI-driven solutions in various scenarios, such as for implant restoration planning and to achieve fully automated, unmanned design of dentures, crowns, and other prosthetics.

Our R&D team is led by Ms. ZHANG Yongjing, who has nearly 20 years of experience in healthcare management. As of September 30, 2024, our R&D team had 93 employees, among which over 30% hold master’s or Ph.D. degree, and is primarily based in Rizhao, Suzhou and Shanghai, organized into seven teams based on product types. During the Track Record Period, we incurred research and development expenses of RMB19.5 million, RMB23.8 million and RMB21.1 million in 2022, 2023 and for the nine months ended September 30, 2024, respectively, representing 7.0%, 6.7% and 6.9% of our revenue in the same periods, respectively.

SUMMARY

SALES AND MARKETING

We are rooted in the domestic market while expanding into international markets. After years of dedicated effort, we have achieved coverage of dental medical institutions in all prefecture-level cities in the domestic market, and our overseas sales network extends across six continents during the Track Record Period.

Our customers include distributors and direct sales end-customers. Our end-customers are generally dental medical institutions and laboratories. During the Track Record Period, we served over 10,000 direct sales customers, which include nearly 8,000 dental medical institutions and over 2,000 laboratories. We also engage a range of distributors to increase our sales and market share. We believe the distributor model helps us optimize production scheduling, lower our delivery costs and mitigate our financial risks, as our end-customers are fragmented and often small. Under our distributor model, we typically set a fixed wholesale price in the distributorship agreements at a discount compared to the direct selling price based on various factors, including the distributors’ distribution territory, channel resources, business volume and bargaining power. During the Track Record Period, we engaged 1,456, 1,571 and 1,569 distributors in 2022, 2023 and the nine months ended September 30, 2024. For additional information about our distributorship model, see “Business — Sales and Marketing — Distributor Sales.”

The following table sets forth a breakdown of our sales revenue by sales channel and customer type during the Track Record Period.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Distributor sales								
– China	128,702	45.9%	167,025	46.7%	125,583	47.0%	144,788	47.7%
– Overseas	84,572	30.2%	107,350	30.0%	80,138	30.0%	93,011	30.6%
Direct sales								
– China	64,337	23.0%	79,280	22.2%	58,568	21.9%	62,672	20.6%
– Overseas	433	0.2%	1,915	0.5%	1,409	0.5%	2,456	0.8%
Others	<u>2,028</u>	<u>0.7%</u>	<u>2,043</u>	<u>0.6%</u>	<u>1,549</u>	<u>0.6%</u>	<u>817</u>	<u>0.3%</u>
Total	<u>280,072</u>	<u>100.0%</u>	<u>357,613</u>	<u>100.0%</u>	<u>267,247</u>	<u>100.0%</u>	<u>303,744</u>	<u>100.0%</u>

SUMMARY

Sales and Marketing Team

Our domestic sales and marketing team is led by Mr. LIU Qin, our executive Director and the general manager of our Company, who has nearly 30 years of experience in sales and marketing. As of September 30, 2024, our domestic sales and marketing team consisted of 170 employees. Our domestic sales and marketing team is responsible for all aspects of work, including product sales, sales management, product marketing, product advertising, logistics and customer services, among others.

Our overseas sales and marketing team is led by Mr. BEN Jianwei, who has over 20 years of experience in overseas sales and marketing. As of September 30, 2024, our overseas sales and marketing teams consisted of 48 employees.

Pricing Strategy

We adhere to a pricing strategy, offering competitive pricing for products that match the quality and performance of leading foreign brands to meet the demand for cost-effective solutions. Meanwhile, by continuously investing in technological innovation and quality enhancement, we have achieved a significant differentiation in product quality and technological advancement compared to domestic competitors, thereby solidifying our market position in the domestic market and beyond. The following table sets forth the average selling price of our key products during the Track Record Period.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Elastomeric impression materials	174/kg	171/kg	173/kg
Synthetic resin teeth	0.9/tooth	0.9/tooth	0.9/tooth
Temporary crown and bridge resin block	584/kg	555/kg	528/kg
Invisible orthodontic aligner . .	3,564/case	3,250/case	3,212/case

During the Track Record Period, elastomeric impression materials and synthetic resin teeth, our two largest revenue-contributing products, maintained a stable average selling price. Meanwhile, for invisible orthodontic aligners and temporary crown and bridge resin blocks, which contributed to our revenue to a significantly less extent, we offered competitive pricing that was enabled by our improved cost efficiency and aligned with market conditions.

SUMMARY

MANUFACTURING

We currently manufacture at our Rizhao manufacturing facility in Shandong Province, China. Our manufacturing facility occupies 33,332 square meters of land with a total floor area of 27,391 square meters. Our manufacturing team is led by Ms. ZHANG Yongjing, who has nearly 20 years of experience in healthcare management. As of September 30, 2024, our manufacturing team consisted of 402 employees, including 11 management personnel. Our manufacturing management team possesses extensive experience in the manufacturing sector, with nine members having over a decade of relevant expertise. For the nine months ended September 30, 2024, our overall utilization rate of production lines reached nearly 90%. For additional information about our utilization rate and manufacturing facilities, see “Business — Manufacturing.”

Going forward, we plan to upgrade our production lines with more advanced automation, which we expect to expand our production capacity at the Rizhao manufacturing facility, including installing production lines of dental clinical products, dental laboratory products (zirconia and 3D printing resin) and dental digital product (intraoral scanner), over the next five years. We also plan to establish a factory in Indonesia. As of the Latest Practicable Date, we had leased a facility with pilot production expected to take place in the second half of 2025 following the installation and calibration of equipment. In addition, we plan to purchase land in Indonesia to construct a manufacturing facility with larger scale. For additional information about our future facility upgrade and establishment plans, see “Future Plans and Use of [REDACTED].”

CUSTOMERS

Our customers primarily include our distributors and to a lesser extent, dental medical institutions and laboratories. Revenue generated from our top five customers accounted for 16.4%, 16.6% and 21.2% of our total revenue in 2022, 2023 and the nine months ended September 30, 2024, respectively, and revenue generated from our largest customer accounted for 4.0%, 4.4% and 5.6% of our total revenue in the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers. For details, please see “Business — Customers.”

SUPPLIERS AND PROCUREMENT

Our suppliers primarily include suppliers of raw materials for our products. Purchase from our top five suppliers accounted for 21.9%, 26.2% and 25.4% of our total purchases of such products and services in 2022, 2023 and the nine months ended September 30, 2024, respectively, and purchase from our largest supplier accounted for 6.2%, 6.7% and 8.4% of our total purchases in the same periods, respectively. As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers.

SUMMARY

The raw materials we procure primarily consist of PMMA, MMA, silica powder, silicone oil, gutta-percha sheets and light-curable resin liquid. We select our suppliers based on the quality and prices of their supplies. We have established a rigorous supplier evaluation system, selecting multiple qualified suppliers for key raw materials to serve as long-term vendors. For details, please see “Business — Suppliers and Procurement.” During the Track Record Period, we did not experience any price fluctuations of our primary raw materials that had a material impact on our business operations or financial position.

COMPETITION

The competitive landscape of the dental medical devices market in China is marked by intense competition, featuring a large number of both domestic and international companies vying for market share. Key players include well-known global brands as well as emerging local enterprises. As technical innovation and product quality are critical factors driving competitiveness, companies must continuously enhance their research and development capabilities while strengthening their brand influence to face the competitive environment. Additionally, as consumer awareness of oral health increases, there is a growing demand for high-performance and personalized products, which further propels competition and development within the industry. The global dental medical devices market has similar features. See “Industry Overview” for details.

INTELLECTUAL PROPERTY

Intellectual property rights are essential to our operations, and we invest considerable time and resources into their development and safeguarding. We utilize a mix of contractual agreements, confidentiality protocols and intellectual property registrations to establish and protect our proprietary technologies. As of the Latest Practicable Date, we had registered 137 trademarks, 64 patents, and 18 software copyrights in China. As of the same date, we also had registered 26 trademarks overseas.

SUMMARY OF KEY FINANCIAL INFORMATION

The summary of the key financial information set forth below have been derived from and should be read in conjunction with our combined financial statements, including the accompanying notes, set forth in the Accountants’ Report in Appendix I to this document, as well as the information set forth in the section headed “Financial Information.”

SUMMARY

Summary of Combined Statements of Profit or Loss

The following table sets forth the summary of our combined statements of profit or loss for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023		2024			
	<i>RMB'000 (except for percentages)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>			
Revenue	280,072	100.0%	357,613	100.0%	267,247	100.0%	303,744	100.0%
Cost of sales	(126,336)	(45.1)%	(153,917)	(43.0)%	(114,310)	(42.8)%	(123,851)	(40.8)%
Gross profit	153,736	54.9%	203,696	57.0%	152,937	57.2%	179,893	59.2%
Other income and gains	10,898	3.9%	22,309	6.2%	15,031	5.6%	16,495	5.4%
Selling and distribution expenses	(50,130)	(17.9)%	(67,786)	(19.0)%	(49,957)	(18.7)%	(51,708)	(17.0)%
Administrative expenses	(27,922)	(10.0)%	(29,904)	(8.4)%	(20,216)	(7.6)%	(25,694)	(8.5)%
Research and development expenses	(19,547)	(7.0)%	(23,823)	(6.7)%	(15,676)	(5.9)%	(21,100)	(6.9)%
Impairment losses on financial assets, net	(163)	(0.1)%	(411)	(0.1)%	(683)	(0.3)%	(448)	(0.1)%
Other expenses	(416)	(0.1)%	(406)	(0.1)%	(81)	(0.0)%	(2,521)	(0.8)%
Finance costs	(517)	(0.2)%	(1,468)	(0.4)%	(1,254)	(0.5)%	(1,448)	(0.5)%
Exchange gains/(losses)	10,859	3.9%	3,598	1.0%	6,754	2.5%	(1,637)	(0.5)%
PROFIT BEFORE TAX	76,798	27.4%	105,805	29.6%	86,855	32.5%	91,832	30.2%
Income tax expense	(12,765)	(4.6)%	(17,451)	(4.9)%	(13,945)	(5.2)%	(14,124)	(4.6)%
PROFIT FOR THE YEAR/PERIOD	64,033	22.9%	88,354	24.7%	72,910	27.3%	77,708	25.6%

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profits (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS. Non-IFRS adjusted net profit for the year/period was calculated by taking profit for the year/period and adding back (i) the [REDACTED] expenses in relation to the [REDACTED]; and (ii) share-based payment expenses paid to our employees. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to [REDACTED] and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) 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 them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. The following table sets forth a reconciliation of our adjusted net profits (non-IFRS measure) to the nearest measure prepared in accordance with IFRS for the years/periods indicated.

SUMMARY

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i> <i>(Unaudited)</i>			
Profit for the year/period	64,033	88,354	72,910	77,708
<i>Add:</i>				
[REDACTED] expenses in connection with [REDACTED]	—	—	—	390
Share-based payment expenses	<u>2,237</u>	<u>1,610</u>	<u>1,432</u>	<u>2,432</u>
Non-IFRS adjusted net profit	<u>66,270</u>	<u>89,964</u>	<u>74,342</u>	<u>80,530</u>

Revenue

During the Track Record Period, we primarily generated revenue from sales of dental material products, including dental clinical products, dental laboratory products and dental digital products. To a lesser extent, we also generated revenue from other miscellaneous sources, mainly including sales of certain dental products procured from others and certain dental accessory supplies, freight income from CNF transactions, and rental income from certain of our properties. For a breakdown of our revenue by types of products, see “— Overview — Our Products.”

Our footprint extends beyond the China market. Our sales network extends across six continents during the Track Record Period. Among them, our primary markets are China, Europe, U.S. and Southeast Asia. The following table sets forth a breakdown of our revenue by geographic market for the Track Record Period.

	For the year ended December 31,				For the nine months ended September 30,			
	2022	2023		2023		2024		
	<i>RMB'000 (except for percentages)</i> <i>(Unaudited)</i>							
China	195,068	69.6%	248,347	69.4%	185,699	69.5%	208,278	68.6%
Europe	30,252	10.8%	36,683	10.3%	27,494	10.3%	37,495	12.3%
North America	31,034	11.1%	36,514	10.2%	27,543	10.3%	29,420	9.7%
Other Asian countries/regions ⁽¹⁾ . .	13,514	4.8%	19,645	5.5%	14,216	5.3%	18,860	6.2%
Southeast Asia	7,259	2.6%	8,763	2.5%	6,692	2.5%	7,848	2.6%
Other countries/regions	2,945	1.1%	7,661	2.1%	5,603	2.1%	1,843	0.6%
Total	<u>280,072</u>	<u>100.0%</u>	<u>357,613</u>	<u>100.0%</u>	<u>267,247</u>	<u>100.0%</u>	<u>303,744</u>	<u>100.0%</u>

Note:

(1) Other Asia countries/regions include Asian countries or regions other than China and Southeast Asia such as Japan and Korea.

SUMMARY

Our revenue increased by 27.7% from RMB280.1 million for the year ended December 31, 2022 to RMB357.6 million for the year ended December 31, 2023, primarily reflecting the increased sales of dental clinical products and dental laboratory products. Our revenue generated from sales of dental clinical products increased by 30.7% from RMB148.9 million for the year ended December 31, 2022 to RMB194.6 million for the year ended December 31, 2023, primarily attributable to an increase of RMB35.2 million in sales of impression taking materials because of the increase of demand for our products brought by the recovered sales in China, as well as driven by our marketing efforts. Our revenue generated from sales of dental laboratory products increased by 24.4% from RMB122.6 million for the year ended December 31, 2022 to RMB152.6 million for the year ended December 31, 2023, primarily as a result of the expansion into international markets and the recovered sales in China.

Our revenue increased by 13.7% from RMB267.2 million for the nine months ended September 30, 2023 to RMB303.7 million for the nine months ended September 30, 2024, primarily attributable to the increase in sales volume of our dental clinical products in the nine months ended September 30, 2024. Our revenue generated from sales of dental clinical products increased by 20.3% from RMB143.7 million for the nine months ended September 30, 2023 to RMB172.8 million for the nine months ended September 30, 2024, primarily driven by an increase of RMB27.6 million in sales of impression taking materials, which was attributable to the increased sales volume in China. The increased volume was driven by our successful distribution network expansion and growing customer base, underpinned by our competitive product quality.

For details, see “Financial Information — Results of Operations — Revenue.”

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000 (except for percentages)</i>							
	<i>(Unaudited)</i>				<i>(Unaudited)</i>			
Dental clinical products	74,788	50.2%	104,088	53.5%	76,055	52.9%	100,115	57.9%
Dental laboratory products	77,239	63.0%	96,894	63.5%	74,889	64.6%	78,442	63.8%
Dental digital products	112	28.1%	1,020	37.0%	585	30.6%	664	26.7%
Others	1,597	19.7%	1,694	22.1%	1,408	24.9%	672	12.3%
Total	153,736	54.9%	203,696	57.0%	152,937	57.2%	179,893	59.2%

SUMMARY

Our gross profit increased by 32.5% from RMB153.7 million in 2022 to RMB203.7 million in 2023, primarily reflecting an increase of RMB29.3 million in gross profit from sales of dental clinical products and an increase of RMB19.7 million in gross profit from sales of dental laboratory products. The gross profit margin of sales of dental clinical products increased from 50.2% for the year ended December 31, 2022 to 53.5% for the year ended December 31, 2023, primarily driven by the decrease of unit costs for our impression taking materials, achieved through our efforts to collaborate with suppliers who can provide better cost effectiveness. The gross profit margin for sales of dental laboratory products remained relatively stable at 63.0% for the year ended December 31, 2022 and 63.5% for the year ended December 31, 2023, respectively.

Our gross profit increased by 17.6% from RMB152.9 million for the nine months ended September 30, 2023 to RMB179.9 million for the nine months ended September 30, 2024, primarily reflecting an increase of RMB24.1 million in gross profit from sales of dental clinical products. The gross profit margin for sales of dental clinical products increased from 52.9% for the nine months ended September 30, 2023 to 57.9% for the nine months ended September 30, 2024, primarily driven by the decrease of unit costs for producing our impression taking materials as a result of our continuous efforts to optimize the cost efficiency through engaging with suppliers who can provide more competitive price.

For details, see “Financial Information — Results of Operations — Gross Profit and Gross Profit Margin.”

Profit for the Year/Period

Our net profit increased by 38.0% from RMB64.0 million for the year ended December 31, 2022 to RMB88.4 million for the year ended December 31, 2023. Our net profit increased by 6.6% from RMB72.9 million for the nine months ended September 30, 2023 to RMB77.7 million for the nine months ended September 30, 2024. For details, see “Financial Information — Results of Operations.”

SUMMARY

Summary of Combined Statements of Financial Position

The following table sets forth a summary of our combined statements of financial position as of the dates indicated:

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Total non-current assets	164,570	204,048	251,617
Total current assets	288,741	357,897	398,635
Total current liabilities	110,252	157,897	179,147
Total non-current liabilities	8,439	18,023	32,493
Net current assets	178,489	200,000	219,488
Total assets less current liabilities	343,059	404,048	471,105
Net assets	334,620	386,025	438,612

Our net current assets increased from RMB178.5 million as of December 31, 2022 to RMB200.0 million as of December 31, 2023, primarily attributable to an increase of RMB69.2 million in our current assets, mainly reflecting (i) an increase of RMB35.0 million in cash and cash equivalents attributable to our cash flows generated from operating activities, which was in line with our business growth in 2023; and (ii) an increase of RMB28.6 million in current time deposits. The increase in our current assets was partially offset by an increase of RMB47.6 million in our current liabilities, mainly attributable to an increase of RMB34.0 million in interest-bearing bank and other borrowings to secure the raw materials we needed for our expanded operations.

Our net current assets increased from RMB200.0 million as of December 31, 2023 to RMB219.5 million as of September 30, 2024, primarily attributable to an increase of RMB40.7 million in our current assets, mainly reflecting (i) an increase of RMB24.5 million in cash and cash equivalents attributable to our cash flows generated from operating activities, which was in line with our business growth in the nine months ended September 30, 2024; (ii) an increase of RMB21.0 million in pledged deposits used as collateral for RMB-denominated bank borrowings; (iii) an increase of RMB8.7 million in inventories, because we prepared more inventories in response to the growing demand for our products; and (iv) an increase of RMB6.8 million in trade receivables primarily because we offered longer credit terms to certain creditworthy customers to foster long-term partnerships, which was partially offset by a decrease of RMB27.3 million in current time deposits mainly because we reallocated funds from short-term to long-term deposits to maximize interest income. The increase in our current assets was partially offset by an increase of RMB21.3 million in our current liabilities, mainly attributable to an increase of RMB34.9 million in interest-bearing bank borrowings to support our daily operations.

SUMMARY

Summary of Combined Statements of Cash Flows

The following table sets forth the components of our combined statements of cash flows for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating cash flows before movements in working capital	79,274	107,199	82,883	98,713
Changes in working capital . .	<u>11,137</u>	<u>5,782</u>	<u>125</u>	<u>(38,566)</u>
Cash generated from operations	<u>90,411</u>	<u>112,981</u>	<u>83,008</u>	<u>60,147</u>
Interest received	537	837	586	3,624
Tax paid	<u>(9,294)</u>	<u>(19,024)</u>	<u>(14,631)</u>	<u>(14,180)</u>
Net cash flows from operating activities	81,654	94,794	68,963	49,591
Net cash flows used in investing activities	(139,387)	(66,143)	(69,361)	(21,298)
Net cash flows (used in)/from financing activities	<u>(7,682)</u>	<u>4,803</u>	<u>319</u>	<u>(3,071)</u>
Net (decrease)/increase in cash and cash equivalents .	(65,415)	33,454	(79)	25,222
Cash and cash equivalents at beginning of the year/period	113,605	56,109	56,109	91,116
Effect of foreign exchange changes, net	<u>7,919</u>	<u>1,553</u>	<u>2,429</u>	<u>(767)</u>
Cash and cash equivalents at the end of the year/period .	<u><u>56,109</u></u>	<u><u>91,116</u></u>	<u><u>58,459</u></u>	<u><u>115,571</u></u>

For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows.”

SUMMARY

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates indicated:

	As of/for the year ended		As of/for the
	December 31,		nine months
	2022	2023	ended September 30, 2024
Gross profit margin (%) ⁽¹⁾	54.9%	57.0%	59.2%
Net profit margin (%) ⁽²⁾	22.9%	24.7%	25.6%
Current ratio ⁽³⁾	2.62	2.27	2.23
Quick ratio ⁽⁴⁾	2.25	1.98	1.92

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the year/period and multiplied by 100%.
- (2) Net profit margin equals profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (3) Current ratio is calculated as total current assets divided by total current liabilities at the end of the year/period.
- (4) Quick ratio is calculated as current assets less inventories divided by current liabilities at the end of the year/period.

SUMMARY OF MATERIAL RISK FACTORS

Our business faces risks including those set out in the section headed “Risk Factors.” Some of the major risks that we face include: (i) we face intense competition in the dental medical devices industry. Our inability to compete effectively could materially and adversely affect our prospects, business, financial condition and results of operations; (ii) our historical business growth, revenue and profitability may not predict future performance, and our success largely depends on our ability to execute our business strategy; (iii) demand for dental medical devices may not grow as rapidly as we anticipate due to various factors, including market conditions, which would materially and adversely affect our business, results of operations and financial condition; (iv) if we fail to implement our expansion plan as planned, our business and prospects could be materially and adversely affected; (v) we have limited control over the operations and actions of our distributors, and our efforts to manage them may not be effective. Our distributors may take actions that could have a material adverse effect on our business, prospects and reputation; (vi) if we are unable to obtain and maintain adequate patent and other intellectual property protection, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop products similar or identical to ours and compete directly against us; (vii) failure to effectively expand our sales and marketing capabilities could harm our ability to increase the sales of our products and achieve broader market acceptance; and (viii) we are exposed to potential product liability claims.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Song, through Huge Vanguard and Huge Star, will control the voting rights attaching to [REDACTED]% of the total issues Shares of our Company. Therefore, Mr. Song, Huge Vanguard and Huge Star will continue to be a group of Controlling Shareholders upon the [REDACTED].

For further details, see “Relationship with our Controlling Shareholders.”

OUR PRE-[REDACTED] INVESTORS

Pre-[REDACTED] Investments in our Group were undertaken by Hubei Tongying, Guangzhou Haihui, Primelight Yuanjing, Nanjing Tunzhi and Rizhao Gaoxin, who are our Pre-[REDACTED] Investors. For details of the Pre-[REDACTED] Investors and the principal terms of the Pre-[REDACTED] Investments, see “History, Reorganization and Corporate Structure — Pre-[REDACTED] Investments.”

DIVIDENDS

During the Track Record Period, dividends of RMB79,998,000 were declared and paid by Shandong Huge to its then shareholders.

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Any future declarations and payments of dividends will be at the discretion of our Directors, subject to certain restrictions under Cayman Islands law, and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. As advised by our legal advisor as to Cayman Islands law, notwithstanding that the Company may have accumulated losses, the Company may declare dividend (a) out of profits of the Company if the Company has sufficient profits, realized or unrealized, unless such is contrary to the accounting principles adopted by the Company or (b) out of the share premium of the Company if following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of the Company and may make provision for losses. [REDACTED] should not purchase our Shares with the expectation of receiving cash dividends.

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. The PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund

SUMMARY

until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises’ registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

[REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
[REDACTED] of our Shares ⁽¹⁾	HK\$[REDACTED] million	HK\$[REDACTED] million
Unaudited [REDACTED] adjusted combined net tangible assets per [REDACTED]⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised);
- (2) The unaudited [REDACTED] adjusted combined net tangible assets per [REDACTED] has been arrived at after adjustments referred to “Appendix II — Unaudited [REDACTED] Financial Information” and on the basis that [REDACTED] Shares were in issue at the respective [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED], assuming that the issuance of 4,459,347 Shares on December 27, 2024, the Share Subdivision, and the [REDACTED] were completed on September 30, 2024, without taking into account the exercise of the [REDACTED].

For further details, please refer to “Appendix II — Unaudited [REDACTED] Financial Information — A. Unaudited [REDACTED] Statement of Adjusted Combined Net Tangible Assets” to this document.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share and that the [REDACTED] is not exercised, being the mid-point of the indicative [REDACTED] range stated in this document. We currently intend to apply these net [REDACTED] for the following purposes: (i) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the upgrading and expansion of production lines in the Rizhao manufacturing facility; (ii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the establishment of the Indonesia manufacturing facility; (iii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the upgrading of dental products and technologies, as well as the enhancement of overall R&D capabilities; (iv) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the development of global logistic network, global sales network and global operations center; (v) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for recruiting additional sales personnel; (vi) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for enhancing our level of digitalization; and (vii) approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes. For further details, see “Future Plans and Use of [REDACTED].”

SUMMARY

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share), representing approximately [REDACTED]% of the estimated net [REDACTED] from the [REDACTED] assuming no Shares are issued pursuant to the [REDACTED]. The [REDACTED] expenses consist of (i) [REDACTED]-related expenses, including [REDACTED] commission, of approximately HK\$[REDACTED] million, and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED] million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK\$[REDACTED] million, and (b) other fees and expenses of approximately HK\$[REDACTED] million. During the Track Record Period, the [REDACTED] expenses charged to our consolidated statements of profit or loss were RMB390.1 thousand (HK\$423.6 thousand), and the [REDACTED] which were recognized as prepayments, other receivables and other assets and are expected to be deducted from equity upon the [REDACTED] were RMB[REDACTED] thousand (HK\$[REDACTED] thousand). After the Track Record Period, approximately HK\$[REDACTED] million is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] million is expected to be accounted for as a deduction from equity upon the [REDACTED]. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Development

On January 6, 2025, our subsidiary, Huge Holding, declared a dividend in the amount of RMB160,800,000 to its shareholder Huge Dental Hong Kong Limited, a wholly-owned subsidiary of our Company. Withholding tax of RMB16,080,000 with tax rate of 10% was paid as such dividend was from the earnings generated from our subsidiaries established in China in respect of retained earnings. On January 16, 2025, our Company declared and paid in full a dividend in the amount of RMB144,720,000 to our then shareholders, subsequently.

On December 27, 2024, 4,459,347 Shares were allotted and issued by our Company. All the issued Shares of 40,200,000 had been paid up as of the date of this document.

No Material Adverse Change

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our business, financial condition and results of operations since September 30, 2024, which is the end date of the years/period reported on in the Accountants' Report in Appendix I to this document, and there is no event since September 30, 2024 which would materially affect the information as set out in the Accountants' Report in Appendix I to this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms and expressions shall have the meanings set out below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this document.

“Accountants’ Report”	the accountants’ report of our Company, the text of which is set out in Appendix I to this document
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted by a special resolution passed on [●], 2025 with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law” to this document
“Audit Committee”	the audit committee of our Board
“Beijing Yinzhuoyue”	Beijing Yinzhuoyue Biotechnology Co., Ltd. (北京因卓越生物科技有限公司), a limited liability company established under the laws of the PRC on November 23, 2012, and a wholly owned subsidiary of our Company
“Board”, “Board of Directors” or “our Board”	the board of Directors of our Company
“business day” or “Business Day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands

[REDACTED]

DEFINITIONS

“Cayman Companies Act” or “Companies Act” the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time

[REDACTED]

“China” or “the PRC” the People’s Republic of China excluding, unless the context requires otherwise, excluding, for the purposes of this document only, the regions of Hong Kong, Macau and Taiwan of the People’s Republic of China

“Companies (Winding Up and Miscellaneous Provisions) Ordinance” the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Companies Ordinance” the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

“Company,” “our Company,” or “the Company” Huge Dental Limited, an exempted company incorporated under the laws of the Cayman Islands with limited liability on August 7, 2024

“Compliance Advisor” Zhongtai International Capital Limited

“Controlling Shareholder(s)” has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Song, Huge Vanguard and Huge Star, details of which are set out in the section headed “Relationship with Our Controlling Shareholders” of this document

“CSRC” China Securities Regulatory Commission (中國證券監督管理委員會)

“Director(s)” the director(s) of our Company

“DNR” the self-proclaimed Donetsk People’s Republic in Ukraine

“EAR” the U.S. Export Administration Regulations, 15 C.F.R. Parts 730-774

DEFINITIONS

“EIT”	the enterprise income tax
“EIT Law”	PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
“ESG”	environmental, social and governance
“EU”	the European Union
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
“F&S Report”	the report prepared by Frost & Sullivan
“FDA”	the United States Food and Drug Administration

[REDACTED]

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, and an Independent Third Party
“Future HFYJW”	HDMC Future HFYJW Ltd., a company incorporated under the laws of the BVI with limited liability on August 8, 2024, and one of the Offshore Shareholding Entities
“Future LJQYHD”	HDMC Future LJQYHD Ltd., a company incorporated under the laws of the BVI with limited liability on August 13, 2024, and one of the Offshore Shareholding Entities
“Future YPXNS”	HDMC Future YPXNS Ltd., a company incorporated under the laws of the BVI with limited liability on July 22, 2024, and one of the Offshore Shareholding Entities

[REDACTED]

DEFINITIONS

[REDACTED]

“GMP Rules for Medical Devices”	The Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》) are a set of regulations that stipulates the quality management requirements for the production of medical devices. They were promulgated on December 29, 2014 and came into effect on March 1, 2015
“Group,” “our Group,” “the Group,” “we,” “us,” “our”, or “Huge Dental”	our Company and its subsidiaries from time to time, and where the context requires, the businesses operated by our Company and/or its subsidiaries and their predecessors (if any)
“Guide for New Listing Applicants” or “Guide”	the Guide for New Listing Applicants issued by the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Hengxin Investment”	Rizhao Hengxin Equity Investment Center (Limited Partnership) (日照市恒鑫股權投資中心(有限合夥)), a limited partnership organized under the laws of the PRC on October 16, 2019, and one of the Pre-reorganization Shareholding Entities
“HK” or “Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

[REDACTED]

DEFINITIONS

[REDACTED]

“Hong Kong dollars” or “HK dollars” or “HK\$” Hong Kong dollars, the lawful currency of Hong Kong

[REDACTED]

“Huge Dental BVI” Huge Dental International Limited, a company incorporated under the laws of the BVI with limited liability on August 20, 2024, and a wholly owned subsidiary of our Company

DEFINITIONS

“Huge Dental HK”	Huge Dental Hong Kong Limited, a company incorporated under the laws of Hong Kong with limited liability on September 5, 2024, and a wholly owned subsidiary of our Company
“Huge Holding”	Shandong Huge Investment Holding Co. Ltd. (山東滬鵠投資控股有限公司), a limited liability company established under the laws of the PRC on September 30, 2024, and a wholly owned subsidiary of our Company
“Huge Indonesia”	PT Huge Dental Indonesia, a company incorporated in Indonesia with limited liability on April 25, 2024, and a wholly owned subsidiary of our Company
“Huge Star”	Huge Star Intl Ltd., a company incorporated under the laws of the BVI with limited liability on July 23, 2024, a wholly-owned subsidiary of Huge Vanguard and one of our Controlling Shareholders
“Huge Vanguard”	Huge Vanguard Intl Ltd., a company incorporated under the laws of the BVI with limited liability on July 17, 2024, which is wholly owned by Mr. Song and is one of our Controlling Shareholders
“Independent Third Party(ies)”	entity(ies) or person(s) who, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are not our connected persons

[REDACTED]

DEFINITIONS

“International Sanctions” or “International Sanctions Law” all applicable laws and regulations, as amended and supplemented from time to time, related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S., the EU and its member states, the UK or the UN

“International Sanctions Legal Advisers” Ashurst Horitsu Jimusho Gaikokuho Kyodo Jigyo, our legal advisers as to International Sanctions Laws in connection with the [REDACTED]

[REDACTED]

“IDR” Indonesian rupiah, the lawful currency of the Republic of Indonesia

[REDACTED]

“Joint Sponsors” and [REDACTED] China International Capital Corporation Hong Kong Securities Limited and DBS Asia Capital Limited

“Latest Practicable Date” [February 14], 2025, being the latest practicable date for ascertaining certain information in this document before its publication

DEFINITIONS

[REDACTED]

“Listing Committee” the listing committee of the Stock Exchange

[REDACTED]

“Listing Rules” the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

“LNR” the self-proclaimed Luhansk People’s Republic in Ukraine

“Main Board” the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange

“Memorandum” or
“Memorandum of Association” the memorandum of association of our Company conditionally adopted by a special resolution passed on [●] with effect from the [REDACTED], and as amended from time to time, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law” to this document

“Memorandum and Articles of Association” the Memorandum of Association and the Articles of Association

“MHRA” the medicines and healthcare products regulatory agency of the UK

“MOFCOM” Ministry of Commerce of the PRC (中華人民共和國商務部)

“Mr. Song” Mr. SONG Xin (宋欣), our founder, the chairman of our Board, an executive Director, our chief executive officer and one of our Controlling Shareholders

“NDRC” National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)

DEFINITIONS

“NEEQ”	the National Equities Exchange and Quotation (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares for public company
“Ningbo Huizhi”	Ningbo Meishan Free Trade Port Zone Huizhi Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區惠智企業管理合夥企業(有限合夥)), a limited partnership organized under the laws of the PRC on December 28, 2018, and one of the Pre-reorganization Shareholding Entities
“NMPA”	National Medical Products Administration of the PRC (國家藥品監督管理局), successor to China Food and Drug Administration or CFDA (國家食品藥品監督管理總局)
“Nomination Committee”	the nomination committee of our Board
“ODI Rules”	the Administrative Measures for Overseas Investment (境外投資管理辦法) and other relevant rules
“OFAC”	the United States Treasury Department’s Office of Foreign Assets Control, the principal U.S. regulator implementing and enforcing U.S. international sanctions programmes and policies

[REDACTED]

“Offshore Shareholding Entity(ies)”	Future LJQYHD, Future HFYJW and Future YPXNS
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DEFINITIONS

[REDACTED]

“PRC Legal Advisors”	Commerce & Finance Law Offices, PRC legal advisors to our Company
“Pre-reorganization Shareholding Entity(ies)”	Shanghai Huizhi, Rizhao Jianzhi, Rizhao Lanxin, Shuohe Investment, Ningbo Huizhi, Hengxin Investment and Shanghai Ubi, being the shareholding company(ies) or partnership(s) established during the course of our development and before the Reorganization, the interests of which were subscribed for by our Group’s directors, senior management and employees and/or other individual shareholders

[REDACTED]

“Primary Sanctioned Activity”	has the meaning ascribed to it under Chapter 4.4 of the Guide
“document”	this document being issued in connection with the [REDACTED]
“Qingdao Dental”	Qingdao Da Vinci Dental Medical Co., Ltd. (青島達芬奇口腔醫療有限公司), a limited liability company established under the laws of the PRC on January 28, 2019, and a subsidiary of our Company
“Qingdao Technology”	Qingdao Da Vinci Technology Co., Ltd. (青島達芬奇科技有限公司), a limited liability company established under the laws of the PRC on July 21, 2015, and a subsidiary of our Company

DEFINITIONS

“Qingdao Huge”	Qingdao Huge Dental Medical Technology Co., Ltd. (青島滬鵠口腔醫療科技有限公司), a limited liability company established under the laws of the PRC on June 5, 2019, and a wholly owned subsidiary of our Company
“R&D”	research and development
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdiction(s)”	has the meaning ascribed to it under Chapter 4.4 of the Guide, and means any jurisdiction that is relevant to the listing applicant and has sanctions related laws or regulations restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assets of certain countries, governments, persons or entities targeted by such law or regulation. For the purposes of this document, Relevant Jurisdictions include the U.S., the EU, the UN, the UK and Australia
“Relevant Sanctions Authorities”	the relevant governmental authorities in the Relevant Jurisdictions that administer their respective sanctions related laws or regulations, such as OFAC
“Remuneration Committee”	the remuneration committee of our Board
“Reorganization”	the corporate reorganization of our Group in preparation for the [REDACTED], particulars of which are set out in the section headed “History, Reorganization and Corporate Structure” of this document
“Rizhao Huge”	Rizhao HuGe Biomaterials Company, Ltd. (日照滬鵠生物材料有限公司), a limited liability company established under the laws of the PRC on April 22, 2016, and a wholly owned subsidiary of our Company
“Rizhao Jianzhi”	Rizhao Jianzhi Economic & Trade Co., Ltd. (日照健智經貿有限公司), a limited liability company established under the laws of the PRC on November 24, 2005, and one of the Pre-reorganization Shareholding Entities

DEFINITIONS

“Rizhao Lanxin”	Rizhao Lanxin Enterprise Management Co., Ltd. (日照蘭信企業管理有限公司), a limited liability company established under the laws of the PRC on December 28, 2018, and one of the Pre-reorganization Shareholding Entities
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Sanctioned Country”	has the meaning ascribed to it under Chapter 4.4 of the Guide
“Sanctioned Target”	has the meaning ascribed to it under Chapter 4.4 of the Guide
“Sanctioned Trader”	has the meaning ascribed to under Chapter 4.4 of the Guide
“SDN”	specially designated nationals and blocked persons
“SDN List”	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shandong Huge”	Shandong Huge Dental Medical Group Co., Ltd. (山東滬鵠口腔醫療集團有限公司) (previously known as Shandong Huge Dental Materials Co., Ltd. (山東滬鵠口腔材料股份有限公司) and Rizhao Huge Dental Industry Co., Ltd. (日照滬鵠齒科工業有限公司)), a limited liability company established under the laws of the PRC on November 24, 2006, and a wholly owned subsidiary of our Company

DEFINITIONS

“Shanghai Huge Medical Devices”	Shanghai Huge Medical Devices Co., Ltd. (上海滬鵠醫療器械有限公司), a limited liability company established under the laws of the PRC on August 28, 2013, and a wholly owned subsidiary of our Company
“Shanghai Huge Technology”	Shanghai Huge Technology Co., Ltd. (上海滬鵠科技有限公司), a limited liability company established under the laws of the PRC on June 10, 2021, and a wholly owned subsidiary of our Company
“Shanghai Huizhi”	Shanghai Huizhi Industrial Co., Ltd. (上海惠致實業有限公司), a limited liability company established under the laws of the PRC on March 31, 2005, and one of the Pre-reorganization Shareholding Entities
“Shanghai Ubi”	Shanghai Ubi Industrial Co., Ltd. (上海優比實業有限公司), a limited liability company established under the laws of the PRC on September 30, 2010, and one of the Pre-reorganization Shareholding Entities
“Shanghai Xinkangze”	Shanghai Xinkangze Industrial Co., Ltd. (上海欣康澤實業有限公司), a limited liability company established under the laws of the PRC on September 11, 2012, and a wholly owned subsidiary of our Company
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.000001 each prior to the Share Subdivision and US\$0.00000025 each upon completion of the Share Subdivision
“Share Subdivision”	the subdivision of each of the authorized issued and unissued ordinary shares in the share capital of our Company with a par value of US\$0.000001 each into four Shares with a par value of US\$0.00000025 each. For details, see “Appendix IV — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Shareholders of Our Company Passed on [●]” to this document
“Shareholder(s)”	holder(s) of our Share(s)

DEFINITIONS

“Shuohe Investment”	Rizhao Shihe Equity Investment Center (Limited Partnership) (日照市碩和股權投資中心(有限合夥)), a limited partnership organized under the laws of the PRC on July 25, 2019, and one of the Pre-reorganization Shareholding Entities
“STA”	State Taxation Administration (國家稅務總局)
	[REDACTED]
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Suzhou Huge”	Suzhou Huge Digital Technology Co., Ltd. (蘇州滬鵠數字科技有限公司), a limited liability company established under the laws of the PRC on May 27, 2024, a subsidiary of our Company
“Takeovers Code”	Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the two years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024
“Treasury Share(s)”	the Shares repurchased and held by our Company in treasury, if any
“UK”	the United Kingdom
“UN”	the United Nations
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars,” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

[REDACTED]

“VAT” value-added tax

“%” per cent

For the purpose of this document, references to “provinces” of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

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

GLOSSARY OF TECHNICAL TERMS

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Company and our business shall have the meanings set out below. The terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“A-silicone for bite registration”	material primarily used to record the occlusal relationship of teeth to ensure precise fitting of restorations, which is typically used in dental restorations, orthodontic treatments and before and after implant surgeries
“bonding resin cement”	a type of adhesive dental cement used to bond restorations, which can provide strong adhesion, enhance esthetics, and improve retention by forming a micromechanical and chemical bond with both the tooth and the restoration
“CAD/CAM (Computer-Aided Design/Computer-Aided Manufacturing)”	technology that uses computer software and hardware to create and modify designs (CAD) and control machines and manufacturing processes (CAM). They are used to design and manufacture dental restorations such as crowns, bridges and orthodontic appliances with high precision and efficiency
“CBCT”	Cone Beam Computed Tomography, a specialized type of X-ray imaging that produces detailed 3D images of dental structures, soft tissues, and bone. It provides more information than conventional dental or facial X-rays and is used when traditional X-rays are not sufficient
“CNC”	using computer-controlled tools to create precise and intricate dental restorations
“CNF”	Cost and Freight, a type of international trade term where the seller pays to ship goods to a port but the buyer covers insurance and other costs after loading
“dental clinical materials”	mainly divided into categories including impression taking materials, restorative and filling materials such as resin bonding materials, glass ionomer materials and restorative resin materials, as well as pediatric dental prevention, orthodontics, dental implants and tissue reconstruction materials, and root canal treatment materials

GLOSSARY OF TECHNICAL TERMS

“dental laboratories”	institutions that fabricate prostheses and appliances based on dentist prescriptions
“dental laboratory materials”	raw materials for restorations and dentures, mainly used for removable denture restoration and fixed denture restoration which need to be further processed in dental laboratories before they can be used for patients
“dental medical devices”	materials and equipment used by dentists during treatment
“denture base resin”	polymeric material used to form the foundation of a denture, providing support for artificial teeth and maintaining contact with oral tissues, commonly made from polymethyl methacrylate for its durability, esthetics and biocompatibility
“dental digital product”	technology-based dental device or system used for diagnosis, treatment, or restoration, including digital impression systems, CAD/CAM restorations, 3D-printed dental medical devices and AI-driven diagnostic tools
“dental digital solution”	integrated digital technologies used to enhance dental practice efficiency and accuracy, including digital imaging, CAD/CAM systems, 3D printing, and software for treatment planning, diagnosis and patient management
“elastomeric impression materials”	flexible materials used to create accurate molds of oral structures, able to return to their original shape after removal. Common types include alginate, silicone, and polyether, providing detailed impressions for crowns, bridges and dentures
“enamel coating resin for pit and fissure sealing”	material used to seal the chewing surfaces of teeth to prevent decay by covering pits and fissures, which is commonly used in pediatric dentistry to protect children’s teeth from cavities
“flowable resin”	a low-viscosity composite material used in dentistry for restorative procedures, easily flowing into small cavities or fine details, providing good adaptation to tooth surfaces and creating durable, esthetic fillings

GLOSSARY OF TECHNICAL TERMS

“glass ionomer cement”	a type of dental cement that releases fluoride and bonds chemically to both enamel and dentin, commonly used for fillings, luting agents, and as a base under restorations due to its adhesive properties and biocompatibility
“GMP”	Good Manufacturing Practice, which are guidelines that ensure products are consistently produced and controlled according to quality standards
“implants”	titanium or ceramic devices surgically placed into the jawbone to replace missing teeth, serving as a stable foundation for attaching crowns, bridges, or dentures, and providing a long-term solution for tooth loss
“intraoral scanner”	device used to capture high-precision digital models of the patient’s mouth quickly and painlessly, allowing dentists to make accurate diagnoses and treatment plans, which is widely used in dental clinics, particularly in procedures such as restorations, orthodontics and implants, enhancing patient comfort and treatment efficiency
“invisible orthodontic aligner”	a type of clear, removable aligner used to straighten teeth, offering a discreet alternative to traditional metal braces, which can gradually shift teeth into proper alignment without the visibility of conventional braces
“IPN”	a type of polymer structure used in dental materials
“light cure composite resin”	material used to provide direct restorations, such as fillings and aesthetic repairs, offering excellent aesthetics and durability, which is used in restorative dentistry to restore decayed or damaged teeth
“light cure dental adhesive”	a type of dental bonding agent that hardens and forms a strong bond when exposed to a light source, typically ultraviolet or blue light, which is used to adhere restorative materials like composites or crowns to tooth structures
“MMA”	Methyl Methacrylate, a key monomer used in the production of resin teeth and dental resin blocks, forming the basis for high-performance polymer materials

GLOSSARY OF TECHNICAL TERMS

“orthodontics”	a dental specialty focused on diagnosing, preventing, and treating dental and facial irregularities, primarily through the use of braces, aligners, and other appliances to straighten teeth, correct bite issues, and improve overall oral health and aesthetics
“PMMA”	Poly Methyl Methacrylate, polymerized from MMA, widely used in the manufacturing of resin teeth and dental resin blocks, offering excellent transparency and biocompatibility
“restorations”	dental procedures or materials used to repair or replace damaged or decayed teeth, including fillings, crowns, bridges and veneers, designed to restore the tooth’s function, structure and appearance
“silicone rubber duplication materials”	specialized elastomeric compounds used create accurate and detailed impressions for crowns, bridges, dentures, and other dental restorations
“sodium fluoride tooth protector”	product used to enhance the mineralization of teeth and provide protection against cavities, which is typically applied in preventive dental care and is often used during routine dental check-ups
“synthetic resin teeth”	a type of artificial teeth made from a durable, acrylic-based material, commonly used in dentures, which mimics the appearance and function of natural teeth, offering good wear resistance, aesthetic qualities and ease of adjustment
“temporary crown and bridge resin block” or “resin block”	a type of dental material used to create short-term restorations, such as crowns or bridges, during the period between preparation and final restoration placement, designed for ease of application, durability, and comfort for the patient while maintaining functionality and aesthetics
“Zirconia block”	material used for creating durable and aesthetically pleasing dental restorations, such as crowns and bridges, which are often employed in restorative dentistry, particularly for patients seeking high-strength solutions with a natural look

FORWARD-LOOKING STATEMENTS

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

- our mission, aspirations, goals and strategies;
- our future business development, financial conditions and results of operations;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our expectations regarding demand for and market acceptance of our products and services;
- our expectations regarding our relationships with customers, business partners, suppliers and other partners;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industries and markets in which we operate or into which we intend to expand;
- our proposed use of [REDACTED];

FORWARD-LOOKING STATEMENTS

- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations relating to industries which we operate in;
- certain statements in this document with respect to trends in prices, operations, margins, overall market trends and risk management;
- change of volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other statements in this document that are not historical facts.

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

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

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An [REDACTED] in our [REDACTED] involves various risks. You should carefully consider all the information in this document and in particular the risks and uncertainties described below before making an [REDACTED] in our [REDACTED].

The occurrence of any of the following events could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occurs, the [REDACTED] of our [REDACTED] could decline and you may lose all or part of your [REDACTED]. You should seek professional advice from your relevant advisers regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We face intense competition in the dental medical devices industry. Our inability to compete effectively could materially and adversely affect our prospects, business, financial condition and results of operations.

We operate in a concentrated and competitive market where demand for our products can be impacted by several factors, including effectiveness, safety, ease of use, reliability, aesthetics and pricing compared to competing products. We may be unable to provide products that are more desirable than those of our competitors, and our ability to market our products effectively or respond adequately to competitive pressures may be limited. Additionally, our competitors may offer discounts on their products, which we may not be able to match profitably. Furthermore, they may develop technologies and products that are more effective than those we currently offer, potentially rendering our products obsolete or uncompetitive. The timing of new products launch by our competitors could also affect our market acceptance and share of our products.

While our past business growth, revenue and profitability have largely depended on our success in penetrating the domestic market, we aim to establish a strong presence and boost sales globally. Consequently, we may encounter intense and uncertain competition and may not localize and compete effectively in the overseas markets, which may materially and adversely affect our prospects, business, results of operations and financial condition.

If we fail to effectively compete against existing products or respond to products from new or existing competitors, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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Our historical business growth, revenue and profitability may not predict future performance, and our success largely depends on our ability to execute our business strategy.

We experienced significant growth during the Track Record Period. Our revenue increased by 27.7% from RMB280.1 million in 2022 to RMB357.6 million in 2023, and by 13.7% from RMB267.2 million for the nine months ended September 30, 2023 to RMB303.7 million for the same period in 2024. Our net profit increased by 38.0% from RMB64.0 million in 2022 to RMB88.4 million in 2023, and by 6.6% from RMB72.9 million for the nine months ended September 30, 2023 to RMB77.7 million for the same period in 2024. Going forward, we may face slower-than-expected growth rates, business stagnation, or even a decline in revenue. If we fail to increase our revenue at the anticipated rate or if the increases in our costs and expenses outpace the growth in our revenue, we may fail to achieve or maintain profitability.

Our ability to achieve profitability and positive cash flow will largely depend on our successful execution of our business strategies, which depends on several factors, including our ability to:

- innovate and develop new technologies and products;
- develop functionalities and features that meet market demand and preferences;
- enhance our production capacity and efficiency;
- maintain adequate control over our costs and expenses;
- increase market acceptance of our products; and
- improve our brand recognition and reputation among dental professionals and their prospective patients.

We may also encounter unforeseen costs and expenses, difficulties, complications, delays and other unknown events. Additionally, our ability to execute our business strategy is subject to various factors beyond our control, such as changes in the macroeconomic and regulatory landscape, as well as competitive dynamics. We cannot guarantee that we will be able to respond to these changes in a timely and effective matter, failure of which will adversely affect our business, results of operations and financial condition.

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Demand for dental medical devices may not grow as rapidly as we anticipate due to various factors, including market conditions, which would materially and adversely affect our business, results of operations and financial condition.

The global dental medical devices market has experienced rapid growth, with the market size grew at a CAGR of 4.0% from US\$37.8 billion in 2019 to US\$44.3 billion in 2023. However, the future demand for dental medical devices may be difficult to anticipate as it depends on several variables largely beyond our control, including market recognition, competing technologies and the industry's growth. Moreover, if any manufacturers in the industry face product liability disputes, it may negatively affect other players in the industry if, for example, such disputes negatively affect dental professionals' or patients' perception on similar products, potentially resulting in a decrease in our results of operations. If the demand for dental medical devices fails to increase as rapidly as we anticipate, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to attract, engage and retain dental professionals utilizing our products, our business, results of operations and financial condition may be materially and adversely affected.

We provide our products to dental professionals, including dentists and dental laboratories. Our business has depended on, and will continue to significantly depend on, dental professionals and their demand for our products. Several factors could negatively affect the attraction, engagement and retention of dental professionals and their acceptance of our products, including:

- we may be unable to identify or meet evolving demands of dental professionals;
- we may not be able to timely develop and provide new products in accordance with dental professionals' requests;
- we may fail to update existing technologies or develop new technologies in time to stay ahead or abreast of market advances;
- our competitors may develop or launch products similar to or better than ours, which may result in our loss of existing dental professionals or decline in the number of new dental professionals; and
- patients may not accept our products or may find the products of our competitors or other dental treatment alternatives more desirable, which in turn affects our relationship with dental professionals.

If dental professionals no longer view our products as useful and attractive as compared to competing offerings or are not receptive to our products, our business, results of operations and financial condition may be materially and adversely affected.

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If we fail to implement our expansion plan as planned, our business and prospects could be materially and adversely affected.

We intend to further upgrade and expand our operations. For instance, we plan to upgrade and expand our production lines in our Rizhao manufacturing facility, and establish a manufacturing facility in Indonesia. Our anticipated costs will primarily cover construction and upgrading, as well as the purchase of automated production machinery and other equipment. See “Business — Manufacturing — Upgrade Plan” and “Future Plans and Use of [REDACTED]” for details.

However, we cannot assure you that our expansion plan will be successfully implemented without delay. The successful execution of our expansion plan is subject to several risks, including our ability to obtain the requisite permits, licenses and approvals for the construction and operation of the new manufacturing facilities. We also face risks related to potential construction delays and the timely recruitment of qualified staff for our new facilities, as well as for our expanded sales team and research and development team.

Any failure or delay in implementing our expansion plan may result in insufficient production capacity to support our growth and market expansion, which could materially and adversely affect our business, financial condition and results of operations. Additionally, our expansion plan requires significant capital investment, and actual costs may exceed our initial estimates, which could affect our liquidity if we are unable to generate sufficient cash flow from operations or financing activities.

To enhance our sales and research and development capabilities, we rely on the recruitment of qualified staff at appropriate compensation levels, failure of which may delay our expansion plan or further increase our staff costs. Moreover, expanding our production capacity typically leads to higher depreciation expenses in future periods. If we fail to fully utilize the additional production capacity due to adverse changes in market conditions, technologies, relevant policies during project implementation, or estimation deviations, and do not generate sufficient profit to offset the increased depreciation expenses, our profitability may suffer from the expansion, and our business, financial condition and results of operations could be materially and adversely affected.

Our robust technologies, underpinned by strong research and development capacities, are among our core competencies. Any failure to retain research and development talent or improve our research and development capabilities would materially and adversely affect our business, results of operations and financial condition.

Our future success relies on our ability to respond promptly and effectively to advances in the industry. We intend to continue to invest significant resources to bolster our technical capabilities and step up our research and development efforts. However, we cannot guarantee that we will be successful in developing or adapting to new technologies.

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Our highly skilled research and development staff is one of our core competencies, and we rely heavily on them for the success of our business operations. As of September 30, 2024, we had 93 research and development staff dedicated to maintaining and improving our existing products and technologies, as well as innovating new ones. We have offered competitive compensation and career opportunities to retain our talent. However, the high demand for experienced specialists indicates our competitors may solicit key members of our team, leading to a turnover, despite the non-compete agreements we have with our talents. Finding equivalent and suitable replacements for our research and development staff can be challenging and may take an exceptionally long time. During this process, our research and development capacity could be materially and adversely impaired, which would result in a severe loss to our business.

Moreover, maintaining and improving the competitive edge of our technology platforms are also subject to external factors, including new industry standards and practices, regulatory changes, as well as emerging technologies. We cannot assure you that we will stay ahead of our competitors who may adopt and develop technologies similar or superior to ours. We may also fail to maintain our competitive edge in the overseas markets, which may incur additional costs and expenses for our research and development efforts abroad. If we are unable to adapt and retain our technical competitive edge in a cost-effective and timely manner, our results of operations and overall business prospects may be materially and adversely affected.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled their payments through third-party payors. In 2022, 2023 and the nine months ended September 30, 2024, the aggregate amount of third-party payments accounted for approximately 6.0%, 5.7% and 5.0% of the total payments we received from all customers, respectively.

To mitigate these risks, we have implemented internal control measures to reduce the proportion of payments received from third-party payors. See “Business — Sales and Marketing — Third-party Payment Arrangements” for details. However, we remain vulnerable to risks relating to these arrangements, including possible claims from third-party payors for refunds, as they may not be contractually obligated to us, as well as claims from their liquidators. In the event of any claims or legal proceedings (whether civil or criminal) arising from third-party payors or their liquidators against us in respect of third-party payments, we may incur significant financial and managerial costs to defend ourselves, which could materially and adversely affect our financial condition and results of operations.

We have limited control over the operations and actions of our distributors, and our efforts to manage them may not be effective. Our distributors may take actions that could have a material adverse effect on our business, prospects and reputation.

During the Track Record Period, we engaged distributors to boost sales and market share by leveraging their channel resources, thereby reducing our marketing costs. In 2022, 2023 and for the nine months ended September 30, 2024, we generated 76.1%, 76.7% and 78.3% of our total revenue from sales to distributors, respectively. We enter into distribution agreements

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with our distributors, relying on these distribution agreements to govern our relationships, including their compliance with applicable laws, rules, regulations and our policies. Therefore, our ability to manage the activities of our distributors may be limited. Our distributors may engage in actions that could have a material adverse effect on our business, prospects and reputation:

- breaching our agreements, including by selling our products to dental medical institutions outside designated territories;
- failing to adequately promote our products;
- failing to maintain the requisite licenses or comply with applicable regulatory requirements when selling our products; or
- violating laws and regulations of China or other countries where we operate.

Any violation or alleged violation by our distributors of these distribution agreements or any applicable laws and regulations could damage our reputation, decrease the market value of our brand, and lead to a negative public perception about the quality of our products, which could result in a material adverse effect on our business, financial condition, results of operations and prospects.

We may be involved in legal proceedings and disputes to protect or enforce our intellectual property rights or defend against infringement and other claims alleged by third parties, which could be expensive, time-consuming and unsuccessful.

Despite measures we take to obtain and maintain patents and other intellectual property rights with respect to our products, our intellectual property rights could be challenged or invalidated. In addition, competitors or other third parties may challenge, infringe or misappropriate our patents and other intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. In any infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question.

Even if we successfully establish infringement, the court may decide not to impose an injunction against further infringing activity and instead award only monetary damages, which may not be an adequate remedy. Enforcing our intellectual property rights against third parties may also cause such third parties to file other counterclaims against us, which could be costly to defend and could require us to pay substantial damages. In addition, if the scope or strength of protection provided by our patents and other intellectual property rights is threatened, it could dissuade companies from collaborating with us or from developing our current or future products. Any loss of intellectual property protection could have a material adverse impact on one or more of our products and our business.

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On the other hand, we cannot guarantee that our products do not and will not in the future infringe, misappropriate or otherwise violate third-party patents or other intellectual property rights. Third parties could allege that we are infringing their patent rights or that we have misappropriated their trade secrets, or that we are otherwise violating their intellectual property rights, whether with respect to the manner in which we have conducted our research, or with respect to the use or manufacture of the components we have developed or are developing. If a third party were to assert claims of patent infringement against us, even if we believe such third-party claims are without merit, a court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, and the holders of any such patents may be able to block our ability to commercialize the applicable product unless we obtained a license under the applicable patents, or until such patents expire or are finally determined to be invalid or unenforceable.

In order to avoid or settle potential claims with respect to any patent or other intellectual property rights of third parties, we may choose or be required to seek a license from a third party and be required to pay license fees or royalties or both, which could be substantial. These licenses may not be available on acceptable terms, or at all. Even if we were able to obtain a license, the rights may be nonexclusive, which could result in our competitors gaining access to the same intellectual property. Ultimately, we could be prevented from selling a product, or be forced, by court order or otherwise, to modify or cease some or all aspects of our business operations, if, as a result of actual or threatened patent or other intellectual property claims, we are unable to enter into licenses on acceptable terms. Further, we could be found liable for significant monetary damages as a result of claims of intellectual property infringement.

An unfavorable outcome in any litigation or defense proceedings could put one or more of our intellectual property rights at risk of being invalidated or interpreted narrowly. Even if successful, litigation may result in substantial costs and distraction of our management and other employees. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If the public, securities analysts or investors perceive these results to be negative, or perceive that the presence or continuation of these cases creates a level of uncertainty regarding our ability to increase or sustain product sales, it could have a substantial adverse effect on the price of our Shares. There is no assurance that our products will not be subject to the same risks.

If we are unable to obtain and maintain adequate patent and other intellectual property protection, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop products similar or identical to ours and compete directly against us.

Our success depends, to a certain extent, on our ability to protect our proprietary technology and products from competition by obtaining, maintaining, defending and enforcing our intellectual property rights, including patent rights. We seek to protect the products and technology that we consider important primarily by filing patent applications in China and

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other countries or regions, relying on trade secrets or regulatory protection, or employing a combination of these methods. As of the Latest Practicable Date, we had 64 issued patents. See "Business — Intellectual Property" for details. This process of obtaining and maintaining intellectual property may be expensive and time-consuming, and we may not be able to file all necessary or desirable patent applications and secure other intellectual property protection in all jurisdictions in a timely manner. It is also possible that we will fail to identify patentable aspects of our research and development before it is too late to obtain protection. Moreover, we may fail to timely identify third-party infringement of our intellectual property rights and take necessary actions to defend and enforce those rights, or at all.

Even if patents are issued on these applications, there can be no assurance that a third party will not challenge their validity, enforceability, or scope, which may result in the patent claims being narrowed or invalidated, or that we will obtain sufficient claim scope in those patents to prevent a third party from competing successfully with our products. An adverse determination in any such proceeding could reduce the scope of, or invalidate, our patent rights, resulting in our inability to manufacture products without infringing third-party patent rights. Thus, even granted patents may not be issued in a form that will provide us with any meaningful protection and prevent competitors from competing with us, or otherwise provide us with any competitive advantage.

The issuance of a patent is not conclusive as to its scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in any jurisdictions. Such challenges may result in narrowed, invalidated or unenforceable patent claims, which could limit our ability to stop or prevent us from stopping others from using similar or identical technology and products, or limit the duration of the patent protection of our technology and products. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from producing products similar or identical to ours. Our competitors may also be able to circumvent our patent issuance by developing similar or alternative technologies or products in a non-infringing manner.

Filing, prosecuting, maintaining and defending patents on products in all countries throughout the world could be prohibitively expensive for us, and our intellectual property rights in some countries can have a different scope and strength than do those in some other countries. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of certain other countries. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us.

Consequently, we may not be able to prevent third parties from practicing our inventions in all countries, or from selling or importing products made using our inventions in and into certain jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and further, may export otherwise infringing products to certain jurisdictions where we have patent protection, but where

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enforcement rights are not as strong as those in certain other countries. These products may compete with our products and our patent rights or other intellectual property rights may not be effective or adequate to prevent them from competing.

If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our target markets and our business may be adversely affected.

We own several trademarks in China and other jurisdictions. However, our registered or unregistered trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We may not be able to protect our rights to these trademarks and trade names, which we need to build name recognition among potential partners or customers in our target markets. Competitors may occasionally adopt trade names or trademarks similar to ours, thereby impeding our ability to build brand identity and possibly leading to market confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of our registered or unregistered trademarks or trade names. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively, and our business may be adversely affected.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.

We rely on trade secrets and confidential information, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our products. In case we need to share our confidential information or trade secrets with third parties, a competitor may discover and misappropriate them. We seek to protect our trade secrets and confidential information, in part, by entering into non-disclosure, confidentiality and similar agreements with parties that have access to them, such as our employees and other third parties that have access to them. Any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Moreover, we cannot guarantee that we have entered into such agreements with each party that may have or has had access to our trade secrets or proprietary technology and processes.

Despite our efforts to protect our trade secrets, our competitors may still discover our trade secrets, either through a breach of our agreements with third parties, independent development or publication of information by any third-party collaborators. Given that our proprietary position is based, in part, on our know-how and trade secrets, a competitor's discovery of our trade secrets or other unauthorized use or disclosure could have an adverse effect on our business and results of operations. Besides, enforcing claims against parties that illegally disclose or misappropriate trade secrets can be difficult, expensive and time-consuming, with unpredictable outcome. If we are unable to prevent unauthorized material disclosure of our trade secrets and confidential information to third parties, or misappropriation

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of our trade secrets and confidential information by third parties, we will not be able to establish or maintain a competitive advantage in our market, which could materially and adversely affect our business, financial condition, and results of operations. If any of our trade secrets were lawfully obtained or independently developed by a competitor or other third party, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

In addition, while our employment agreements generally stipulate that any inventions or other intellectual property created during the course of employment shall belong to our Company, we may be unsuccessful in executing such clauses with each party who in fact develops intellectual property that we regard as our own, which may result in claims by or against us related to the ownership of such intellectual property.

Litigation may be necessary to defend against these claims. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and, be a distraction to our management and scientific personnel and could have a material adverse effect on our business, financial condition, results of operations and prospects. See also “— Risks Relating to Our Business and Industry — We may be involved in legal proceedings and disputes to protect or enforce our intellectual property rights or defend against infringement and other claims alleged by third parties, which could be expensive, time-consuming and unsuccessful.”

Failure to effectively expand our sales and marketing capabilities could harm our ability to increase the sales of our products and achieve broader market acceptance.

We sell a portion of our products directly to dental medical institutions and laboratories. In 2022, 2023 and for the nine months ended September 30, 2024, we generated approximately 23.2%, 22.7% and 21.4% of our total revenue from these direct sales. Consequently, our ability to increase product sales and achieve broader market acceptance depends on our ability to expand and enhance our in-house sales and marketing operations.

Additionally, we rely on our sales and marketing team to communicate with our past, current and potential customers to understand their needs and preferences. This insight enables us to improve our existing products and introduce new products or enhancements to better meet market demands. However, if we are unable to hire, develop and retain qualified sales and marketing personnel, or if our new team members do not achieve desired performance levels in a timely manner, we may not be able to increase sales and gain wider market acceptance, which could adversely affect our business operations and financial results.

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We rely on suppliers for raw materials of our dental medical devices, which may render us vulnerable to supply shortages, quality issues and price fluctuations and could materially and adversely affect our business, results of operations, financial condition and prospects.

Our suppliers primarily include those providing raw materials. In 2022, 2023 and for the nine months ended September 30, 2024, our top five suppliers accounted for 21.9%, 26.2% and 25.4% of our total purchases, respectively, while our largest supplier accounted for 6.2%, 6.7% and 8.4% of our total purchases in the same periods, respectively. As we rely on suppliers for key raw materials, any interruptions or changes in such supply, or our inability to obtain alternative suppliers meeting our quality standards at acceptable prices in a timely manner, may impair our ability to meet the demands of our customers, which could have a material adverse effect on our business, results of operations, financial condition and prospects. Moreover, we expect our increased demand for such raw materials as we continuously expand our business scale. However, we cannot guarantee that our current suppliers will have the capacity to meet our increasing demand. Additionally, we enter into minimum purchase commitments with certain suppliers, which could impact our ability to adjust our raw materials inventories in response to a temporary decline in market demand. If demand for our dental medical devices is less than we expect for reasons beyond our control, such as an economic slowdown in the global or Chinese markets, we may experience additional excess and obsolete inventories and our profitability may suffer.

We cannot assure you that our suppliers will maintain their business relationship with us on commercially reasonable terms, or at all. Nor can we assure you that we will be able to secure a stable supply of qualified raw materials at all times in the future. If our major suppliers terminate their business relationships with us, or fail to provide us with adequate supply to meet our needs, we may need time to find suitable alternative suppliers. Therefore, if we cannot maintain business relationships with our existing suppliers, or if these suppliers increase prices, delay delivery, provide unqualified equipment or raw materials, or encounter financial, operating or other difficulties, we may experience manufacturing disruptions, which could materially and adversely affect our business, financial condition and results of operations.

Moreover, prices of certain principal raw materials may increase significantly, in which case we may not be able to increase the prices of our products to offset the impacts. Therefore, if our suppliers increase prices of or reduce discounts on the raw materials and we fail to secure replacement for such materials at a better price, we may experience a decline in our profits.

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In addition, some of our major suppliers are located outside of China. As a result, delays in customs clearance, trade tensions or regulatory embargoes imposed by foreign countries or China could result in delays or shortages of our raw materials. See also “— Risks Relating to Doing Business in the Jurisdiction Where We Operate — Developments in international trade policies and political tensions may adversely impact our business and results of operations.” If we are unable to identify alternative materials or suppliers in a timely manner to obtain raw materials in the quantities or at the quality or price that we require, our business could be harmed.

We face credit risk from our customers, and our failure to collect on trade receivables from our customers may have a material adverse effect on our business operations and financial condition.

We sell our products through direct sales to dental medical institutions and laboratories, and sales to distributors. The credit period generally ranges from 30 to 90 days. As of December 31, 2022, 2023 and September 30, 2024, we had trade receivables of RMB19.6 million, RMB22.5 million and RMB29.4 million, respectively. As a result, we may be exposed to credit risk.

We have implemented credit management policies that address client credit limits, monitor credit exposures and follow up on credit risks related to overdue debts. Our sales and marketing team monitors and manages our distributors to ensure compliance with our distribution agreements, including payment terms, and makes efforts to collect the amounts due from our direct sales customers. However, we cannot guarantee that we will properly assess and respond to changes in our customers’ credit profiles in a timely manner. Our direct sales customers and distributors may experience financial difficulties, which could negatively impact our ability to collect the amount due to us. Tools that we deploy to mitigate our potential credit risks may not provide sufficient coverage against all credit losses. Such adverse financial conditions may prolong the collection period associated with trade receivables or reduce the likelihood of full collection, which could be material and have an adverse effect on our business, financial condition and results of operations.

We may not be able to maintain effective quality control over our products.

The quality of our products significantly depends on the effectiveness of our quality control and quality assurance, which in turn depends on factors, such as the production processes in our manufacturing facilities, the quality and reliability of equipment, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. We operate a comprehensive quality control system that spans all key stages of research and development, as well as manufacturing processes. This system is established and refined in accordance with the rigorous regulations and guidelines in China. See “Business — Manufacturing — Quality Control” for details. However, we cannot assure you that our quality control and quality assurance procedures will be effective in consistently preventing and resolving deviations from our quality standards or that our standard operating procedures will be complete or updated at all times. Any significant

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failure or deterioration of our quality control and quality assurance protocol or standard operating procedures could render our products unsuitable for use, result in gaps in the audit of our processes and/or harm our market reputation and relationship with business partners. Any such developments may have a material adverse effect on our business, financial condition and results of operations.

We are exposed to potential product liability claims.

We may be exposed to product liability claims for the dental medical devices we manufacture and market. In China, medical devices are classified by the NMPA as Class I, Class II or Class III based on the risk to the human body. Most of our dental medical devices are classified as Class II, which represents a medium level of risks to the human body and requires a relatively high level of supervision to ensure safety and effectiveness. We may be subject to product liability claims if our dental medical devices have latent quality issues. We may be held liable if any dental medical devices we develop cause injury or are otherwise found unsuitable. As some of our product lines were developed relatively recently, latent defects or risks may not have been identified at the current stage. We cannot assure you that our dental medical devices have no latent quality issues or disadvantages that are not discernible or foreseeable. Our products might prove to be less effective than they currently appear to be or even prove to be defective to a certain extent at a later stage. In addition, even if our products do not have latent defects, claims may arise from different stages of treatment which are beyond our control. Dental professionals using our dental medical devices may adopt inappropriate procedures unintentionally or negligently, and their patients may not follow the dental professionals’ advice during treatment. In addition, patients may consider that the expected treatment results have not been achieved. In such cases, the patients may initiate legal proceedings against us, and the dental professionals may claim, with or without merit, that our dental medical devices have latent defects. We cannot rule out the possibility of incurring liabilities or suffering losses due to similar product liability claims. These proceedings could be expensive and time-consuming to defend and may have a material adverse impact on our business, reputation, financial condition and results of operations.

We had purchased certain product liability insurance. See “Business — Insurance.” However, there can be no assurance that we will be able to maintain our product liability insurance on acceptable terms, or our insurance coverage may not be sufficient to cover any or all of our potential losses in product liability claims. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any material product liability claims brought against us. However, if a product liability claim or a series of claims is brought against us and we are ultimately held liable for such claim or series of claims, our reputation, business, results of operations or financial condition will be materially and adversely affected.

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Any product recall would damage our brand and could have a material adverse effect on our reputation, business, financial condition and results of operations.

Medical devices, such as our dental medical devices, can occasionally encounter problems related to product performance, as well as how dental professionals apply these products and how patients use them. In both cases, this requires reviews and possible corrective actions by the manufacturer. Component failures, manufacturing errors or design defects could result in danger or injuries to patients. Any serious failures or defects could cause us to withdraw or recall products, which could result in significant costs. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any product recall, however, we cannot assure you that there would be no market withdrawals or product recalls of our dental medical devices. The occurrence of such market withdrawals or product recalls would damage our brand and would have a material adverse effect on our business, financial condition and results of operations.

We may be exposed to the risks of conducting business globally.

International markets are an important component of our growth strategy. We have explored and plan to continue exploring market opportunities overseas, where we believe there is substantial demand for our products, and we have identified and collaborated, and intend to continue identifying and collaborating with reputable local partners that have proven track records to maximize the global value of our products.

However, such activities may subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including but not limited to:

- changes in a specific country's or region's political and cultural climate or economic condition;
- differing regulatory requirements for approvals and marketing internationally;
- potentially longer payment cycles, greater difficulty in accounts receivable collection and potentially adverse tax treatment;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potentially reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements, and delays resulting from difficulty in obtaining export licenses, tariffs and other barriers and restrictions;
- efforts to enter into collaboration arrangements with third parties may increase our expenses or divert our management's attention from the development of products;

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- significant adverse changes in currency exchange rates;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad; and
- business interruptions resulting from geopolitical actions, including war and acts of terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially adversely affect our ability to attain or sustain revenue and profits from international markets.

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

As of December 31, 2022, 2023 and September 30, 2024, we recorded contract liabilities of RMB38.3 million, RMB41.8 million and RMB35.9 million, respectively. Our contract liabilities primarily arose from the advance payments made by customers before the delivery of underlying products and services. Our contract liabilities are generally not refundable. However, if we fail to fulfill our obligations with respect to our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected, and our customers may even request to cancel their agreements with us or ask for a partial or full refund, which may lead to customer dissatisfaction or even customers’ disputes with us and, accordingly, our potential refund obligation. Furthermore, if we fail to fulfill our obligations with respect to our contract liabilities, customers may request not to prepay us in the future. Any of the circumstances could materially and adversely affect our business, results of operations, cash flow and liquidity condition.

Our reputation is important to our success. Negative publicity with respect to us, management, employees, business partners, affiliates, or our industry, may materially and adversely affect our reputation, business and prospects.

We believe that market awareness and recognition of our brand image, along with the maintenance of a positive reputation, are crucial to the success of our business. However, our reputation is vulnerable to potential threats that can be difficult or impossible to control, and costly or impossible to remediate. While we will continue to promote our brands to remain competitive, we may not succeed in these efforts. In addition, we engage various third parties, such as distributors, to expand our commercialization network and increase market access for our products, which can make it increasingly difficult to effectively manage our brand reputation, as we have relatively limited control over these third parties.

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Any regulatory inquiries, investigations or other actions against our management, as well as any perceived unethical, fraudulent, or inappropriate business conduct by us or perceived wrongdoing by any key member of our management, employees, business partners or affiliates, could harm our reputation and materially and adversely affect our business. Regardless of the merits or outcome of such regulatory inquiries, investigations or actions, our reputation may be substantially damaged, which may impede our ability to attract and retain talent and business partners and grow our business.

Our information technology systems, or those used by our partners or other contractors or consultants, may fail or suffer security breaches.

Despite the implementation of security measures, our information technology systems and those of our contractors, consultants and other service providers are vulnerable to damage from computer viruses, unauthorized access, cyber-attacks, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event occurs and causes interruptions in our operations, it could result in a material disruption of our research and development programs. For example, our data may not be backed up in a timely manner and the loss of data from ongoing or future clinical evaluations for any of our products could result in delays in regulatory approval efforts and significantly increase costs to recover or reproduce the data. To the extent that any disruption or security breach was to result in a loss of or damage to data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our products could be delayed.

Delivery delays and poor handling by third-party logistics service providers may adversely affect our business, financial condition and results of operations.

We rely on our third-party logistics service providers for the transportation of our dental medical devices to our customers. The logistics services provided by these providers may be suspended, which could interrupt the supply of our dental medical devices. Delayed or even lost deliveries may occur for various reasons beyond our control, including poor handling by our logistics service providers, labor disputes or strikes, acts of war or terrorism, health epidemics, earthquakes and other natural disasters. In addition, poor handling of our products could also result in product contamination or damage, which may in turn lead to product exchanges, product liability, increased costs and damage to our reputation. Any of the circumstances would materially and adversely affect our business, financial condition and results of operations.

We may be unable to attract and retain our Directors, senior management and qualified employees. Failing to do so would adversely affect our operations and growth.

Our success and future growth depend largely upon the continued services of our Directors, senior management and other qualified employees, such as experienced and skilled research and development, product design, sales and marketing and production personnel. We cannot assure you that these key personnel will not voluntarily terminate employment with us. The loss of any of our key personnel could be detrimental to our operations. Experienced

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personnel in the dental medical devices industry are in high demand, and competition for relevant talents is intense. Many of the companies with which we compete for experienced personnel have greater resources than we have. We cannot assure you that we will be able to attract and maintain an adequate skilled labor force necessary for us to execute our expansion plans and growth strategies. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and future growth could be adversely affected.

Our risk management and internal control systems may not be thorough or effective in all respects.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. See "Business — Risk Management and Internal Control" for further details. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, we cannot assure that our risk management and internal control systems will be able to identify, prevent and manage all risks. Our internal procedures are designed to monitor our operations and ensure their overall compliance. Nevertheless, our internal control procedures may be unable to identify all non-compliance incidents in a timely manner, or at all. It is not always possible to timely detect and prevent fraud and other misconduct committed by our employees or third parties, and the precautions we take to prevent and detect such activities may not be effective.

Furthermore, we cannot assure you that our risk management and internal control systems will be effectively implemented. Since our risk management and internal control systems depend on their implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human errors or mistakes, which may materially and adversely affect our business and results of operations. Moreover, as we are likely to offer a broader and more diverse range of products and services in the future, the expansion and diversification of our product and service offerings will require us to continue to enhance our risk management capabilities. If we fail to adapt our risk management policies and procedures to our evolving business in a timely manner, our business, financial condition and results of operations could be materially and adversely affected.

Non-compliance on the part of any third parties with which we conduct business could disrupt our business and adversely affect our results of operations and financial condition.

Third parties with which we conduct business, such as dental professionals, distributors and suppliers, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, disrupt our business. Although we conduct reviews of legal formalities and certifications before entering into contractual relationships with third parties, and take measures to reduce the risks that we may be exposed to in case of any non-compliance by third parties, we cannot be certain whether such third parties have violated any regulatory requirements. For example, dental professionals

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and/or dental medical institutions may cause certain injuries to patients as a result of malpractice. In such events, even though we have related disclaimers, we may be involved in legal proceedings regarding malpractice and may even be held liable and have to pay damages to compensate such patients. Even though we have the contractual right to seek indemnification from the relevant dental medical institutions, there can be no assurance that we will be able to enforce such right. As a result, our business, results of operations and financial condition could be materially and adversely affected. Similarly, suppliers may also not be in full compliance with applicable laws and regulations, which may have an adverse effect on our business, results of operations and financial condition.

We cannot assure you that we will be able to identify non-compliance in the business practices of third parties we conduct business with, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. Any legal liabilities and regulatory actions affecting third parties involved in our business may affect our business activities, and may in turn affect our results of operations and financial condition.

We benefit from certain preferential tax treatments and government grants, the expiration of or changes to which could adversely affect our profitability.

We currently benefit from certain preferential tax treatments. According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) and its relevant regulations, entities that qualified as High and New Technology Enterprise (“**HNTE**”) are entitled to a preferential income tax rate of 15%. Two of our subsidiaries renewed their certificates of High and New Technology Enterprise in 2022 and 2023, respectively, and were entitled to preferential income tax of 15% during the Track Record Period. These HNTE qualifications are subject to renewal review by the relevant PRC tax authority every three years. Moreover, certain of our subsidiaries were qualified as Small-Scaled Minimal Profit Corporates and were entitled to a preferential corporate income tax rate, under which taxable income between RMB1.0 million and RMB3.0 million is subject to a 75% reduction and a 20% tax rate during 2022 to 2024. However, we cannot assure you that these preferential tax treatments will continue to be available to us in the future, or that these preferential tax treatments will not be changed, as a result of changes in government policy, administrative decisions or otherwise, in which case our financial condition and results of operations may be adversely affected. See note 10 to the Accountants’ Report in Appendix I to this document for details.

Moreover, we recorded government grants of RMB6.8 million, RMB8.6 million, RMB3.8 million and RMB3.9 million for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively. These government grants primarily represent government subsidies from local governments to support our operating and R&D activities. These government grants are provided at the discretion of the relevant government authorities, who could determine to eliminate or reduce these financial incentives at any time and may, therefore, vary from period to period going forward. For more details, see “Financial Information — Description of Certain Combined Statements of Profit or Loss Items — Other Income and Gains.”

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Since our receipt of the government grants and eligibility for the preferential income tax treatment are subject to the government’s discretion and approval process, our net income in a particular period may fluctuate significantly, partly due to the potential changes in the government grants we actually receive or preferential income tax treatment we enjoy, in addition to any business or operational factors that we may otherwise experience. There is no assurance that we will continue to receive such government grants at a similar level, or at all, or be eligible to enjoy the preferential income tax treatment in the future. The discontinuation of preferential tax treatments, government grants and other financial incentives currently available to us could have an adverse effect on our financial condition, results of operations, cash flows and prospects.

Failure to manage our inventory effectively could materially and adversely affect our results of operations and financial condition.

Maintaining an optimal level of inventory is important for the success of our business. As of December 31, 2022 and 2023 and September 30, 2024, we had inventories of RMB40.3 million, RMB45.5 million and RMB54.2 million, respectively. During the Track Record Period, our inventories primarily included raw materials, work in progress and finished goods, and we regularly track our inventories to keep it at a level sufficient to fulfill customers’ orders. We also proactively assess changes in market conditions and pre-store strategic inventories in anticipation of potential supply shortages. However, we may be exposed to risks of overstocking or understocking inventories as a result of a variety of factors beyond our control, including changes of customer needs and the inherent uncertainty of successful product launches. We cannot assure you that we can accurately predict these trends and events, or that our inventories management measures will be implemented effectively so that we will not have significant levels of inventories excess or shortage. As a result of any unforeseen or sudden events, we may experience slow movement of our inventories, or fail to utilize our inventories swiftly.

Moreover, as we plan to continue expanding our product offerings, we may increase our inventory level, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system. To weather the impact of rising manufacturing costs and tightening supplies, we may strategically raise our inventory level from time to time, which can cause potential liquidity constraints to our operating cash flow and expose us to greater risk of negative price fluctuations. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. On the other hand, if we underestimate the demand for our products, or if our suppliers fail to supply raw materials in a timely manner, we may experience inventory shortages, which might result in delayed delivery, missed sales, diminished brand loyalty and lost revenue. Any of the above may materially and adversely affect our business, financial condition and results of operations.

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Our potential engagement in acquisitions or strategic partnerships in the future may increase our capital requirements, cause dilution for our Shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

To enhance our growth, we may acquire businesses, products, technologies or know-how or enter into strategic partnerships that we believe would benefit us in terms of product development, technology advancement or distribution network, among others. Any potential acquisition or strategic partnership may entail numerous risks, including but not limited to:

- substantial time and expenses incurred during negotiation, which do not guarantee the successful consummation of an acquisition or strategic partnership;
- impact on our financial results, such as occurrence of goodwill impairment charges and amortization expenses for intangible assets;
- increased operating expenses, including research and development expenses due to an increased number of products, administrative expenses, as well as selling and distribution expenses, which result in increased cash requirements;
- the assumption of additional indebtedness or contingents;
- the issuance of our equity securities resulting in dilution to our Shareholders;
- integration of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel, or failure to otherwise achieve intended synergies in the combined operations;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products and regulatory approvals;
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs; and/or
- deficiencies in internal controls, data adequacy and integrity, product quality and regulatory compliance, and product liabilities in the acquired business we discover after such acquisition, which may subject us to penalties, lawsuits or other liabilities.

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Further, any difficulties in the integration of acquired businesses, products or technologies or unexpected penalties, lawsuits or liabilities in connection with such acquisition, could have a material adverse effect on our reputation, business, financial condition and results of operations.

Our planned business expansions expose us to liquidity risks.

As of December 31, 2022, 2023 and September 30, 2024, we recorded net current assets of RMB178.5 million, RMB200.0 million and RMB219.5 million, respectively. We believe that our current levels of cash flow from operations and the estimated net [REDACTED] from this [REDACTED], will be sufficient to meet our anticipated cash needs for at least 12 months following this [REDACTED]. However, we may need additional cash resources in the future if we wish to pursue opportunities for investment, acquisition, strategic cooperation or other expansion actions.

We plan to enrich our product offerings, enhance our production capacity, and expand our global business layout. We have mainly relied on cash generated from our operations and bank borrowings and to fund our business expansion. Our leverage could materially and adversely affect our liquidity. For example, it could:

- require us to allocate a higher proportion of our cash flow to repay our borrowings and subsequently reduce the availability of our cash flow for operations;
- increase our vulnerability to adverse economic or industry conditions;
- potentially restrict us from pursuing strategic business opportunities;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

During the Track Record Period and as of the Latest Practicable Date, we had not experienced a reduction or withdrawal of credit from our lenders or an inability to settle our trade payables in the ordinary course of business. However, we cannot assure you that we will always be able to continue to refinance our future debts when they become due, repay our debt upon maturity and/or raise the necessary funding to finance our current liabilities and our capital commitments.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The Renminbi has fluctuated against the Hong Kong dollar and U.S. dollar. In 2022 and 2023 and for the nine months ended September 30, 2023, we recorded net foreign exchange gains of RMB10.9 million, RMB3.6 million and RMB6.8 million, respectively. For the nine months ended September 30, 2024, we recorded net foreign exchange losses of RMB1.6 million. There is no assurance that we will continue to incur foreign exchange gains in the

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future or our foreign exchange loss will not be incurred in the future. The value of Renminbi against the U.S. dollar and other currencies is affected by developments in political and economic conditions and by foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the Hong Kong dollar or U.S. dollar in the future.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to complete filings with and obtain approvals from the State Administration of Foreign Exchange of the PRC (the “SAFE”) before converting significant sums of foreign currencies into Renminbi. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, product liability, environmental matters, breach of contract, employment or labor disputes and intellectual property rights. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us, our management or Directors may be due to actions taken by our counterparties, such as our suppliers. Even if we are able to seek indemnity from them, they may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We may be subject to natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control.

Natural disasters, health epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of natural disasters, such as floods, earthquakes, sandstorms, snowstorms, fire or drought; the outbreak of a widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory

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syndrome, or SARS, Ebola, Zika, COVID-19; and operational disruptions, such as power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, as well as potential wars or terrorist attacks.

The occurrence of a disaster or a prolonged outbreak of an epidemic illness or other adverse public health developments in which we operate our business could materially disrupt our business and operations. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities we or our business partners use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. Our operations could be disrupted if any of our employees or employees of our business partners were suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenue and profitability could be materially reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global or PRC economy in general.

Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of the foregoing events and other events beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial condition and results of operations.

If our employees, distributors, customers, suppliers or other business partners engage in bribery, corruption or other illegal or unethical conduct, we may face liability, and our reputation and business could suffer. Investigations into such practices could generate negative publicity and incur significant costs, further harming our business.

We could be liable for actions taken by our employees, distributors, customers, suppliers or other business partners that violate anti-bribery, anti-corruption and other related laws and regulations in China or elsewhere, over which we may have limited control. The government authorities may seize products involved in any illegal conduct by our employees and others associated with us. We could face claims, fines or suspension for our operations. Our brand and reputation, as well as our sales activities and Share price, could be adversely affected if our Company is associated with any negative publicity arising from illegal or unethical actions, or allegations thereof, by our employees or others associated with us.

Additionally, the government authorities in countries where we sell our products could introduce new or different regulations regarding the sale of medical devices to address bribery, corruption or other concerns. While we are not aware of any such changes, such new or different regulations could increase costs for us or distributors in selling our products or impose restrictions on sales and marketing activities, which could in turn increase our compliance costs. Any of the circumstances could have a material adverse impact on our business, financial condition and results of operations.

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We may face penalties for our owned properties' title defects in China.

We have not obtained the relevant permits for the construction of ancillary rooms with an aggregate GFA of approximately 176 sq.m, representing less than 0.5% of total owned GFA. Such ancillary rooms are used primarily for security room, electrical room and storing temporarily waste, which are immaterial to our operations. Pursuant to Urban and Rural Planning Law of the PRC, construction including ancillary rooms without permission are subject to a demolition order from the local authorities within a prescribed period of time; and if the ancillary rooms cannot be demolished, it will be confiscated, and we may incur a fine up to 10% of the total construction work cost. As a consequence of the foregoing, our rights to these ancillary rooms may be limited or challenged by relevant governmental authorities. We may be subject to administrative fines of up to approximately RMB34,000 given the total ancillary rooms cost of approximately RMB340,000 or other penalties due to the lack of the relevant regulatory permits, certificates and approvals. Moreover, we did not complete the required filing procedure of fire protection acceptance for one of our small warehouse with GFA of approximately 203.7 sq.m, representing less than 1% of total owned GFA, and we may be subject to a fine of not more than RMB5,000 in accordance with the Fire Protection Law of the PRC.

We have obtained written confirmation from the relevant competent authorities and confirming that no administrative penalty had been taken or imposed by the relevant authorities during the Track Record Period with respect to our operation of properties. During the Track Record Period and as of the Latest Practicable Date, we were not aware of any actual or contemplated actions, claims or investigations by any relevant governmental authorities or third parties against us with respect to the lack of permits for our ancillary rooms and warehouse in use. On this basis and having considered confirmations from the relevant local governmental authorities, our Directors believe that the lack of such relevant permits will not, individually or in the aggregate, materially affect our business and results of operations.

Our leased properties may be subject to non-compliance or challenges that could potentially affect our future use of them.

We have leased certain properties in China as our offices, warehouses and R&D facilities. Some of these properties do not meet certain property-related requirements under PRC laws and regulations. For example, as of the Latest Practicable Date, 12 of our leases had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in the imposition of fines up to RMB10,000 for each leased property that is unregistered if we fail to rectify the noncompliance within the time frame prescribed by the relevant authorities. During the Track Record Period and as of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfill the

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registration requirements, which may increase our costs in the future. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial conditions and results of operations.

We may be subject to additional social insurance fund and housing provident fund contributions and late fees or fines imposed by relevant regulatory authorities.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the actual income of our employees, together with the minimum and maximum level as from time to time prescribed by national laws and regulations and local authorities. Any failure to make timely and adequate social welfare contributions for its employees may trigger an order of correction from competent authority requiring the employer to make up the full amount of such overdue social welfare contribution within a specified period of time, and the competent authority may further impose fines or penalties.

During the Track Record Period, we did not pay social insurance and housing provident fund in full for certain of our employees. According to the relevant PRC laws and regulations, we may be requested by relevant PRC authorities to pay the outstanding social insurance contributions within a prescribed period and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay. If we fail to repay the outstanding social insurance contributions within the stipulated period, we may be liable to a fine of one to three times the outstanding contribution amount. Pursuant to relevant PRC laws and regulations, the relevant PRC authorities may demand us to pay the outstanding contributions of the housing provident fund within a stipulated deadline. If we fail to pay housing provident fund contributions within the prescribed deadline, we may be subject to an order by the relevant people's court to make such payments.

During the Track Record Period and as of the Latest Practicable Date, no competent government authorities imposed administrative action, fine or penalty to us with respect to this non-compliance incident or required us to settle the outstanding amount of social insurance and housing provident fund contributions. In 2022, 2023 and the nine months ended September 30, 2024, the shortfall for the social insurance and housing provident fund contribution for each period, which had been accrued, amounted to RMB1.4 million, RMB0.9 million and RMB0.4 million, respectively. We cannot guarantee you that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us. Such actions may have a material and adverse impact on our financial position and results of operation.

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We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain industry-standard benefit plans in accordance with relevant laws and regulations, based on our assessment of our operational needs and industry practice. We maintain certain product liability insurance, export credit insurance, property all-risk insurance and work safety liability insurance. In line with general market practice, we have elected not to maintain certain types of insurances, such as business interruption insurance or key man insurance.

Although we believe our existing insurance coverage is adequate for our present operations and in line with the industry practice in the PRC, this coverage may prove to be inadequate or could cease to be available to us on acceptable terms, if at all. A claim brought against us that is uninsured or under-insured could harm our business, financial condition and results of operations. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Global financial markets and economic conditions could affect our business, financial condition and results of operations.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis, as well as a variety of other factors, including inflation, threats or actual recessions, fluctuations in currency exchange rates, general economic weakness, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions to address these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are unsuccessful, adverse economic conditions may significantly impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms, and further affect our business, financial condition and results of operations.

In addition, concerns over the recent Russian-Ukraine conflicts, unrest and terrorist threats in the Middle East and other regions, among others, contribute to uncertainties in the global financial markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

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We could be adversely affected as a result of any transactions we have with countries that are, or become subject to, sanctions administered by the Relevant Sanctions Authorities and other relevant authorities administering sanctions measures.

Certain countries or organisations, including the U.S., and the EU, have implemented economic sanctions against Sanctioned Countries or against targeted industry sectors, groups of companies or persons, and/or organisations.

During the Track Record Period, we directly and indirectly sold our products to customers located in Belarus, Libya, Myanmar, Russia (excluding Crimea, the DNR, the LNR, and occupied Kherson and Zaporizhzhya regions of Ukraine), Syria, Turkey, Ukraine (including Crimea, the DNR, the LNR, and occupied Kherson and Zaporizhzhya regions of Ukraine) and Venezuela (together, the “**Relevant Regions**”).

Our International Sanctions Legal Advisers have advised that our direct and indirect sales of products to our customers in the Relevant Regions did not include transactions that constituted Primary Sanctioned Activity or Secondary Sanctioned Activity under the Relevant Jurisdictions, and the risks that our Company might become subject to International Sanctions imposed by the Relevant Sanctions Authorities as a result of our sales mentioned above are determined to be low and may be further mitigated by additional remedial measures, as advised by our International Sanctions Legal Advisers. However, in the event that any of our business activities are found to be in violation of any of the International Sanctions Laws by any competent authorities we are subject to, our business and financial condition and results of operations could be materially and adversely affected. Further, if we fail to prevent the occurrence of any business activities which are subject to the International Sanctions, our business operation, financial condition and results of operations may be adversely affected. For details of our operations and business activities in these countries, as well as our approach to mitigate such sanctions risks, see “Business — Business Activities in Countries/Regions with International Sanctions Exposure.”

We will comply with applicable laws in the jurisdictions where we have operations. However, we cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the EU, the UK, Australia, the UN and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. We cannot assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or business. Our business and reputation could be adversely affected if the government of the United States, the EU, the UK, Australia, the UN or any other governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, because sanctions programs evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business or result in our business activities being deemed to violate sanctions. We cannot assure you that [REDACTED] who are subject to the jurisdictions of the U.S., the EU, the UK, Australia and/or other jurisdictions will be willing to make [REDACTED], or may divest their [REDACTED], in us, which may have an adverse impact on the [REDACTED] and the future prevailing [REDACTED] of our [REDACTED], despite

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our commitment not to direct the [REDACTED] from the [REDACTED] and any other funds raised through the Stock Exchange to dealings with Sanctioned Targets. In addition, if any of our customers or suppliers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers or suppliers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

For information about our internal control measures implemented in respect of such sanctioned related risks, see "Business — Business Activities in Countries/Regions with International Sanctions Exposure."

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

Our products and future approved products will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expenses. We may be subject to penalties and other negative consequences if we fail to comply with the applicable regulatory requirements.

Our products, and product candidates, if and when approved, will be subject to ongoing regulatory requirements with respect to labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conducting post-market studies, submission of safety, efficacy, and other post-market information, and other requirements of regulatory authorities in China and other applicable jurisdictions where the products are approved. As such, we are and will be subject to continual review and inspections by the regulators in order to assess our compliance with applicable laws and requirements and adherence to commitments we made in any application materials with the NMPA or other relevant regulatory authorities.

The NMPA and other relevant regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products placed on the market. The regulatory approvals for our products and any approvals that we receive for our products are and may be subject to limitations on the indicated uses for which our products may be marketed. Products may be promoted only for their approved application and for use in accordance with the provisions of the approved label. The approvals we obtain may also be subject to other conditions which may require potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of our products. Such limitations and conditions could adversely affect the commercial potential of our products.

The NMPA or other comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if we fail to maintain compliance with these ongoing regulatory requirements and standards or if problems occur after the product reaches the market. Later discovery of previously unknown problems with our products including adverse events of unanticipated severity or frequency, or with our manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling or

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requirements to add new safety information, imposition of post-market studies or clinical studies to assess new safety risks, or imposition of distribution restrictions or other restrictions under a risk evaluation and mitigation program. Other potential consequences include, among other things:

- restrictions on the marketing of our products, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical studies;
- refusal by the NMPA or other comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals or withdrawal of approvals;
- product seizure or detention, or refusal to permit the import or export of our products; and/or
- injunction or imposition of civil or criminal penalties.

We cannot predict the likelihood, nature or extent of governmental policies or regulations that may arise from future legislation or administrative actions in China or overseas, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are unable to maintain regulatory compliance, we may lose any regulatory approval that we have obtained and we may not achieve or sustain profitability. In addition, if we were able to obtain conditional approval of any of our product candidates, the NMPA and other relevant regulatory authorities may require us to conduct a confirmatory study to verify the predicted clinical benefit and additional safety studies. The results from the confirmatory study may not support the clinical benefit, which would result in the approval being withdrawn. While operating under conditional approval, we will be subject to certain restrictions that we would not be subject to upon receiving regular approval.

We may not be able to obtain, maintain or renew the necessary permits, licenses, certificates and other regulatory filings required to produce our products.

Our operations in China and globally are subject to extensive government regulations. The regulatory approval processes in the dental medical devices industry are generally lengthy and unpredictable. Any failure to obtain, renew or maintain the necessary permits, licenses and certificates required for our business could disrupt our production and business operations, which could have a material adverse effect on our business, financial condition and operating results. Moreover, the interpretation or implementation of existing laws and regulations are subject to changes, while new laws and regulations may introduce further uncertainties. We may be required to secure additional or different licenses, permits or certificates for our operations, and we cannot guarantee that we will secure them in a timely manner.

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For example, dental material manufacturers in China are required to obtain permits and licenses from government authorities, including the medical device production license (醫療器械生產許可證), medical device business license (醫療器械經營許可證) and the record-filing for operation of Class II medical device (第二類醫療器械經營許可備案), if they store and sell medical devices outside their production facilities. Such permits, licenses and certificates are subject to periodic reviews and renewals by the relevant government authorities, and standards may shift, making approval uncertain. In addition, we are also required to obtain and renew registrations or record-filings with municipal or provincial drug administration authorities or the NMPA for our production of medical devices. To do this, we must conduct well-controlled clinical studies at our own expense to demonstrate the efficacy and safety of our products when necessary. Our clinical evaluation can take years and may yield negative or inconclusive results, potentially leading to further testing. Our failure to adequately demonstrate the efficacy and safety of our products could prevent regulatory approval. Our failure to manufacture and market medical devices with adequate registrations may subject us to fines and further penalties, such as confiscating illegal gains and manufacturing materials or denying our future registration application. We cannot guarantee that the NMPA and/or its local counterpart will grant or renew our registration certificates, which would prevent us from producing and marketing our dental medical devices and materially and adversely affect our business, financial conditions and results of operations.

In addition, we are required to comply with regulations from foreign governmental agencies. For example, FDA regulations are wide-ranging and govern, among other things, product design, development, manufacture, testing, labeling, storage, premarket clearance or approval, advertising and promotion, as well as sales and distribution. Non-compliance with applicable regulatory requirements can result in enforcement actions, such as product recalls, suspension of marketing, and significant fines and penalties, which could hinder market expansion, limit sales, delay shipment and adversely affect our profitability.

We may be subject to risks associated with the “two-invoice system” and national centralized procurement using a volume-based procurement approach in the future, particularly the potential expansion of the application scope thereby.

In recent years, the PRC government implemented a pilot program, known as “Two-Invoice System” (兩票制), which refers to the system that allows a maximum of two invoices to be issued across the pharmaceutical supply chain, namely, one invoice to be issued from pharmaceutical manufacturers to pharmaceutical distributors and the other invoice to be issued from pharmaceutical distributors to medical institutions thereby eliminating multiple layers of distributors and reducing the multi-tiered margins involved. The Notice on Printing and Distributing the Reform Plan for the Management of High-value Medical Consumables (《關於印發〈治理高值醫用耗材改革方案〉的通知》) issued on July 19, 2019 by the General Office of the PRC State Council (the “**Circular on High-Value Medical Consumables**”) encouraged local governments to adopt the “Two-Invoice System” on a case-by-case basis to reduce resales of high-value medical consumables and promote the transparency of purchase and sales. We do not have sub-distributors in China. However, if our distributors engage sub-distributors in breach of our arrangement with them, such distributors may violate relevant regulatory requirements under the “Two-Invoice System,” which may result in a variety of impact on our business, such as distribution of our products, reputational harm, our financial condition and results of operations.

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In addition, a national centralized procurement process employing a volume-based procurement approach, PRC Governmental Volume-based Procurement Scheme (the “**VBP scheme**”), has been implemented for the sale of certain pharmaceuticals and high-value medical consumables to public medical and healthcare institutions, which aims to reduce healthcare costs and enhance the accessibility of essential medicines and medical devices. During the Track Record Period and up to the Latest Practicable Date, only one of our products, invisible orthodontic aligners, was included in and therefore subject to the VBP scheme, in certain provinces. None of our other products had been included in or subject to the VBP Scheme during the Track Record Period and up to the Latest Practicable Date. We cannot guarantee that the scope of the VBP approach will not expand in the future. Should we engage in the VBP approach, we may be required to fulfill specific criteria and qualifications, which we may not currently meet, or provide a competitive price for the products sold that may compress our profit margin. Failure to meet these requirements could lead to lost business opportunities and negatively impact our business, financial condition, and results of operations.

If we fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties and other negative consequences that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including but not limited to those governing the operation of our manufacturing facilities and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Although we do not operate in a highly polluting industry, the manufacturing process of our dental products may generate noise, solid waste, exhaust gas and wastewater. We have adopted specific environmental protection policies to make our operations more energy efficient and environmentally friendly and to ensure effective compliance with applicable PRC environmental laws and regulations. However, we may not be able to fully eliminate the risks of contamination or personal injury from these wastes. In the event of such accidents, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could materially and adversely affect our business. Other adverse effects could result from such liability, including reputational damage. We may also be forced to temporarily or permanently close or suspend operations at certain of our affected facilities. We also could incur significant costs associated with civil or criminal fines and penalties. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials. We may incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development or production efforts. Failure to comply with these laws and regulations may also result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

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We may be directly or indirectly subject to applicable anti-kickback, false claims laws, doctor payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations, which could expose us to administrative sanctions, criminal sanctions, civil penalties, contractual damages, reputational damage and diminished profits and future earnings.

Healthcare providers, doctors and others play a primary role in the recommendation and prescription of any products for which we obtain regulatory approval. Our operations are subject to various PRC fraud and abuse laws, including the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》) and PRC Criminal Law (《中華人民共和國刑法》); doctor payment transparency laws and regulations which primarily include the Affordable Care Act (《平價醫療法案》) and the Physician Payments Sunshine Act (《醫師酬勞陽光法案》). These laws may impact, among others, our sales, marketing and education programs.

Law enforcement authorities are increasingly focusing on enforcing these laws. Efforts to ensure that our business arrangements with third parties are in compliance with applicable healthcare laws and regulations will involve substantial costs. Regulatory authorities could conclude that our business practices may not comply with current or future fraud, abuse or other healthcare laws or regulations. If any such actions are instituted against us, and if we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in governmental healthcare programs, contractual damages, reputational damage, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and have a material adverse effect on our business and results of operations.

In particular, we are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing other improper advantages. We are also subject to the anti-bribery laws in other jurisdictions, including the Foreign Corrupt Practices Act (the “**FCPA**”) of the United States which generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. Failure to comply with anti-bribery laws could disrupt our business and lead to severe criminal and civil penalties, including imprisonment, criminal and civil fines, loss of our export licenses, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs. See also “— Risks Relating to Our Business and Industry — If our employees, distributors, customers, suppliers or other business partners engage in bribery, corruption or other illegal or unethical conduct, we may face liability, and our reputation and business could suffer. Investigations into such practices could generate negative publicity and incur significant costs, further harming our business.”

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As we expand our operations globally, we may also become subject to similar laws and regulations from other jurisdictions. There are ambiguities as to what is required to comply with any of these laws and regulations, and if we fail to comply with such requirements, we could be subject to penalties and other negative consequences. If any of the dental professionals or other third parties with whom we do business are found to be not in compliance with the applicable laws and regulations, they may be subject to criminal, civil or administrative sanctions, including exclusions from government-funded healthcare programs, which may also adversely affect our business.

Failures or perceived failures to comply with privacy, data protection, and information security requirements, or theft, loss, or misuse of personal information about our employees, customers, or other third parties, or other information, could increase our expenses, damage our reputation, or result in legal or regulatory proceedings.

The theft, loss, or misuse of the operational data collected, used, stored, or transferred by us to run our business could result in significantly increased business and security costs or costs related to defending legal claims may be required to expend significant resources to comply with data breach requirements if, for example, third parties improperly obtain and use the operational data, or we otherwise experience a data loss with respect to the operational data. A major breach of our network security and systems may result in fines, penalties, and damages, harm our reputation, and adversely affect our business, results of operations, and financial condition.

Data privacy is subject to evolving rules and regulations, which sometimes conflict among the various jurisdictions and countries in which we provide services. We are subject to a variety of local, national and international laws, directives and regulations that apply to the collection, use, retention, protection, security, disclosure, transfer, and other processing of personal data in the different jurisdictions in which we operate (“**Data Protection Laws**”). Any failure by us or our customers or other business partners to comply with such Data Protection Laws could result in regulatory or litigation-related actions against us, legal liability, fines, damages, ongoing audit requirements and other significant costs.

Global privacy legislation, enforcement and policy activity in this area are rapidly expanding and creating a complex regulatory compliance environment. Because many Data Protection Laws are new or subject to recent revisions or updates, there is often little clarity as to their interpretation or best practices for compliance, as well as a lack of precedent for the scope of enforcement. Costs to comply with Data Protection Laws and implement related privacy and data protection measures are significant, and may require us to change our business practices and compliance manners. Any noncompliance could adversely affect our ability to collect, analyze and store data, expose us to significant monetary penalties, damage to our reputation, result in suspension of online services or sites in certain countries, and even result in criminal sanctions. Even our inadvertent failure to comply with Data Protection Laws could result in audits, regulatory inquiries, or proceedings against us by governmental entities or other third parties. Any inability to adequately address data privacy or data protection, or other information security-related concerns, even if unfounded, to successfully negotiate privacy,

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data protection, or information security-related contractual terms with customers, or to comply with Data Protection Laws, could result in additional cost and liability to us, harm our reputation and brand, and could adversely affect our business, results of operations, and financial condition.

Evolving in political and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

A substantial portion of our operations are based in the PRC, and our business, financial condition, results of operations and prospects may be affected by economic, political, social and legal developments in China. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources; however, we cannot guarantee the extent to which our business operations will be able to benefit from such measures, if at all. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Developments in international trade policies and political tensions may adversely impact our business and results of operations.

We are susceptible to changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. Tensions and political concerns between China and other countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects. China's political relationships with foreign countries and regions may affect the prospects of our relationship with third parties, such as business partners, suppliers and customers. They may also affect our ability to expand our operations in the relevant jurisdictions. There can be no assurance that our existing or potential business partners, suppliers and customers will not alter their perception of us or their preferences as a result of adverse changes to the state of relationships between China and the relevant foreign countries or regions. Any tensions between China and the relevant foreign countries or regions may cause a decline in the demand or sales for our products and adversely affect our business, financial condition, results of operations, cash flows and prospects. Rising trade and political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between China and other countries and regions, which would have an adverse effect on global economic conditions, the stability of global financial markets, and international trade policies.

Unfavorable government policies on international trade, such as capital controls or tariffs, may also affect the competitive position of our products, the hiring of research and development personnel, and import or export of raw materials in relation to product development and production, or prevent us from selling our products in certain countries. In particular, if any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated, such changes could have an adverse effect on our business, financial condition and results of operations. In addition, our results of operations could be adversely affected if any such tensions or unfavorable government trade policies harm the Chinese economy or the global economy in general.

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You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our management.

Most of our assets are situated in the PRC and most of our Directors and officers are also in the PRC. Therefore, there remains the possibility that it may be difficult to effect service of process outside the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws. The PRC does not have treaties providing for the reciprocal recognition and enforcement of civil case judgments of courts with the United States and many other countries. Consequently, you may experience difficulties in enforcing against us or our Directors or officers in the PRC any judgments obtained from courts outside of the PRC.

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. On January 18, 2019, the Supreme People’s Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), which has come into effect on January 29, 2024 and superseded the Arrangement, or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the mainland. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the New Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the PRC even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the PRC, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination made by the relevant court in accordance with the New Arrangement.

We may be classified as a “PRC resident enterprise” for PRC enterprise income tax purposes, and our income may be subject to PRC tax under the relevant PRC laws.

Under the EIT Law, an enterprise established outside of China with “de facto management bodies” within China is considered a “resident enterprise,” meaning that it will be treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. Under the Circular of the State Taxation Administration on Issues Concerning the Identification of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of

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Their De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) issued by the State Taxation Administration (the “STA”) on April 22, 2009 and partially abolished in December 2017, or Circular 82, provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by foreigners like us as of the Latest Practicable Date, the criteria set forth in the Circular 82 may reflect the STA’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. Under Circular 82, an offshore enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management and their work location is in the PRC; (ii) decisions relating to the enterprise’s financial and human resources matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. On July 27, 2011, the STA issued Administrative Measures of Enterprise Income Tax of Chinese-Controlled Offshore Incorporated Resident Enterprises (Trial) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or Bulletin 45, which became effective on September 1, 2011 and as amended in 2015, 2016 and 2018, to provide further guidance on the implementation of Circular 82. Bulletin 45 clarifies certain issues related to determining PRC resident enterprise status, including which the competent tax authorities are responsible for determining offshore incorporated PRC resident enterprise status, as well as post-determination administration.

Despite the foregoing, the STA may take the view that the determining criteria set forth in Circular 82 and Bulletin 45 reflect the general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. Additional implementing regulations or guidance may be issued determining that we or any of our subsidiaries incorporated out of the PRC is a “resident enterprise” for PRC enterprise income tax purposes. If the PRC tax authorities determine that we or any of our subsidiaries incorporated out of the PRC is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we and our non-PRC subsidiaries may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. Second, although under the EIT Law and its implementing rules, Circular 82 and Bulletin 45 dividends paid by a PRC tax resident enterprise to an offshore incorporated PRC tax resident enterprise controlled by PRC enterprise would qualify as tax-exempted income, we cannot assure that dividends paid by our PRC subsidiaries to us will not be subject to any withholding tax. Finally, the EIT Law and its implementing rules issued by PRC tax authorities provide that dividends paid by us to our non-PRC shareholders and, while less clear, capital gains recognized by them with respect to the sale of our Shares may be subject to tax of 10% for non-PRC resident enterprise shareholders and 20% for non-PRC resident individual shareholders. In the case of dividend payments, such PRC tax may be withheld at source.

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We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have. Any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity that may be paid by our subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to the holders of our Shares and service any debt we may incur. If any of our subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to fund certain statutory reserve funds, until the aggregate amount of such a fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends.

Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends to our investors or other obligations to our suppliers, or otherwise fund and conduct our business.

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

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》), or SAT Bulletin 7, which came into effect on February 3, 2015. SAT Bulletin 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source (《關於非居民企業所得稅源泉扣繳有關問題的公告》), or SAT Bulletin 37, which came into effect on December 1, 2017. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-resident enterprise income tax.

We face uncertainties as to the reporting and other implications of future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the Shares in our offshore subsidiaries and investments. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

RISK FACTORS

The M&A Rules and certain other PRC regulations establish certain procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, established additional procedures and requirements for foreign investors with respect to merger and acquisition activities. Moreover, the PRC Anti-monopoly Law requires that the anti-trust government authority shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. Furthermore, the Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM, effective in September 2011, specifies that a security review is required for mergers and acquisitions by foreign investors having “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns. The foregoing regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. On December 19, 2020, the NDRC and the MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the “**Office of the Working Mechanism**”) has been established under the NDRC, who leads the task together with the MOFCOM. Foreign investors or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and Internet products and services and other important fields relating to national security, and obtain control in the target enterprise.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts or other relevant government agencies may delay or inhibit our ability to complete such transactions.

RISK FACTORS

We are subject to filing and other requirements from the CSRC or other PRC government authorities in connection with the [REDACTED] and any future capital raising activities.

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures have comprehensively improved and reformed the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities. Any such domestic company that is deemed to conduct overseas offering and listing activities, including both the [REDACTED] and any further capital raising, shall file with the CSRC in accordance with the Overseas Listing Trial Measures. According to the Overseas Listing Trial Measures, we are required to fulfill the filing procedure with the CSRC within three working days after submitting the application documents to the overseas supervisory authorities and report relevant information.

In addition, we are also subject to filing requirements for any of our future [REDACTED] after the [REDACTED]. We cannot assure you that we will be able to get clearance of our filing procedures under the Overseas Listing Trial Measures on a timely basis, or at all. Any failure on our part to fully comply with such regulatory requirements may significantly limit or completely hinder our ability to sell our securities to investors, cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our Shares prior to the [REDACTED]. An active [REDACTED] for our Shares may not develop or be sustained and the [REDACTED] and volume of our Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no [REDACTED] for our Shares. There can be no guarantee that an [REDACTED] for our Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for themselves and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following completion of the [REDACTED]. The [REDACTED] of our Shares may drop below the [REDACTED] at any time after completion of the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED] the [REDACTED]. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid [REDACTED] for our Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the [REDACTED] will not decline following the [REDACTED].

RISK FACTORS

The [REDACTED] and [REDACTED] and of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the [REDACTED] of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and [REDACTED] for our Shares. A number of China-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards China-based companies listed in Hong Kong and consequently may impact the [REDACTED] of our Shares. These broad market and industry factors may significantly affect the [REDACTED] and volatility of our Shares, regardless of our actual operating performance, and may result in losses on your [REDACTED] in our [REDACTED].

In addition to market and industry factors, the [REDACTED] and [REDACTED] for our Shares maybe highly volatile for specific business reasons. In particular, factors such as variations in our revenue, earnings and cash flow could cause the [REDACTED] of our [REDACTED] to change substantially. Any of these factors may result in large and sudden change in the volume and [REDACTED] of our [REDACTED].

Our Controlling Shareholders may exert substantial influence over our operations and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the Share Subdivision and the [REDACTED] and assuming the [REDACTED] is not exercised, our Controlling Shareholders will hold in aggregate [REDACTED] Shares representing [REDACTED]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

RISK FACTORS

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and substantial Shareholders, could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and existing Shareholders, or the perception or anticipation of such sales, could negatively impact the [REDACTED] of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our existing Shareholders are subject to certain lock-up periods. See "[REDACTED]" While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. The effect of such disposal, if any, on the [REDACTED] of the Shares cannot be predicted.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [REDACTED] of Shares is higher than the net tangible book value per share of our Shares immediately prior to the [REDACTED], purchasers of our Shares in the [REDACTED] will experience an immediate dilution. If we issue additional Shares in the future, purchasers of our Shares in the [REDACTED] may experience further dilution in their shareholding percentage.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

During the Track Record Period, dividends of RMB79,998,000 were declared and paid by Shandong Huge Dental Material Co., Ltd. to its then shareholders. Our Board has discretion as to whether to distribute dividends, subject to certain restrictions under Cayman Islands law, namely that our Company may pay dividends out of profits or share premium, provided always that in no circumstances may a dividend be paid out of share premium if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your [REDACTED] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value or even maintain the price at which you purchased the Shares. You may not realize a return on your [REDACTED] in our Shares and you may even lose your entire [REDACTED] in our Shares.

RISK FACTORS

We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management will have broad discretion in the application of the net [REDACTED] from this [REDACTED], including for any of the purposes described in the section titled “Future Plans and Use of [REDACTED].” Because of the number and variability of factors that will determine our use of the net [REDACTED] from this [REDACTED], their ultimate use may vary substantially from their currently intended use. Our management might not apply the net [REDACTED] in ways that ultimately increase the value of your [REDACTED], and the failure by our management to apply these funds effectively could harm our business. The failure by our management to apply these funds effectively could have a material adverse effect on our business, financial condition and results of operation. You will not have the opportunity, as part of your [REDACTED] decision, to assess whether [REDACTED] are being used appropriately. You must rely on the judgment of our management regarding the application of the net [REDACTED] of this [REDACTED].

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed “Industry Overview,” contains information and statistics relating to the dental medical devices market. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. The information and statistics from such sources have not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], and other [REDACTED], any of our or their respective directors, officers or representatives or any other party, other than Frost & Sullivan, involved in the [REDACTED] and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

Forward-looking information in this document is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects,” “going forward,” “intend” and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in

RISK FACTORS

this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the [REDACTED], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, our Company must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and most of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially infeasible for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

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

- (a) both of our Company’s authorized representatives, Mr. XIANG Longsheng (相龍升) (“**Mr. Xiang**”), our executive Director, and Mr. NG Tung Ching Raphael (吳東澄) (“**Mr. Ng**”), one of our joint company secretaries, will act as our Company’s principal channels of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone, facsimile (if any) and/or email to promptly deal with enquiries from the Stock Exchange;
- (b) each of the authorized representatives of our Company has means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;
- (c) each Director has provided their mobile phone number, office phone number, fax number (if any) and e-mail address to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

- (d) each of our Directors (including independent non-executive Directors) who is not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time;
- (e) we have appointed Zhongtai International Capital Limited as our Compliance Advisor, in compliance with Rule 3A.19 of the Listing Rules, who will also act as an additional channel of communication with the Stock Exchange from the [REDACTED] to the date when our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year immediately following the [REDACTED]. We will ensure that the Compliance Advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will provide promptly such information and assistance as the Compliance Advisor may need or may reasonably require in connection with the performance of the Compliance Advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors, and other officers and the Compliance Advisor, and will keep the Compliance Advisor fully informed of all communications and dealings between us and the Stock Exchange;
- (f) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the Compliance Advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives and/or our Compliance Advisor; and
- (g) we will also retain legal advisors to advise on on-going compliance requirements as well as other issues arising under the Listing Rules and other applicable laws and regulations of Hong Kong after the [REDACTED].

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Chartered Governance Institute; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Note 2 to Rule 3.28 of the Listing Rules further sets out that in assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than 15 hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

- (a) whether the issuer has principal business activities primarily outside Hong Kong;
- (b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and
- (c) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time and on the following conditions:

- (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the waiver period; and
- (b) the waiver will be revoked if there are material breaches of the Listing Rules by the issuer.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities laws and regulation in Hong Kong, they also need to have experience relevant to our Company's operations, nexus to our Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs as a company secretary.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

We have appointed Mr. Xiang as one of our joint company secretaries. His biographical information is set out in “Directors and Senior Management.” Since Mr. Xiang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a [REDACTED] issuer stipulated under Rule 3.28 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Xiang as our joint company secretary. In order to provide support to Mr. Xiang, we have appointed Mr. Ng, a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, who meets the requirements under Rule 3.28 of the Listing Rules, as a joint company secretary to provide assistance to Mr. Xiang, for a three-year period from the [REDACTED] so as to enable him to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) and duly discharge his duties. Given Mr. Ng’s professional qualifications and experience, he will be able to explain to both Mr. Xiang and our Company the relevant requirements under the Listing Rules. Mr. Ng will also assist Mr. Xiang in organizing Board meetings and general meetings as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Mr. Xiang, and will maintain regular contact with Mr. Xiang, our Directors and senior management.

Pursuant to Chapter 3.10 of the Guide for New Listing Applicants, such waiver [has been] granted for a three-year period from the [REDACTED] (the “**Waiver Period**”) and on the conditions that: (i) Mr. Ng is appointed as a joint company secretary to assist Mr. Xiang in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; this waiver will be revoked immediately if and when Mr. Ng ceases to provide such assistance during the Waiver Period; and (ii) this waiver is subject to revocation in the event of any material breaches of the Listing Rules by our Company.

In addition, Mr. Xiang will comply with the annual professional training requirements under Rule 3.29 of the Listing Rules and enhance his understanding of the Listing Rules during the Waiver Period. Our Company will further ensure that Mr. Xiang has access to the relevant training and support to familiarize himself with the Listing Rules and the duties of a company secretary of an issuer [REDACTED] on the Stock Exchange. Prior to the expiration of the Waiver Period, our Company will further evaluate the qualifications and experience of Mr. Xiang to determine whether he has satisfied the requirements as stipulated under the Listing Rules and whether he needs further assistance. We will liaise with and assist the Stock Exchange in assessing whether Mr. Xiang, having benefited from the assistance of Mr. Ng for three years, has acquired the skills necessary to carry out the duties of a company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

For further information regarding the qualifications of Mr. Xiang and Mr. Ng, see “Directors and Senior Management.”

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

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INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

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[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. SONG Xin (宋欣)	Room 1001, Building 43 No. 788 Hongxu Road Minhang District Shanghai PRC	Chinese
Mr. LIU Qin (劉欽)	Room 101, No. 12, Sub-lane 3 Lane 335 Weifang Road Pudong New Area Shanghai PRC	Chinese
Ms. ZHANG Yongjing (張永靜)	Room 2304, Unit 1, Building 20 Antai Crystal City Donggang District Rizhao Shandong PRC	Chinese
Mr. XIANG Longsheng (相龍升)	Room 1505, Building 5 No. 31 Haier Road Laoshan District Qingdao Shandong PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Independent Non-executive Directors

Mr. WONG Fatt Heng (黃柏興)	Room 1601, Building 53 Lane 58 Tongchuan Road Putuo District Shanghai PRC	Malaysian
Mr. WANG Lin (王林)	Room 501, Unit 3, Building 3 No. 98 Zhanjiang Road Gulou District Nanjing Jiangsu PRC	Chinese
Mr. YI Shanbing (易善兵)	Room 104, Building 12 Jinshan Xinghewan Community Ningguo Anhui PRC	Chinese

For further details of our Directors, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

China International Capital Corporation

Hong Kong Securities Limited

29/F One International Finance Center

1 Harbor View Street

Central

Hong Kong

DBS Asia Capital Limited

73/F, The Center

99 Queen's Road Central

Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal Advisors to Our Company

As to Hong Kong and U.S. laws:

Kirkland & Ellis

26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC laws:

Commerce & Finance Law Offices

12-15/F
China World Office 2
1 Jian Guo Men Wai Avenue
Beijing
PRC

As to Cayman Islands laws:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbor Road
Wanchai
Hong Kong

**Legal Advisors to the Joint Sponsors and
[REDACTED]**

As to Hong Kong and U.S. laws:

Linklaters

11/F, Alexandra House
Chater Road
Central
Hong Kong

As to PRC laws:

Jingtian & Gongcheng

34/F, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District
Beijing
PRC

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Reporting Accountant and Auditor

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

27/F, One Taikoo Place

979 King's Road

Quarry Bay

Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc.,

Shanghai Branch Co.

Room 2504, Wheelock Square

1717 West Nanjing Road

Jing'an District

Shanghai

PRC

Compliance Advisor

Zhongtai International Capital Limited

19/F, Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office	PO Box 31119, Grand Pavilion Hibiscus Way Seven Mile Beach Cayman Islands
Headquarter and Principal Place of Business in the PRC	No. 68, Shanhai Road Donggang District Rizhao Shandong PRC
Principal Place of Business in Hong Kong	46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	https://www.hugedental.cn <i>(Information contained in this website does not form part of this document)</i>
Joint Company Secretaries	Mr. XIANG Longsheng (相龍升) No. 68, Shanhai Road Donggang District Rizhao Shandong PRC Mr. NG Tung Ching Raphael (吳東澄) <i>(a member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i> 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	Mr. XIANG Longsheng (相龍升) No. 68, Shanhai Road Donggang District Rizhao Shandong PRC Mr. NG Tung Ching Raphael (吳東澄) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong

CORPORATE INFORMATION

Audit Committee

Mr. YI Shanbing (易善兵) (*Chairperson*)
Mr. WONG Fatt Heng (黃柏興)
Mr. WANG Lin (王林)

Remuneration Committee

Mr. YI Shanbing (易善兵) (*Chairperson*)
Mr. SONG Xin (宋欣)
Mr. WANG Lin (王林)

Nomination Committee

Mr. SONG Xin (宋欣) (*Chairperson*)
Ms. ZHANG Yongjing (張永靜)
Mr. WONG Fatt Heng (黃柏興)
Mr. WANG Lin (王林)
Mr. YI Shanbing (易善兵)

[REDACTED]

Principle banks

China Merchants Bank Rizhao Branch

China Resources Landmark
No. 1000 Shandong Road
Donggang District
Rizhao
Shandong
PRC

Industrial and Commercial Bank of China Donggang Sub-branch

No. 55, Wanghai Road
Donggang District
Rizhao
Shandong
PRC

INDUSTRY OVERVIEW

Certain information and statistics presented in this section and elsewhere in this document were derived from official government publications and other publicly available sources as well as from the Frost & Sullivan Report, a market research report prepared by Frost & Sullivan, an independent global consulting firm that was commissioned by us. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, officers, or representatives. For discussions of risks relating to our industries, see “Risk Factors — Risks Relating to Our Business and Industry.”

GLOBAL DENTAL MEDICAL DEVICES MARKET

Overview

Dental medical devices refer to the materials, and equipment and appliances used by dentists during treatment. The dental medical devices market is experiencing rapid growth, driven by factors such as an aging population, increased awareness of dental health, and treatment advancements. The dental medical device industry has shown significant expansion from 2019 to 2024 and is expected to continue to maintain strong growth through 2030.

The dental medical devices market includes the dental materials market, and the dental equipment and appliances market. The dental materials market mainly includes dental clinical materials and dental laboratory materials, which are used in various dental departments, including restorative dentistry, implantology, orthodontics, endodontics and pediatrics. The dental equipment market covers various equipment and appliances used in dentistry.

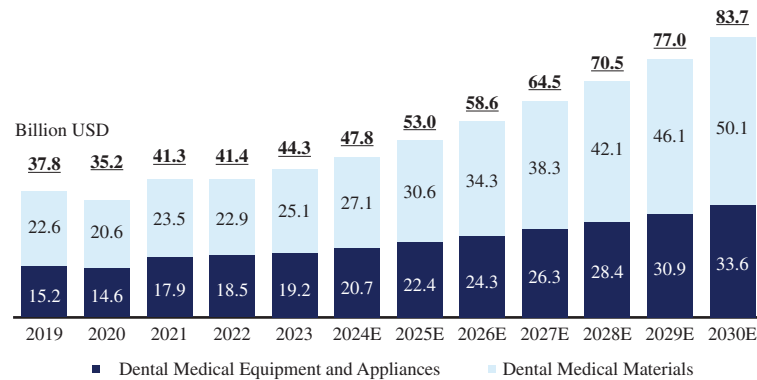
Market Size

The size of the global dental medical devices market grew at a CAGR of 4.0% from US\$37.8 billion in 2019 to US\$44.3 billion in 2023 and is expected to grow at a CAGR of 9.5% from 2023 to 2030 and reach US\$83.7 billion in 2030. Firstly, the growing awareness of dental health is driving demand for dental medical devices. Secondly, economic growth and rising income levels in Southeast Asia are fueling greater demand for dental treatments, particularly in countries with rapidly expanding middle class like Indonesia and Vietnam. Lastly, technological advancements, such as digital dentistry and 3D printing, are improving treatment efficiency and enhancing patient experience, thereby attracting more consumers.

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Market Size of Global Dental Medical Devices Market, 2019-2030E

Period	CAGR		
	Dental Medical Equipment and Appliances	Dental Medical Materials	Total
2019-2023	6.0%	2.7%	4.0%
2023-2030E	8.4%	10.4%	9.5%



Source: Frost & Sullivan analysis

The global dental medical devices market is characterized by significant regional variations in size and growth potential. In the established markets of Europe and North America, the market size is expected to remain robust. This sustained demand is primarily driven by the high awareness of dental health in the regions. The Southeast Asian market currently has a smaller size; however, it demonstrates promising development potential.

Drivers and Trends

The drivers and trends of the global dental medical devices market are as follows:

Increasing End-user Demand. The growing aging population is leading to more dental issues and more frequent clinic visits, driving demand for essential dental materials like fillings, crowns, implants and braces. This demand establishes a positive feedback loop that stimulates growth in the dental materials sector. Heightened awareness of oral hygiene also encourages proactive treatment across all age groups, further expanding the market.

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Government Support and Favorable Policies. Many countries are enacting supportive policies for the industry, such as improved dental insurance and increased access to affordable services. Developed countries are popularizing public dental welfare and developing countries are improving public dental welfare, such as launching free children’s dental pit and fissure sealing and anti-carries programs. These initiatives foster market growth and boost consumption of dental materials.

Technological Advancements. The advancement of implant technology meets the needs of more elderly people, while the advancement of orthodontic technology meets the needs of more young people. Innovations, such as 3D printing and digital technologies, are driving the dental materials market forward. These advancements lead to more efficient and precise materials that enhance the quality of treatment. The introduction of innovative, user-friendly products not only improves patient outcomes but also expands the range of available dental procedures, and therefore attracting more customers.

Rise of Chinese Brands. Chinese dental medical device brands are increasingly making their mark in the international market. Fueled by technological advancements and a focus on quality, these brands are expanding their reach beyond domestic borders. With government support and investments in research and development, they are innovating and producing competitive products. As they participate in global trade shows and establish partnerships with overseas companies, these brands are gaining recognition and challenging established players, showcasing their potential on the world stage.

Strong Capital Market Enthusiasm. Capital markets are showing strong interest in investing in the dental materials sector, particularly in innovative technologies. This growing focus on innovation not only reflects confidence in the sector’s potential but also attracts funding for companies developing novel dental products, which facilitates research and development and accelerates overall market growth.

CHINA DENTAL MEDICAL DEVICES MARKET

Overview

The China dental medical devices market is experiencing similar growth to the global dental medical devices market. In China, the dental medical devices market has traditionally been dominated by foreign manufacturers. However, recent years have seen the rise of Chinese brands. By overcoming barriers of R&D as well as utilizing competitive pricing and efficient distribution, they are gaining a part of domestic share and increasingly exporting their products globally, challenging established players.

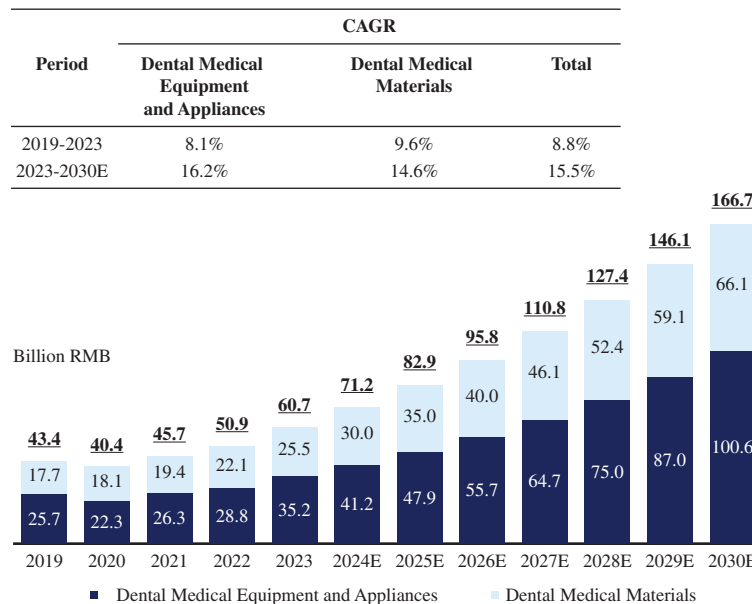
INDUSTRY OVERVIEW

Market Size

China’s dental medical devices market is large and growing rapidly, resulted from the increasing demand for dental health services. Firstly, the high incidence of dental caries is an important driving factor. In 2023, the population affected by dental caries in China reached 763 million and is projected to continue growing from 2023 to 2030. The extensive treatment demand has laid a solid foundation for the market. Secondly, with the increasing health awareness of the population, the number of dental patients has increased year by year, driving the continuous expansion of the market. Elder people with a strong health awareness and economic ability are an important driving force for dental medical consumption. Younger population approaching middle age, with their attention to dental health has further increased, are becoming the new main consumer force. At the same time, China’s dental medical consumption is still relatively low. With the improvement of income level and consumption capacity, China’s per capita dental medical consumption continues to grow. In particular, dental medical services occupy an important position in personal consumption and are typically more prioritized than other types of consumption. These factors have jointly promoted the rapid development of China’s dental medical devices market.

The size of the China dental medical devices market grew at a CAGR of 8.8% from RMB43.4 billion in 2019 to RMB60.7 billion in 2023 and is expected to grow at a CAGR of 15.5% from 2023 to 2030 and reach RMB166.7 billion in 2030.

Market Size of China Dental Medical Devices Market, 2019-2030E



Source: Frost & Sullivan Analysis

INDUSTRY OVERVIEW

Drivers and Trends

The drivers and trends of the China dental medical devices market are as follows:

Domestic Substitution. The Chinese government is encouraging the domestic production of dental materials, which fosters the growth of local brands and enhances their market share. Key initiatives, such as supporting innovation and reducing reliance on imports, have significantly bolstered the competitiveness of Chinese-made dental materials. Key government decisions such as the Healthy Dental Health Action Plan (2019-2025) attend to the development of dental science and technology and major clinical needs, and emphasize the acceleration of the domestic development of high-end dental equipment and dental materials. At the same time, the recognition of Chinese brands has reached a high level and is showing an upward trend year by year.

Growing End-User Demand. China’s large and aging population has significantly increased the demand for dental care, particularly among the elderly, who require more treatments and products. Moreover, as the country continues to advance economically, disposable income per capita is steadily rising, enabling more individuals to invest in their dental healthcare. This resulted in a heightened demand for high-quality dental services and materials. Increasing public awareness of dental health is another factor that prompts more consumers to prioritize dental care, especially among younger generations who are more inclined to seek preventive care and cosmetic treatments.

Favorable Policy Support. The Chinese government has introduced a variety of supportive policies. Dental health has been recognized as a key priority within the “Healthy China 2030” initiative. Specifically, the expansion of medical insurance coverage for dental treatments has contributed to higher dental treatment demand.

DENTAL CLINICAL MATERIALS

Overview

Dental clinical materials are the biggest category of dental materials in terms of market size. Dental departments primarily include restorative dentistry, implantology, orthodontics, endodontics and pediatrics, and dental clinical materials are specifically formulated and/or provided for dental professionals to use in clinical practice and related surgical procedures.

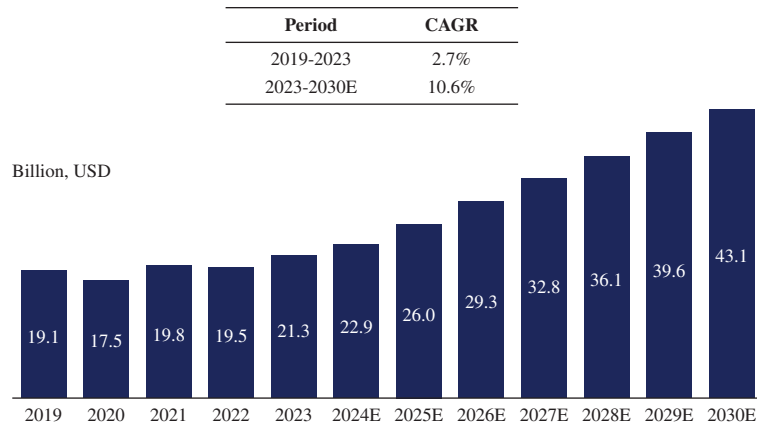
Dental clinical materials are mainly divided into categories including impression taking materials, restorative and filling materials such as glass ionomer materials, resin adhesive materials and restorative resin materials, as well as pediatric dental prevention, orthodontics, dental implants and tissue reconstruction materials, and root canal treatment materials.

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Market Size

Globally, the size of the dental clinical materials market grew at a CAGR of 2.7% from US\$19.1 billion in 2019 to US\$21.3 billion in 2023 and is expected to grow at a CAGR of 10.6% from 2023 to 2030 and reach US\$43.1 billion in 2030.

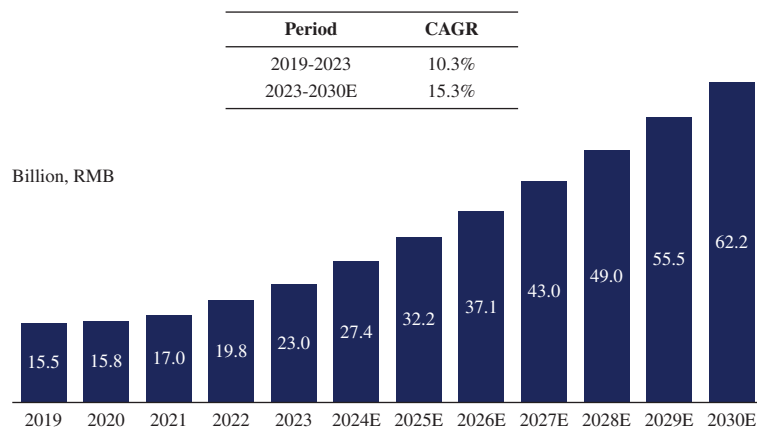
Market Size of Global Dental Clinical Materials Market, 2019-2030E



Source: Frost & Sullivan analysis

In China, the size of the dental clinical materials market grew at a CAGR of 10.3% from RMB15.5 billion in 2019 to RMB23.0 billion in 2023 and is expected to grow at a CAGR of 15.3% from 2023 to 2030 and reach RMB62.2 billion in 2030.

Market Size of China Dental Clinical Materials Market, 2019-2030E



Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Competitive Landscape

Both globally and in China, the dental clinical materials market has been primarily led by well-known foreign manufacturers, such as 3M, Dentsply Sirona, Kuraray Noritake Dental, GC Corporation, Ivoclar, DMG Dental and Kulzer. This dominance is largely attributed to their first-mover advantages and the technological barriers associated with their products.

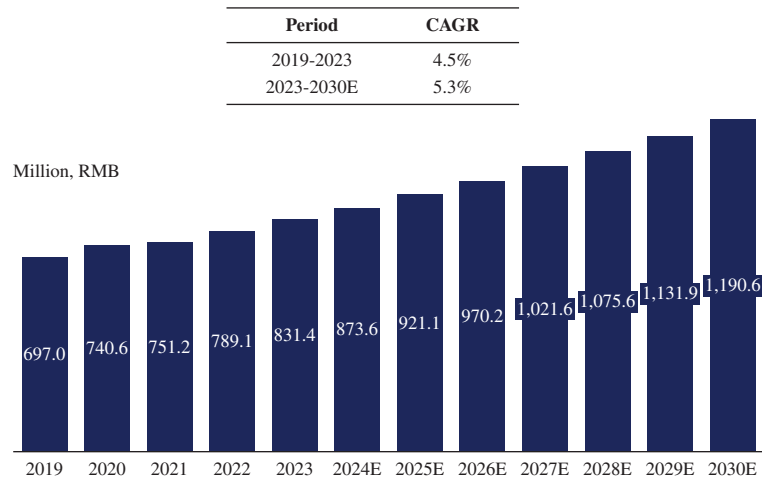
However, in recent years, Chinese dental materials companies have emerged, successfully overcoming these technological barriers through research and development. By leveraging competitive pricing and effective distribution channels, these companies are gradually capturing a significant portion of the local market. They are also gradually expanding globally, exporting competitively priced products to overseas markets and competing with established foreign competitors.

In the Chinese dental clinical materials market, Huge Dental ranks in the first tier among domestic brands, following several foreign leaders. Huge Dental has successfully developed dental clinical materials that are comparable to those produced by leading foreign manufacturers, including elastomeric impression materials, glass ionomer cement, light cure dental adhesive, bonding resin cement (dual cure), light cure composite resin, flowable resin, sodium fluoride tooth protector and enamel coating resin for pit and fissure sealing. In terms of sales volume in China, Huge Dental has surpassed well-known foreign manufacturers in the area of elastomeric impression materials and is also rapidly narrowing the gap in glass ionomer cements and resin adhesives.

Impression Taking Materials

Impression taking materials are essential for treatments across all dental departments. In China, the size of the impression taking materials market grew at a CAGR of 4.5% from RMB0.7 billion in 2019 to RMB0.8 billion in 2023 and is expected to grow at a CAGR of 5.3% from 2023 to 2030 and reach RMB1.2 billion in 2030.

Market Size of China Impression Taking Materials Market, 2019-2030E

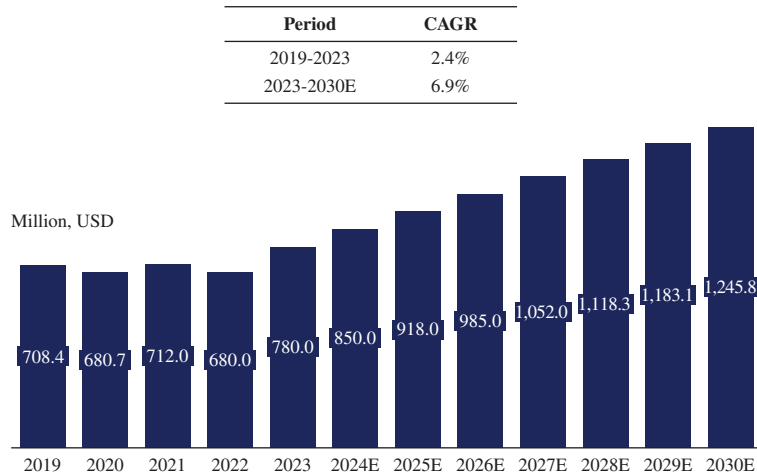


Source: Frost & Sullivan analysis

INDUSTRY OVERVIEW

Globally, the size of the impression taking materials market grew at a CAGR of 2.4% from US\$0.7 billion in 2019 to US\$0.8 billion in 2023 and is expected to grow at a CAGR of 6.9% from 2023 to 2030 and reach US\$1.2 billion in 2030.

Market Size of Global Impression Taking Materials Market, 2019-2030E



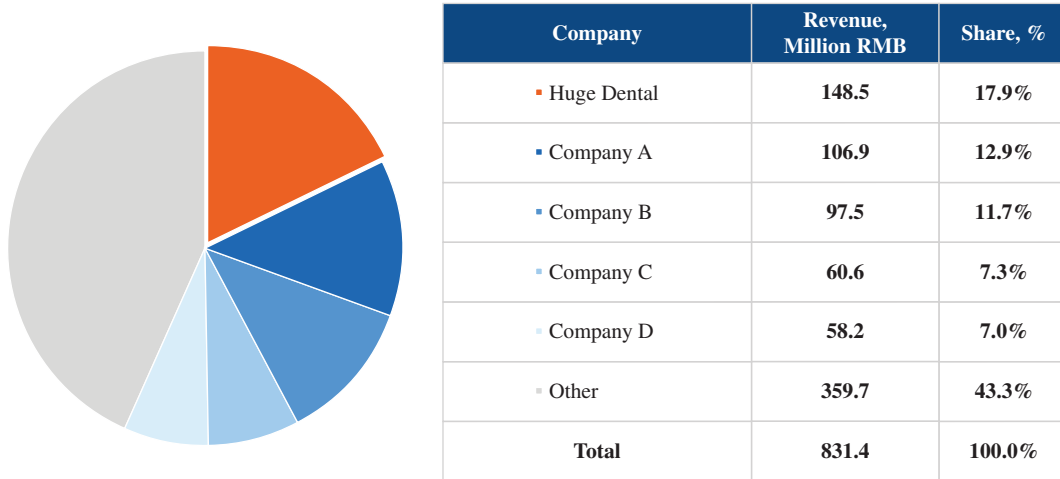
Source: Frost & Sullivan analysis

Among impression taking materials, elastomeric impression material, which is made of silicone rubber, is particularly popular due to their exceptional qualities. Silicone rubber elastomeric impression materials are significantly superior to other impression materials due to their dimensional stability, high-precision detail reproduction ability, elastic recovery and strong tear resistance. Their low shrinkage rate and anti-sensitivity to environmental humidity ensure the accuracy and stability of the impression, while flexible operation time and less stimulation to the patient improve clinical applicability and comfort. These advantages make silicone rubber the preferred option for high-precision dental treatments, such as implants and restorations, ensuring accuracy and effectiveness in procedures.

Traditionally, the elastomeric impression materials market in China was led by well-known foreign dental material companies. In recent years, domestic Chinese dental material manufacturers have begun to emerge, successfully overcoming technological barriers associated with silicone rubber materials through research and development. By leveraging competitive pricing and strong distribution channels and supporting services, these companies are gradually capturing a significant share of the local market. For example, Huge Dental ranks first in terms of revenue for elastomeric impression materials in China, surpassing foreign competitors. Compared with competing products, the elastomeric impression material of Huge Dental is more accurate, less prone to deformation, and its dimensional change rate is much lower than 1%. The following table sets forth the competitive landscape of the Chinese elastomeric impression materials market.

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Competitive Landscape of China Impression Taking Materials Market by Revenue, 2023



Notes:

- (1) F&S has estimation for the revenue which does not have public information.
- (2) Company A is a German company specialized in the development and production of dental materials and consumables. Company B is a listed U.S. company focused on providing dental materials, equipment and digital solutions. Company C is an Italian company specialized in dental impression taking materials and dental consumables. Company D is a German company providing dental materials and solutions.

Source: Annual report, expert interview, Frost & Sullivan analysis

Orthodontics

Orthodontic products are among the higher-priced categories within dental clinical materials. Consequently, the market size of orthodontic products represents a significant proportion of the overall dental clinical materials market. In China, the size of the orthodontic products market grew at a CAGR of 7.6% from RMB9.5 billion in 2019 to RMB12.7 billion in 2023 and is expected to grow at a CAGR of 10.7% from 2023 to 2030 and reach RMB25.8 billion in 2030.

Orthodontic products are mainly divided into invisible orthodontic products and non-invisible orthodontic products. Non-invisible orthodontics has been the mainstream option and is expected to remain so in the near future. In the long term, invisible orthodontics is anticipated to become the predominant choice. In China, the invisible orthodontic products market is primarily led by one foreign company and two domestic companies, while the remainder of the market is highly fragmented.

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Drivers and Trends

China's dental clinical materials industry is entering a critical phase of development, characterized by the following trends and key drivers: Firstly, the continuous innovation and application of new materials are driving technological advancements in the industry. These include specialized silicones, next-generation high-performance ceramic composite resins, next-generation adhesive materials and next-generation filling materials. New materials may provide more reliable solutions for clinical applications. Secondly, with the strengthening of domestic enterprises' R&D capabilities, the trend toward domestic substitution is becoming increasingly prominent. High-quality domestic dental clinical materials are gradually replacing imported products. Thirdly, as materials continue to iterate and evolve, domestic companies are increasingly positioned to reshape the competitive landscape through technological innovation and product upgrades, driving the market toward high-quality development.

Entry Barriers

The dental materials market presents significant entry barriers, creating substantial challenges for competitors who have yet to enter this sector or are in the early stages of their market participation. New entrants would be challenged by high research and development costs, stringent regulatory requirements, and the necessity to possess advanced technological expertise. Meanwhile, the competitive landscape is intensified by established competitors from both foreign and domestic manufacturers.

Production and R&D. Efficient production processes require significant capital investment and the expertise that comes with experience, allowing established companies to optimize operations and reduce costs. In addition, new entrants face inherent disadvantages in R&D, as they must invest heavily to catch up with the innovations and advancements made by established players.

Stringent Regulatory Framework. The dental clinical materials market is subject to strict regulations both domestically and internationally. Products must undergo rigorous quality assessments and obtain necessary approvals. In China, dental medical devices require clearance from the NMPA, which mandates extensive clinical trial data to ensure safety and efficacy. Similarly, compliance with CE marking or FDA approval is essential in the EU and U.S., creating significant barriers to entry for new manufacturers.

Sales Network. Distributing dental clinical materials involves a complex sales network among distributors, hospitals and clinics. Establishing a sales network requires substantial long-term investment and strategic partnerships, making it challenging for new entrants to gain market access.

Brand Recognition. Strong brand recognition and consumer trust are essential in the dental clinical materials sector. Dental professionals and dental medical institutions tend to favor established brands due to safety concerns as they often associate these brands with reliability and quality. New entrants must make significant investments in brand development

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and marketing to gain recognition, which can take several years. The competitive landscape is intense, making it even more challenging to capture market share and requiring a strong commitment to effective differentiation.

In overseas markets, beyond the aforementioned barriers, a significant challenge lies in the dominant market position held by leading foreign brands, which creates a substantial monopoly barrier. While this barrier increases the difficulty for new entrants, it also presents potential opportunities for disruption and growth.

DENTAL LABORATORY MATERIALS

Overview

Dental laboratory materials are used in dental laboratories to make dental restorations (such as crowns, bridges, dentures) models and related tools. These materials need to be further processed in the dental laboratory before they can be used by patients. Patients can choose removable denture restoration or fixed denture restoration according to their own needs. Removable denture restoration is suitable for patients with more missing teeth and need the flexibility to mount and remove the denture while fixed denture restoration is more suitable for patients who pursue long-term stability and high aesthetics. The raw materials for removable denture restoration are mainly resins. The raw materials for fixed denture restoration are mainly ceramics.

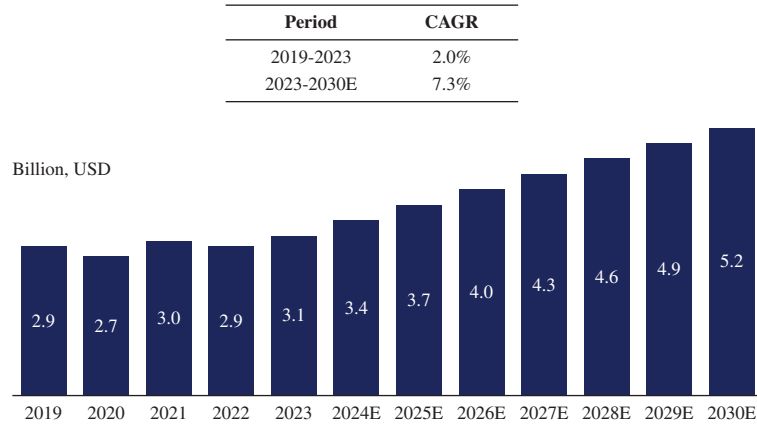
Resin material is a lightweight and affordable restoration material with good processability and biocompatibility. It is often used for the base and artificial teeth of removable dentures, as well as temporary restorations of fixed dentures. It is light in weight and low in price, but its strength and resistance to wearing are relatively weak, which is suitable for patients who do not have high requirements for function and aesthetics. Ceramic materials are widely used in fixed denture restoration with their excellent aesthetic properties and durability. Zirconia ceramics and glass ceramics are representatives of them, which can highly restore the color and texture of natural teeth, and have good biocompatibility and wear resistance. Ceramic materials are suitable for patients seeking high strength and natural appearance, especially in the aesthetic restoration of anterior teeth.

Market Size

Globally, the size of the dental laboratory materials market grew at a CAGR of 2.0% from US\$2.9 billion in 2019 to US\$3.1 billion in 2023 and is expected to grow at a CAGR of 7.3% from 2023 to 2030 and reach US\$5.2 billion in 2030.

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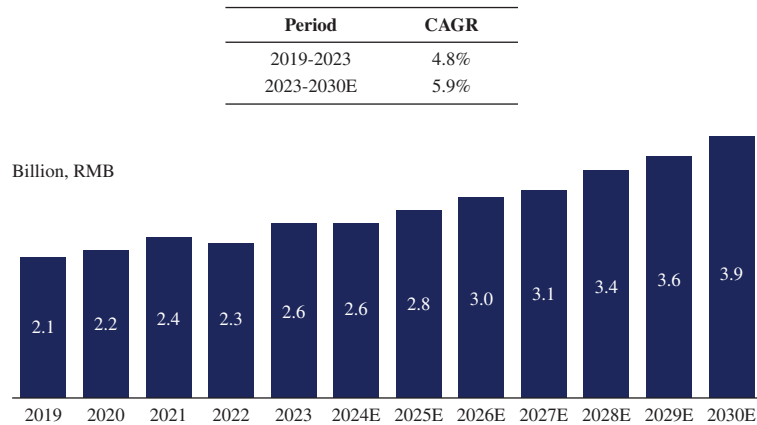
Market Size of Global Dental Laboratory Materials Market, 2019-2030E



Source: Frost & Sullivan analysis

In China, the size of the dental laboratory materials market grew at a CAGR of 4.8% from RMB2.1 billion in 2019 to RMB2.6 billion in 2023 and is expected to grow at a CAGR of 5.9% from 2023 to 2030 and reach RMB3.9 billion in 2030.

Market Size of China Dental Laboratory Material Market, 2019-2030E



Source: Frost & Sullivan analysis

Competitive Landscape

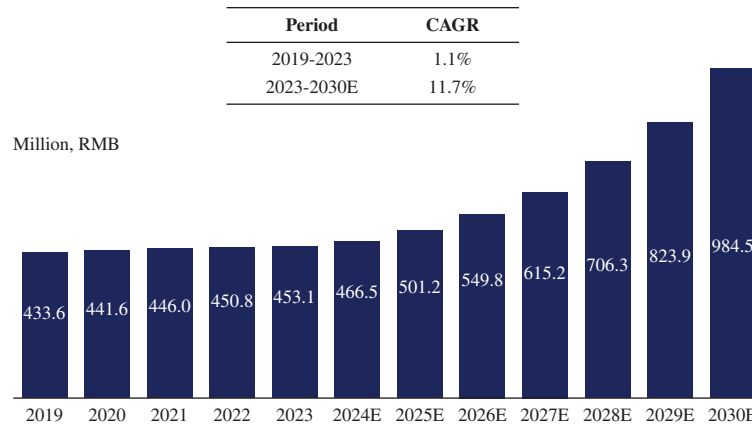
Similar to dental clinical materials, dental laboratory materials have traditionally been led by foreign established manufacturers. In recent years, Chinese companies have rapidly emerged and expanded in this sector.

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Removable Denture Restoration Materials

In China, the size of the removable denture restoration materials market grew at a CAGR of 1.1% from RMB433.6 million in 2019 to RMB453.1 million in 2023 and is expected to grow at a CAGR of 11.7% from 2023 to 2030 and reach RMB984.5 million in 2030.

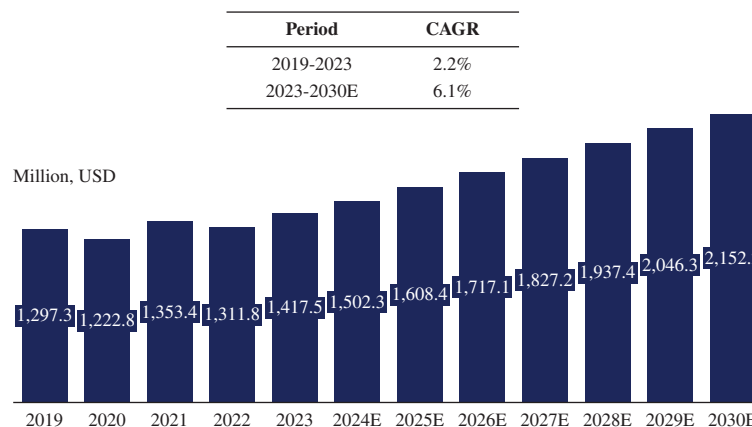
Market Size of China Removable Denture Restoration Materials Market, 2019-2030E



Source: Frost & Sullivan analysis

Globally, the size of the removable denture restoration materials market grew at a CAGR of 2.2% from US\$1.3 billion in 2019 to US\$1.4 billion in 2023 and is expected to grow at a CAGR of 6.1% from 2023 to 2030 and reach US\$2.2 billion in 2030.

Market Size of Global Removable Denture Restoration Materials Market, 2019-2030E

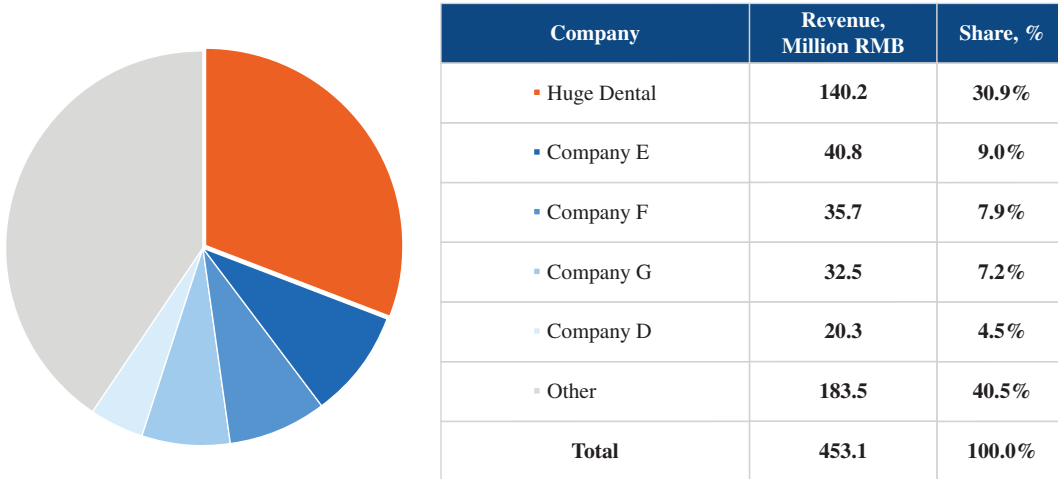


Source: Frost & Sullivan analysis

Huge Dental has surpassed international competitors, establishing itself as the top player in the Chinese market in terms of revenue.

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Competitive Landscape of China Removable Denture Restoration Materials Market by Revenue, 2023



Notes:

- (1) F&S has estimation for the revenue which does not have public information.
- (2) Company E is a listed Japan company providing dental materials and dental equipment manufacturer. Company F is a Japan company specialized in manufacturing dental materials and products. Company G is a listed U.S. company that provides dental materials and dental equipment. Company D is a German company providing dental materials and solutions.

Source: Annual Report, expert interview, Frost & Sullivan analysis

Drivers and Trends

With the advancement of technology, digitalization and 3D printing are increasingly being integrated into the production of dental materials. The combination of digital technology (such as oral scanning and CAD/CAM) and 3D printing is completely changing the way dental materials are produced. Digital technology directly converts the patient’s oral information into restoration design through high-precision data collection and modeling, ensuring the precise matching of morphology, occlusion and function. This digital design can seamlessly connect with 3D printing technology, directly converting data into restoration entities to form an efficient digital production chain. On this basis, 3D printing technology further enables digital processes, enabling photosensitive resins, ceramics and metal materials to be quickly and accurately molded, greatly simplifying the production process of complex restorations. Compared with traditional manual production, the combination of digitalization and 3D printing not only significantly shortens the production cycle, but also improves the ability of personalized restoration, thereby providing patients with better quality and more efficient dental restoration solutions.

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DENTAL DIGITAL PRODUCTS

Overview

The application of digital products in the dental field is rapidly expanding, emerging as a significant segment within the dental medical devices market. These digital products offer innovative methods for various critical dental treatments, including denture treatment, implant restoration treatment and digital orthodontic treatment.

In denture treatment, intraoral scanners accurately capture the intricacies of dental anatomy and oral structures, creating precise digital models. These models are further customized using advanced CAD and CAM software, ensuring an optimal fit and aesthetic appeal. The incorporation of 3D printing technology in the fabrication process not only enhances production efficiency but also ensures the stability and durability of the restorations.

For implant restoration treatment, comprehensive scans of the oral cavity are conducted, utilizing sophisticated software to carefully plan the positioning and angling of implants. The guided surgical templates developed from these plans allow for precise execution, greatly improving the success rate of the procedures. After surgery, digital impression techniques provide accurate data to support the creation of restorations, including both temporary and final crowns, as well as subsequent processes like staining, sintering, and glazing, achieving a seamless blend of aesthetics and functionality.

Moreover, digital orthodontic treatment significantly enhances treatment efficacy. By capturing detailed dental information through intraoral scans, dentists can produce precise digital models for customized orthodontic appliances. These appliances are manufactured using state-of-the-art 3D printing technology, ensuring accuracy and patient comfort. With the guidance of their dental professionals, patients use these digital orthodontic devices to gradually realign their teeth, leading to improved outcomes and a more comfortable treatment experience.

The integration of digital technology in dentistry not only enhances treatment efficiency and accuracy but also provides significant advantages to both dental professionals and patients, ultimately improving the overall treatment experience and outcomes. As the industry continues to evolve, these innovations are set to redefine the standards of dental care and lead to more effective, personalized and accessible treatments.

Drivers and Trends

The dental digital product market is experiencing rapid growth, driven by multiple trends and factors. Firstly, the rapid advancement of technologies such as intraoral scanners, 3D printing, and CAD/CAM systems is replacing traditional workflows, improving diagnostic accuracy and efficiency while reducing error rates. Secondly, the growing demand for personalized and aesthetic dental solutions enables digital technologies to provide customized

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solutions, such as personalized crowns, orthodontic aligners and dental implants, meeting individual patient needs. Additionally, seamless digital workflows that integrate scanning, design, and manufacturing significantly save time and costs while enhancing the precision and fit of restorations.

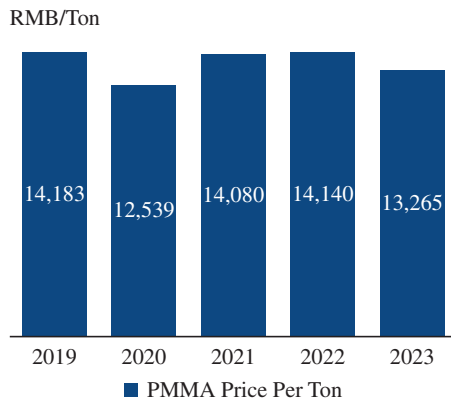
The development of new dental materials, combined with digital technologies, further improves treatment outcomes and patient satisfaction. At the same time, the demand for high-end dental digital products in developed markets, along with the growth potential in emerging markets driven by economic development and improved healthcare standards, is propelling global market expansion.

HISTORICAL PRICES OF MAJOR RAW MATERIALS

The principal manufacturing raw materials for synthetic resin teeth and temporary crown and bridge resin block primarily include PMMA and MMA. The principal manufacturing raw materials for elastomeric impression material primarily include various silicone rubber raw materials, such as silica powder and silicone oil. The following diagrams set forth the prices of PMMA and MMA from 2019 to 2023 according to a government source.

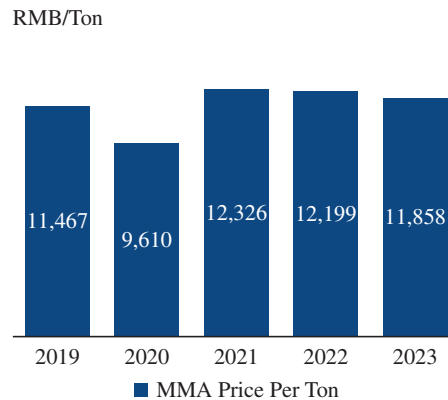
**Import Price of PMMA in China,
2019-2023**

Period	CAGR
2019-2023	-1.7%



**Import Price of MMA in China,
2019-2023**

Period	CAGR
2019-2023	0.8%



Source: NHFPC, Frost & Sullivan Analysis

No historical price of silica powder or silicone oil from government sources is available.

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SOURCES OF INFORMATION

We engaged Frost & Sullivan, an independent global consulting firm that offers industry research and market strategies, as well as growth consulting and corporate training, to conduct a comprehensive analysis of the dental medical devices industry. We have committed a fee of RMB0.6 million to Frost & Sullivan for their preparation of the Frost & Sullivan Report. Selected information from the Frost & Sullivan Report has been included in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and other parts of this document to provide our potential investors a more comprehensive understanding of the industries in which we operate.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted both primary and secondary research to collect knowledge, statistics, information and industry insights on the trends in the target research markets. Primary research involved engaging in discussions about the market status with leading industry participants and experts. Secondary research involved reviewing company reports, independent research reports and data from Frost & Sullivan’s database. While Frost & Sullivan has independently verified the information, the accuracy of the conclusions drawn from its review largely relies on the information collected. The research may be affected by the validity of the assumptions used and the selection of primary and secondary sources.

The Frost & Sullivan Report was prepared based on the following assumptions: (i) the economies of China and the global market are anticipated to maintain steady growth in the near future; and (ii) the social, economic, and political environment of China and globally is likely to remain stable from 2025 to 2030.

Our Directors confirm that, after making reasonable enquiries, there is no material adverse change in the market information since the date of the Frost & Sullivan Report that may qualify, contradict or materially impact on the information.

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO MEDICAL DEVICES

Regulations on the Supervision and Administration of Medical Devices

According to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the “**Medical Device Regulations**”) which was issued by the State Council on January 4, 2000 and latest amended on December 6, 2024, and came into effect on January 20, 2025, the drug supervision and administration department under the State Council shall be responsible for the supervision and administration of medical devices nationwide. The relevant departments under the State Council shall be responsible for the supervision and administration relating to medical devices within the scope of their respective duties. We are now principally subject to the supervision of the National Medical Products Administration (國家藥品監督管理局) and its local counterparts. The National Medical Products Administration was established in accordance with the Institutional Reform Program of the State Council (《國務院機構改革方案》) promulgated by the National People’s Congress (the “**NPC**”) on March 17, 2018, and the predecessor of the National Medical Products Administration is the China Food and Drug Administration (國家食品藥品監督管理總局) (the “**CFDA**”, together with the National Medical Products Administration, hereinafter collectively, the “**NMPA**”). The National Medical Products Administration is a newly established regulatory authority responsible for registration and supervision of pharmaceutical products, cosmetics and medical devices under the supervision of the State Administration for Market Regulation (國家市場監督管理總局) (the “**SAMR**”), a newly established institution for supervising and administering the market in China. The relevant departments of the local people’s governments at the county level and above are responsible for the supervision of medical devices within their respective scope of duties.

In the PRC, medical devices have been classified into three categories based on their risk degree. Class I medical devices refer to those devices with low risks and whose safety and effectiveness can be ensured through routine administration. Class II medical devices refer to those devices with moderate risks and whose safety and effectiveness shall be strictly controlled and administered. Class III medical devices refer to those devices with relatively high risks and whose safety and effectiveness need to be strictly controlled and administered with special measures. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the NMPA on August 31, 2017 and became executive on August 1, 2018 and latest amended on August 15, 2023.

The products we currently sell in China are Class I, Class II and Class III medical devices.

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Regulations on the Registration of Domestic Medical Devices

According to the Administrative Measures for the Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) which was promulgated by the SAMR on August 26, 2021 and came into effect on October 1, 2021, for the filings of Class I medical devices, the filing materials shall be submitted to the local branches at the districted city level of the NMPA. In case of any amendments made to matters stated in the filings, such amendments shall be filed with the original filing department. Class II and Class III medical devices must obtain their respective product registrations before they can be marketed and sold in China. Class II medical devices shall be examined by the provincial branches of the NMPA and domestic Class III medical devices shall be examined by the NMPA, and a Medical Device Registration Certificate (醫療器械註冊證) for such medical device shall be issued upon approval. In case of any substantial changes of the designs, raw materials, production technologies, scopes of application and application methods, among other things, of the registered Class II or Class III medical devices, which may affect the safety and effectiveness of such medical devices, the registrants shall submit the application for change of registration with the original registration departments within 30 days.

The Medical Device Registration Certificate is valid for five years and the registrant shall file for renewal with the corresponding medical products administrative department at least six months prior to its expiration date.

Clinical Evaluation and Clinical Trials of Medical Devices

According to the Medical Device Regulations and the Administrative Measures for the Registration and Filing of Medical Devices, clinical evaluation is required for the registration and filing of medical devices. Clinical evaluation of medical devices refers to activities in which clinical data are analyzed and evaluated by adopting scientific and reasonable methods to confirm the safety and effectiveness of medical devices within the scope of application. Moreover, pursuant to the Notice on the Implementation of The Administrative Measures for the Registration and Filing of Medical Devices and Measures for the Administration of Registration and Recordation of In-Vitro Diagnostic Reagents (《國家藥品監督管理局關於實施〈醫療器械註冊與備案管理辦法〉〈體外診斷試劑註冊與備案管理辦法〉有關事項的通告》) issued by the NMPA on September 28, 2021, clinical evaluations are not required for the recordation of Class I medical devices, but are required for the application for the registration of Class II and Class III medical devices. However, clinical evaluation may be exempted under any of the following circumstances:

- the medical devices have clear and definite working mechanisms, finalized designs and mature manufacturing techniques, the marketed medical devices of the same category have been put into clinical application for years with no record of severe adverse event, and their general purposes remain unchanged;
- the safety and effectiveness of such medical devices can be proved through non-clinical evaluation.

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Clinical evaluation of medical devices may be carried out through clinical trials or analysis and evaluation of clinical literature materials and clinical data of medical devices of the same kind to prove their safety and effectiveness of medical devices in light of product characteristics, clinical risks, existing clinical data and other circumstances. If the existing clinical literature and data are insufficient to confirm the safety and effectiveness of the medical devices, clinical trials shall be conducted. Pursuant to the Notice of the Catalogue of Medical Devices Exempted from Clinical Evaluation (《關於發佈免於臨床評價醫療器械目錄的通告》) (the “**Exemption Catalogue**”) issued by the NMPA on July 24, 2023, for medical devices that are not included in the Exemption Catalogue, clinical evaluations shall be conducted before the registration or filing.

Clinical trials shall be conducted in accordance with the Good Clinical Practice for Medical Device Trials (《醫療器械臨床試驗質量管理規範》) (the “**Good Clinical Practice**”), which was issued by the NMPA and the NHC jointly on March 1, 2016 and latest amended on March 24, 2022 and came into effect on May 1, 2022. The Good Clinical Practice set forth the necessary procedures of clinical trials for medical devices, including, among others, the protocol design, conduct, monitoring, verification, inspection, and data collection, recording, preservation, analysis, conclusion and reporting procedure of a clinical trial. Prior to commencement of a clinical trial, the applicant must ensure the design of the medical device has been finalized and complete the pre-clinical research of the medical device, including product performance verification and confirmation, product inspection report based on the technical requirements, and risk-benefit analysis, etc., the results of which should support the clinical trial. The clinical trial must be conducted in clinical trial organizations that meet the corresponding conditions and have been filed for record as required. Prior to the commencement of a clinical trial, approval by the ethics committees of the relevant clinical trial organization should be obtained and the applicant, the clinical trial organization and the principal investigators must enter into agreements in writing to arrange their rights and obligations during the trial. In the event of inclusion into the catalog of Class III medical devices whose clinical trials are subject to approval, the approval of the NMPA shall also be obtained, and the clinical trials shall be carried out in the qualified Grade IIIA medical organizations.

The clinical trial could be carried out in two or more clinical trial organizations for medical devices under the same clinical trial protocol (the “**Multi-center Clinical Trial**”). When a Multi-center Clinical Trial is carried out in different countries or regions, it is a multi-regional clinical trial. Multi-regional clinical trials for medical devices conducted within the territory of China shall meet the relevant requirements of the Good Clinical Practice.

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Regulations on the Production and Quality Management of Medical Devices

The Measures on the Supervision and Administration Production of Medical Devices (《醫療器械生產監督管理辦法》) (the “**Measures on Production of Medical Devices**”), which was promulgated on July 20, 2004, and latest amended on February 18, 2022 and came into effect on May 1, 2022, stipulates that manufacturer of medical devices shall satisfy the following conditions:

- it has production sites, environmental conditions, production equipment and professional technicians that are suitable for such medical devices to be produced;
- it has organizations or professional examination staffs and examination equipment for carrying out quality examinations for such medical devices to be produced;
- it has formulated a management system that ensures the quality of such medical devices;
- it has the capability of after-sale services that is suitable for such medical devices to be produced; and
- it satisfies the requirements as prescribed in R&D and production technique documents.

Medical device manufacturers shall be responsible for the quality of medical devices they manufacture. The enterprises engaging in the production of Class I medical devices shall make filings for such Class I medical devices with the local branches at the districted city level of the NMPA and submit materials to prove that it is qualified to engage in the production of such medical devices. The enterprises engaging in the production of Class II or Class III medical devices shall apply for a Manufacture License for Medical Devices (醫療器械生產許可證) with provincial branches of the NMPA, and submit materials proofing it is qualified to engage in the production of such medical devices and a Medical Device Registration Certificate for the production of such medical devices. A Manufacture License for Medical Devices is valid for five years and the registrant shall file for renewal application with the original branch of the NMPA within 90 to 30 working days prior to its expiration date.

Regulations on the GMP Rules for Medical Devices

The Good Manufacturing Practice Rules for Medical Devices (《醫療器械生產質量管理規範》) (the “**GMP Rules for Medical Devices**”) was promulgated on December 29, 2014 and came into effect on March 1, 2015. According to abovementioned rules, an enterprise engaging in the production of medical devices shall establish and effectively maintain a quality control system. The enterprise shall establish its procurement control procedure and assess its suppliers by establishing an examination system to ensure the purchased products are in compliance with the statutory requirements. The enterprise shall record the procurement, production and inspection of raw materials. Such records shall be true, accurate, complete and traceable. The enterprise shall apply risk management to the whole process of design and development, production, sales and after-sale services. The measures being adopted shall apply to risks associated with the related products.

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Pursuant to The Notice of Four Guidelines including On-site Inspection Guidelines for the GMP Rules for Medical Devices (《關於印發<醫療器械生產質量管理規範現場檢查指導原則>等四個指導原則的通知》) which was promulgated by the NMPA on September 25, 2015 and came into effect on the same day, during the course of on-site verification of the registration of medical devices and on-site inspection for the issuance of production permit (including the change and renewal of production permit), the inspection team shall, in accordance with the guidelines, issue recommended conclusions for on-site inspections, which include "passed", "failed" or "to be reassessed after rectification". During the supervision and inspection, if it is found that the requirements of the key items or ordinary items that may have a direct impact on product quality are not satisfied, the enterprise shall suspend production and be subject to rectification orders. If it is found that the requirements of the ordinary items that do not directly affect product quality are not satisfied, the enterprise shall rectify such issue in a prescribed time. The regulatory authorities shall examine and verify the recommended conclusions and on-site inspection materials submitted by the inspection group and issue the final inspection results.

Regulations on Supervision and Administration of Medical Devices Operation

According to the Measures for the Supervision and Administration of Medical Devices Operation (《醫療器械經營監督管理辦法》) promulgated by the SAMR on March 10, 2022 and came into effect on May 1, 2022, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope, and shall have quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class I medical devices, the license or record is not required for business activities, while an enterprise engaged in the operation of Class II medical devices shall file with the districted city level medical products supervision and administration department and provide materials to provide it satisfies the relevant conditions of engaging in the operation of medical devices, and an enterprise engaged in the operation of Class III medical devices shall apply for a Business Operation License of Medical Devices (醫療器械經營許可證) to the districted city level medical products supervision and administration department and provide materials to provide that it satisfies the relevant conditions of engaging in the operation of such medical devices.

The relevant local department of NMPA which receives operation permit application shall grant the Business Operation License of Medical Devices if the enterprise meets the prescribed requirements. A Business Operation License of Medical Devices is valid for five years and maybe renewed pursuant to the relevant regulations. An enterprise engaging in medical devices operation shall not operate or use any medical device that has not been legally registered or filed, without qualification certificate, outdated, invalid, or disqualified. Moreover, an enterprise engaging in medical devices operation is prohibited to import and sell medical devices that are outdated, invalid, or disqualified, and are used.

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A medical device operator shall establish a quality control system and quality control measures covering the entire process including purchase, acceptance inspection, storage, sales, transport and after-sales service, in accordance with laws, regulations and the quality standards for business operations of medical devices, and keep relevant records to ensure continuous compliance in its business conditions and acts.

- A wholesaler of Class II and Class III medical devices and a retailer of Class III medical devices shall establish a system of sale records. Records of quality control and sale shall be authentic, accurate, complete and traceable.
- A medical device operator shall purchase medical devices from legally qualified registrants, record-filing parties or operators of medical devices.
- A medical device operator shall provide after-sale service or enter into an agreement with the supplier or another institution on liability for after-sale service. The operator shall strengthen management to ensure safe use of such devices.
- A medical device operator shall take effective measures to ensure that devices are transported and stored as required in their instructions and labels, and keep records thereof.

Two-Invoice System

On December 26, 2016, eight government departments including the NMPA issued the Notice on Opinions on the Implementation of the “Two-Invoice System” in Drug Procurement by Public Medical Institutions (for Trial Implementation) (《關於在公立醫療機構藥品採購中推行“兩票制”的實施意見(試行)的通知》), or the Notice. According to the Notice, the “Two-Invoice System” refers to issuing invoice at the time from a pharmaceutical manufacturer to a circulating enterprise, and issuing invoice again at the time from a circulating enterprise to a medical institution.

On March 5, 2018, six government departments including the NHC of the PRC issued the Notice on Consolidating the Achievements of Cancelling Drug Markups and Deepening Comprehensive Reforms in Public Hospitals (《關於鞏固破除以藥補醫成果持續深化公立醫院綜合改革的通知》), which stipulates the implementation of the centralized purchase of high-value medical consumables, and that the “Two-Invoice System” in relation to high-value medical consumables shall be gradually implemented.

On July 19, 2019, the General Office of the State Council issued the Circular on High-value Medical Consumables, local governments are encouraged to adopt the “Two-Invoice System” combined with actual situation in order to reduce the circulation of high-value medical consumables and promote the transparency of purchase and sales.

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Regulations on Advertisements of Medical Devices

The SAMR promulgated the Interim Measures for the Administration of the Examination and Administration of Drugs, Medical Devices, Health Foods, and Formula Foods for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) (the “**Examination Interim Measures**”) on December 24, 2019, which came into effect on March 1, 2020. The Examination Interim Measures stipulates that the advertisements for medical devices shall not be released without being reviewed. The contents of a medical device advertisement shall be based on the contents of the registration certificate or filing certificate approved by the drug administrations, or the registered or filed product instructions. Where the medical device advertisement involves the name, scope of application, functional mechanism or structure or composition of the medical device, the information in such advertisement must not exceed that as set out in the product registration or filing certificate. The validity period of the advertisement approval number for medical devices shall not exceed that of its registration certificate, filing certificate or production license, whichever is shorter. If no valid period is prescribed in the product registration certificate, filing certificate or production license, the valid period of the advertisement approval number shall be two years.

The advertisement of a medical device shall be true and lawful, and its content shall not be false, exaggerated or misleading. A publisher of a medical device advertisement shall verify approval documents and their authenticity prior to the publication. If no approval document was obtained or the authenticity of any approval document has not been verified or the content of the advertisement is inconsistent with the approval documents, such medical device advertisement shall not be published.

Regulations on Medical Device Recalls

Pursuant to the Administrative Measures for Medical Device Recalls (《醫療器械召回管理辦法》), which was promulgated on January 25, 2017 and came into effect on May 1, 2017, in terms of the severity of the case, medical device recalls are divided into three classes, namely: (i) Class I recall, where the circumstances leading to the recall may cause or have caused serious harm to health; (ii) Class II recall, where the circumstances leading to the recall may cause or have already caused temporary or reversible harm to health; or (iii) Class III recall, where the circumstances leading to the recall are not likely to cause any harm but a recall is necessary.

Medical device manufacturers shall determine the recall class based on the situation and properly design and implement the recall plan based on the recall class and the sale and use of the medical devices. In terms of Class I recall, the recall notice shall be published on the website of the NMPA and major media. In terms of Class II and Class III recalls, the recall notice shall be published on the website of the provincial level of food and drug administrative authority.

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NATIONAL MEDICAL INSURANCE PROGRAM

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program (《關於建立城鎮職工基本醫療保險制度的決定》) issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the Urban Employee Basic Medical Insurance Program and the insurance premium is jointly contributed by the employers and employees. Pursuant to the Opinions on the Establishment of the New Rural Cooperative Medical System (《關於建立新型農村合作醫療制度意見的通知》) forwarded by the General Office of the State Council on January 16, 2003, China launched the New Rural Cooperative Medical System to provide medical insurance for rural residents in selected areas which has spread to the whole nation thereafter. The State Council promulgated the Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance (《國務院關於開展城鎮居民基本醫療保險試點的指導意見》) on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. In 2015, the PRC government announced the Outline for the Planning of the National Medical and Health Service System (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015-2020年)》) which aims to establish a basic medical and health care system that covers both rural and urban citizens by 2020.

On January 3, 2016, the State Council issued the Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents (《國務院關於整合城鄉居民基本醫療保險制度的意見》) to integrate the Urban Resident Basic Medical Insurance and the New Rural Cooperative Medical System and the establishment of a unified Basic Medical Insurance for Urban and Rural Residents, which will cover all urban and rural non-working residents except for rural migrant workers and persons in flexible employment arrangements who participate in the basic medical insurance for urban employees.

The General Office of the State Council further released the Guidance On Further Deepening the Reform of the Payment Method of Basic Medical Insurance (《關於進一步深化基本醫療保險支付方式改革的指導意見》) in June 20, 2017. The main objectives are to implement a diversified reimbursement mechanism including diagnosis related groups, per-capita caps, and per-bed-day caps. Local administration of healthcare security will introduce a total budget control for their jurisdictions and decide the amount of reimbursement to public hospitals based on hospitals' performance and the spending targets of individual basic medical insurance funds.

With regard to reimbursement for medical devices and diagnostic tests, the Notice of Opinion on the Diagnosis and Treatment Management, Scope and Payment Standards of Medical Service Facilities Covered by the National Urban Employees Basic Medical Insurance Scheme (《關於印發<城鎮職工基本醫療保險診療項目管理、醫療服務設施範圍和支付標準意見>的通知》), which was issued on June 30, 1999 and became effective on the same day, prescribes the coverage of diagnostic and treatment devices and diagnostic tests where part of the fees are paid through the basic medical insurance scheme. It also includes a negative list that precludes certain devices and medical services from governmental reimbursement. Detailed reimbursement coverage and rate for medical devices and medical services (including diagnostic tests and kits) are subject to each province's local policies.

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REGULATIONS RELATING TO IMPORTATION AND EXPORTATION OF GOODS

According to the Customs Law of the PRC (《中華人民共和國海關法》) which was promulgated by the Standing Committee of the National People’s Congress (the “SCNPC”) on January 22, 1987 and became effective on July 1, 1987, and latest amended and came into force on April 29, 2021, the import of goods throughout the period from the time of arrival in the territory of China to the time of customs clearance, the export of goods throughout the period from the time of declaration to the customs to the time of departure from the territory of China, and the transit, transshipment and through-shipment goods throughout the period from the time of arrival in the territory of China to the time of departure from the territory of China shall be subject to customs control.

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and became effective on July 1, 1994, and latest amended and came into force on November 7, 2016, any foreign trade business operator that is engaged in the import and export of goods or technology shall be registered for archival purposes with the administrative authority of foreign trade of the State Council or the institution entrusted thereby, unless it is otherwise provided for by any law, administrative regulation or the foreign trade department of the State Council. Where any foreign trade business operator that fails to file for archival registration according to relevant provisions, the customs may not handle the procedures of customs declarations and release of the import or export goods.

According to the Administrative Provisions on the Filing of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》), promulgated by the General Administration of Customs of the PRC on November 19, 2021 and came into effect on January 1, 2022, the consignors or consignees of imported or exported goods or customs declaration enterprises that apply for filing shall obtain market entity qualifications. Also, consignors or consignees of imported or exported goods that apply for filing shall also complete the record-filing formalities for foreign trade business operators.

Pursuant to the Regulations on the Administration of Export Sales Certificates of Medical Devices (《醫療器械產品出口銷售證明管理規定》) promulgated by the NMPA on June 1, 2015 and coming into effect on September 1, 2015, if the registration certificate for a medical device and production permit for a medical device has been obtained in China, or the medical device registration and production recordation have been completed, the food and drug supervision and administration department may issue a Medical Device Product Export Sales Certificate (醫療器械產品出口銷售證明) to the relevant manufacturing enterprise. The validity term of the Medical Device Product Export Sales Certificate should not exceed the earliest deadline for the various documents submitted by the enterprise in the application materials, and the maximum validity term shall also not exceed two years.

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PRODUCTION SAFETY AND LIABILITY

Production Safety Law of the PRC

Pursuant to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) which was amended on June 10, 2021 and came into effect on September 1, 2021, an enterprise shall (i) provide production safety conditions as stipulated in this law and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a department or engage in personnel managing production safety specifically. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with protective equipment that meets the national or industry standards and supervise and train them to use such equipment.

Product Quality Law of the PRC

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated by the SCNPC on February 22, 1993, and amended and came into effect on December 29, 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

The product quality supervision and administration departments of the State Council are responsible for the supervision and administration of the quality of products of the whole country. All relevant departments of the State Council shall be responsible for the supervision of product quality within their own functions and duties.

Quality of products shall pass standard examinations and it is not allowed to pass off sub-standard products as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the State and trade standards for ensuring the health of the people and safety of lives and property. In absence of such State or trade standards, the products shall conform to the minimum requirements for

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ensuring the health of the people and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not meet the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business license may be revoked, and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Tort Law of the PRC

Pursuant to the Tort Law of the PRC (《中華人民共和國侵權責任法》) which was promulgated on December 26, 2009 and coming into effect on July 1, 2010, in the event of product defects which have caused others to suffer damages, the manufacturer shall bear tort liability. In the event of product defects as a result of the seller's negligence which has caused others to suffer damages, the seller shall bear tort liability. Where the seller is unable to specify the manufacturer and the distributor of the defective products, the seller shall bear tort liability. In case of damages caused by product defects, the infringed party may seek compensation from the manufacturer of the products or the seller of the products. Where the product defects are caused by the manufacturer, the seller shall have the right to seek recourse against the manufacturer after the seller has made compensation. In the event of product defects as a result of the seller's negligence, the manufacturer shall have the right to seek recourse against the seller after the manufacturer has made compensation. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th NPC, which came into effect on January 1, 2021 and simultaneously replaced the current effective Tort Law of the PRC. The Civil Code of the PRC does not make material changes on the substance of the aforementioned provisions of the Tort Law of the PRC.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) which was promulgated on December 26, 1989 and became effective on the same day, latest amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge wastes shall obtain a Waste Discharge License (排污許可證). Furthermore, facilities for the prevention and control of pollution at a construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Pursuant to the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) which was promulgated on October 28, 2002, became effective on September 1, 2003 and latest amended on December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of

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impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "Environmental Impact Assessment Documents") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Pursuant to Interim Measures on Administration of Environmental Protection for Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) which was promulgated on November 20, 2017 and came into effect on the same day, the construction unit is the responsible party for the acceptance of the environmental protection facilities for the completion of the construction project, and shall, in accordance with the procedures and standards stipulated in relevant regulations, organize the acceptance of the environmental protection facilities, prepare the acceptance report, disclose the relevant information, accept social supervision, ensure that the environmental protection facilities to be constructed for the construction project are put into operation or used at the same time as the main project, and be responsible for the content, conclusion and public information of the acceptance. The construction unit shall be responsible for the truthfulness, accuracy and completeness of the acceptance content, conclusions and information disclosed, and shall not falsify the acceptance process. The major construction works of the construction project cannot be put into operation until the supporting facilities for environmental protection pass the inspection.

Pursuant to Law of the PRC on Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) which was promulgated on October 30, 1995 and latest amended on April 29, 2020 and came into effect on September 1, 2020, the construction of projects which discharge solid waste and the construction of projects for storage, use and treatment of solid waste shall be carried out upon the appraisal regarding their effects on the environment and comply with the relevant state regulations concerning the management of environmental protection in respect of construction projects. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment documents of the construction project shall be designed, constructed and put into operation simultaneously with the major construction works of the construction project.

Pursuant to the Law of the PRC on Prevention and Treatment of Water Pollution (《中華人民共和國水污染防治法》) which was promulgated on May 11, 1984, latest amended on June 27, 2017, and came into effect on January 1, 2018, the environmental impact assessment shall be conducted on new construction, reconstruction and construction expansion projects or other installations on water which directly or indirectly discharge pollutants into the water according to law. The water pollution prevention and treatment facilities of a construction project must be designed constructed and put into operation simultaneously with the major construction works of the construction project. The water pollution prevention and treatment facilities shall comply with the requirements of approved or filed environmental impact assessment documents.

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The Administrative Measures on Licensing of Urban Drainage (《城鎮污水排入排水管網許可管理辦法》), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015 and came into effect on March 1, 2015 and latest amended on December 1, 2022 and came into effect on February 1, 2023, provides that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a License for Urban Drainage (《排水許可證》).

REGULATIONS ON FOREIGN INVESTMENT IN THE PRC

Regulations on Foreign Investment

Investment activities in the PRC by foreign investors were principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 version) (《外商投資准入特別管理措施(負面清單)(2024年版)》), or the Negative List, and the Catalogue of Industries for Encouraging Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》), or the Encouraging List. The Negative List, which came into effect on November 1, 2024, sets out special administrative measures (restricted or prohibited) in respect of the access of foreign investments in a centralized manner, and the Encouraging List which came into effect on January 1, 2023, sets out the encouraged industries for foreign investment.

Foreign-Invested Enterprises

On December 29, 1993, the SCNPC issued the PRC Company Law (《中華人民共和國公司法》), or the Company Law, which was last amended on December 29, 2023 and became effective on July 1, 2024. The Company Law regulates the establishment, operation and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares. According to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the SCNPC on March 15, 2019 and came into effect on January 1, 2020, the state shall implement the management systems of pre-establishment national treatment and negative list for foreign investment, and shall give national treatment to foreign investment beyond the negative list. Simultaneously, Sino-foreign Equity Joint Ventures of the PRC (《中華人民共和國中外合資經營企業法》), the Wholly Foreign-owned Enterprises Law of the PRC (《中華人民共和國外資企業法》) and Sino-foreign Cooperative Joint Ventures of the PRC (《中華人民共和國中外合作經營企業法》) have been repealed since January 1, 2020.

On December 26, 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. After the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulations on Implementing the Sino-Foreign Equity Joint Venture of the PRC (《中華人民共和國中外合資經營企業法實施條例》), Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture (《中外

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合資經營企業合營期限暫行規定》), the Regulations on Implementing the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法實施細則》) and the Regulations on Implementing the Sino-foreign Cooperative Joint Venture of the PRC (《中華人民共和國中外合作經營企業法實施細則》) have been repealed simultaneously.

On December 30, 2019, the Ministry of Commerce of the PRC (the “**MOFCOM**”) and the SAMR issued the Measures for the Reporting of Foreign Investment Information (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and replaced the Interim Measures for the Recordation Administration of the Incorporation and Change of Foreign-Invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), for carrying out investment activities directly or indirectly in PRC, the foreign investors or foreign-invested enterprises shall submit investment information to the commerce authorities pursuant to these measures.

Regulations on Overseas Investment

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on September 6, 2014 and became effective on October 6, 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) which was issued by the NDRC on December 26, 2017 and became effective on March 1, 2018, an enterprise in the territory of the PRC (the “**Investor**”) shall, in overseas investment, undergo the formalities for the confirmation or recordation, among others, of an overseas investment project (the “**Project**”), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by investors directly or through overseas enterprises controlled by them shall be subject to approval management. Non-sensitive Projects directly conducted by Investors, namely, non-sensitive Projects involving Investors’ direct contribution of assets or rights and interests or provision of financing or security, shall be subject to recordation management. The aforementioned sensitive Project means a Project involving a sensitive country or region or a sensitive industry. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》), effective on March 1, 2018, to list the sensitive industries in detail.

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LAWS AND REGULATIONS RELATED TO OVERSEAS OFFERING AND LISTING

Pursuant to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) promulgated by the China Securities Regulatory Commission (the “CSRC”) on 17 February 2023, which became effective on 31 March 2023, where a domestic company seeks to directly or indirectly offer and list securities in overseas markets, the issuer or the designated entity shall file with the CSRC within three business days after the application for [REDACTED] is submitted. Any overseas offering and listing made by an issuer that meets both the following conditions will be determined as indirect: (1) 50% or more of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by domestic companies; and (2) the main parts of the issuer’s business activities are conducted in the Chinese Mainland, or its main places of business are located in the Chinese Mainland, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in the Chinese Mainland. The determination of the indirect overseas offering and listing of PRC domestic companies shall follow the principle of substance-over-form.

Regulations on Employment

The major PRC laws and regulations that govern employment relationship are the Labor Law of the PRC (《中華人民共和國勞動法》), or the Labor Law (issued by the SCNPC on July 5, 1994, came into effect on January 1, 1995 and latest revised on December 29, 2018), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) or the Labor Contract Law (promulgated by the SCNPC on June 29, 2007 and became effective on January 1, 2008, and then amended on December 28, 2012 and became effective on July 1, 2013) and the Implementation Rules of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), or the Implementation Rules of the Labor Contract Law (issued by the State Council on September 18, 2008 and came into effect on the same day). According to the aforementioned laws and regulations, labor relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labor safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

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Regulations on Social Insurance

According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》), which was issued by the SCNPC on October 28, 2010 and revised on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its formation. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and its directly liable person will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), which was issued by the State Council on January 22, 1992 and came into effect on the same day, and last amended and became effective on March 24, 2019, prescribes the details concerning the social insurance.

Apart from the general provisions about social insurance, specific provisions on various types of insurance are set out in the Regulation on Work-Related Injury Insurance (《工傷保險條例》) which was issued by the State Council on April 27, 2003, came into effect on January 1, 2004 and revised on December 20, 2010, the Regulations on Unemployment Insurance (《失業保險條例》) which was issued by the State Council on January 22, 1999 and came into effect on the same day, the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), which was issued by the Ministry of Labor on December 14, 1994 and came into effect on January 1, 1995. Enterprises subject to these regulations shall provide their employees with the corresponding insurance.

Regulations on Housing Provident Fund

According to the Regulation Concerning the Administration of Housing Provident Fund (《住房公積金管理條例》), which was implemented on April 3, 1999 and latest amended on March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management center within 30 days as of its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as of the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management center and seal up the employee's housing accumulation fund account in the bank mentioned above within 30 days from termination of the employment relationship.

Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

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REGULATIONS ON INTELLECTUAL PROPERTY

Regulations on Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and latest amended on April 23, 2019 and came into effect on November 1, 2019, the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》) which was issued on August 3, 2002 and amended on April 29, 2014, the Trademark Office under the State Administration for Industry and Commerce of the PRC (the “**Trademark Office**”) shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten-year period upon request from the trademark owner. The Trademark Law of the PRC has adopted a “first-to-file” principle with respect to trademark registration. Where an application for trademark for which application for registration has been made is identical or similar to another trademark which has already been registered or is under preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right of others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. A trademark registrant may, by entering into a trademark licensing contract, license another party to use its registered trademark. Where another party is licensed to use a registered trademark, the licensor shall report the license to the Trademark Office for recordation, and the Trademark Office shall publish it. An unrecorded license may not be used as a defense against a third party in good faith.

Regulations on Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 and latest amended on October 17, 2020 which became effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and last amended on December 11, 2023 and effective from January 20, 2024, there are three types of patents in the PRC invention patents, utility model patents and design patents. The protection period of a patent right for invention patents shall be 20 years, the protection period of a patent right for utility model patents shall be 10 years, and the protection period of design patent right is 15 years, both commencing from the filing date.

Regulations on Copyrights

According to the Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated by the SCNPC on September 7, 1990 and latest amended on November 11, 2020 which became effective on June 1, 2021, works of non-Chinese nationals or stateless persons which are first published in the territory of PRC shall enjoy copyright under this Law. Unless otherwise provided for by this Law, the copyright in a work shall be owned by its author. An author’s rights of authorship, modification and integrity in respect of his/her work shall continue in perpetuity.

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Regulations on Domain Names

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

REGULATIONS RELATING TO FOREIGN EXCHANGE AND OVERSEAS INVESTMENT

On January 29, 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) which became effective on April 1, 1996 and latest amended on August 5, 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the State Administration of Foreign Exchange (the “SAFE”) issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》), (the “SAFE Circular 59”), which came into effect on December 17, 2012 and latest amended on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) on February 13, 2015, which was partially abolished on December 30,

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2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the “**SAFE Circular 21**”), which became effective on May 13, 2013 and latest amended on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

According to the Notice on Relevant Issue Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange control bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”) promulgated on March 30, 2015, coming effective on June 1, 2015 and partially abolished on December 30, 2019, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estates not for self-use purposes (save for real estate enterprises).

On June 9, 2016, SAFE issued the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”), which came into effect on the same day. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties).

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According to the Notice of the State Administration of Foreign Exchange on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which promulgated by SAFE on October 23, 2019 and became effective on the same date (except for Article 8.2, which became effective on January 1, 2020) and the Notice of the State Administration of Foreign Exchange on Further Deepening Reform and Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步深化改革促進跨境貿易投資便利化的通知》), which promulgated by SAFE on December 4, 2023 and became effective on the same date, the restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises have been canceled. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

REGULATIONS RELATING TO TAXATION

Enterprise Income Tax (“EIT”)

Pursuant to the Enterprise Income Tax Law (the “EIT”, 《中華人民共和國企業所得稅法》) amended by the SCNPC and coming into effect on December 29, 2018 and the Implementation Rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》) amended by the State Council and coming into effect on April 23, 2019, a domestic enterprise which is established within the PRC in accordance with the laws or established in accordance with any laws of foreign countries (regions) but with an actual management entity within the PRC shall be regarded as a resident enterprise. A resident enterprise shall be subject to an EIT of 25% of any income generated within or outside the PRC. A preferential EIT rate shall be applicable to any key industry or project which is supported or encouraged by the State. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%.

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) (the “Arrangement”) on August 21, 2006 and came into effect on December 8, 2006. According to the Arrangement, if a Hong Kong resident company owns at least 25% equity interests in a PRC company and is the beneficial owner of the dividends paid by the PRC company, the PRC withholding tax on the dividends shall not exceed 5% of the gross amount of the dividends.

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Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81) which was promulgated by the State Administration of Taxation (the "SAT") and became effective on February 20, 2009, all of the following requirements shall be satisfied before a fiscal resident of the other party to a tax agreement can be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) the equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the twelve months prior to receipt of the dividends, reach a percentage specified in the tax agreement.

According to the Announcement on Several Issues concerning the Enterprise Income Tax on Income from the Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the SAT Public Notice [2015] No. 7) which was promulgated by the SAT on February 3, 2015 and came into effect on the same day), where a non-resident enterprise indirectly transfers equities and other assets of a PRC resident enterprise to avoid the EIT payment obligation by making an arrangement with no reasonable business purpose, such indirect transfer shall be redefined and recognized as a direct transfer in accordance with the provisions of the EIT Law. Where the EIT on the income from the indirect transfer of real estate or equities shall be paid in accordance with the provisions of the SAT Public Notice [2015] No. 7, the entity or individual that directly assumes the obligation to make relevant payments to the transfer or according to the provisions of the relevant laws or as agreed upon in the contract shall be the withholding agent.

Value-Added Tax

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and latest amended on November 19, 2017), as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (issued on December 25, 1993 by the MOF, came into effect on the same day and latest amended on October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of Value-added tax (the "VAT") for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (《關於調整增值稅稅率的通知》) on April 4, 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

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On December 25, 2024, the SCNPC issued the Value-Added Tax Law of the PRC (《中華人民共和國增值稅法》), or the VAT Law, which shall become effective from January 1, 2026. According to the VAT Law, any entities and individuals (including individual industrial and commercial households) that sell goods, services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. Except for taxpayers’ export of goods, the sale of services or intangible assets within the scope as prescribed by the State Council by domestic entities and individuals across national borders and other circumstances specified for by the State Council, the rate of VAT for sale of goods, labor services of processing, repair or replacement, or tangible movable property leasing services or import of goods is 13% unless otherwise specified, such as the rate of VAT for sale of agricultural products is 9%, and the rate of VAT for sale of transportation, postal, basic telecommunications, construction, or immovable leasing services, sale of immovables, or transfer of the rights to use land is 9%. In addition to the above circumstances, the rate of VAT for sale of services or intangible assets is 6%.

SANCTIONS LAWS AND REGULATIONS

Our International Sanctions Legal Advisers have provided the following summary of the sanctions regimes imposed by the jurisdictions below. This summary does not intend to set out the laws and regulations relating to US, the EU, the UK, the UN and Australian sanctions in their entirety.

United States

U.S. sanctions generally consist of primary and secondary sanctions. OFAC administers and enforces most U.S. sanctions programs.

U.S. primary sanctions generally apply to U.S. persons (e.g., persons located within or operating from the United States, any entity organized under U.S. law (including foreign branches) and any U.S. citizen or permanent resident wherever located). In addition, even non-U.S. persons may be liable for sanctions-related violations if such non-U.S. persons are physically present on U.S. soil during the relevant act (non-U.S. persons will be treated as a U.S. person for the duration of their stay in the U.S.) or if the non-U.S. persons engage in certain prohibited activities with a U.S.-nexus. Violation of primary sanctions carries monetary and criminal penalties.

U.S. primary sanctions prohibits U.S. persons from engaging in any transaction with or providing almost any goods or services for the benefit of the targeted country, entity or individual. U.S. law may also require a U.S. Person to “block” any assets owned, controlled or held for the benefit of a sanctioned country, entity, or individual. A “blocked” asset means no transaction may be undertaken or effected with respect to the asset – no payments, benefits, provision of services or other dealings – except pursuant to an authorisation or license from OFAC. U.S. primary sanctions also prohibit U.S. persons from facilitating any transaction by a foreign person where the transaction by that foreign person would be prohibited if performed by a U.S. Person or within the United States.

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There are two types of U.S. primary sanctions programs – “country based” programs and “list based” programs. Violations of either type can result in “strict” civil liability (not a negligence standard) where fines and penalties may be imposed. In addition, wilful violations may result in criminal liability, punishable by imprisonment and elevated fines. Comprehensive country-based sanctions programs prohibit U.S. persons from dealing in any manner with a sanctioned country and their governments. Currently, the U.S. maintains comprehensive sanctions against: Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine, DNR and LNR. Generally, comprehensive country sanctions prohibit transactions with or services in, from or benefitting the targeted country. There are also sectoral sanctions restricting U.S. persons from engaging in certain types of transactions – typically financing and investments – with certain economic sectors of Belarus, China, Russia, and Venezuela.

In addition to country-based targets, primary U.S. sanctions include list-based sanctions that prohibit U.S. persons from dealing with or facilitating dealings with individuals, entities and organizations that have been designated as SDNs by OFAC. U.S. persons are not allowed to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List unless specifically authorized by OFAC.

The U.S. has also enacted secondary sanctions targeting non-U.S. persons who are engaged in certain defined activities. Secondary sanctions grant broad discretion to the U.S. President and his delegated representatives to deny access to the U.S. economic system to non-U.S. persons who have been determined to engage in the specified transaction. The imposition of penalties under secondary sanctions legislation is a mechanism that the U.S. employs to punish and deter non-U.S. parties from certain behaviour and transactions.

United Nations

The UN can take action to maintain or restore international peace and security under Chapter VII of the UN Charter. It does this by way of resolutions passed by the UN Security Council. UN Security Council sanctions have taken a number of different forms and have measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions.

There are a number of ongoing UN sanctions regimes, including sanctions relating to Libya. There are no UN sanctions targeting the other Relevant Regions.

European Union

The EU has over 40 different sanctions regimes in place. All EU sanctions apply: (a) within the EU (including its airspace); (b) on board any aircraft or vessel under the jurisdiction of any EU member state; (c) to any EU national, regardless of where they are resident/located; (d) to any legal person, entity or body which is incorporated/constituted under the laws of any EU member state, irrespective of their location, including unincorporated branches, but not entities incorporated outside the EU; and (e) to any legal person, entity or body in respect of any business done in the EU.

REGULATORY OVERVIEW

United Kingdom

The UK now operates its own sanctions regime. UK sanctions apply: (a) within the territory and territorial waters of the UK and to all UK Persons, wherever they are in the world; (b) to all individuals and legal entities who are within or undertake activities within the UK’s territory; and/or (c) to all UK nationals and UK legal entities established under UK law, including their non-UK branches (but not separately incorporated non-UK subsidiaries), irrespective of where their activities take place.

The Office of Financial Sanctions Implementation (“**OFSI**”), which is part of HM Treasury, maintains two lists of those subject to financial sanctions: (a) the “consolidated list” includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations; and (b) a separate list of entities subject to specific capital market restrictions. OFSI also has the power to impose financial penalties on a party which breaches financial sanctions.

EU sanctions measures have been extended by the UK on a regime-by-regime basis to apply to the Cayman Islands until December 31, 2020. After the UK exited the EU, UK have extended its autonomous sanctions measures by way of Orders on a regime-by-regime basis to apply to and in the Cayman Islands as of January 1, 2021. The sanctions currently in force in the Cayman Islands are essentially the same as those imposed in the UK.

Australia

Australia has a dual sanctions regime consisting of sanctions measures imposed by the UN, together with Australian autonomous sanctions imposed by the Australian Government as a matter of its foreign policy. Australia’s dual sanctions regime is administered by the Australian Sanctions Office, which sits within the Department of Foreign Affairs and Trade.

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to (i) any person in Australia; (ii) any Australian anywhere in the world; (iii) activities in Australia; (iv) companies incorporated overseas that are owned or controlled by Australians or persons in Australia; and/or (v) any person using an Australian flag vessel or aircraft to transport goods or transact services subject to UN sanctions.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

We are one of the leading dental material companies among domestic players in China, offering a wide range of dental clinical products, dental laboratory products and dental digital products in various application scenarios across key specialty areas in dentistry. Our history can be traced back to 2006 when our principal operating entity Shandong Huge was established in the PRC. Our Group’s continued and growing success was predominantly contributed by the efforts of the management team under the leadership of Mr. Song, chairman of our Board, our executive Director, chief executive officer and Controlling Shareholder. For details of the background and industry experience of Mr. Song, see “Directors and Senior Management — Board of Directors — Executive Directors.”

MILESTONES

The following table summarizes various key milestones in our corporate and business development.

Year	Milestone
2006	We established Shandong Huge.
2010	We achieved mass production of elastomeric impression materials in China.
2012	We established our research and development center in Beijing.
2015	The shares of Shandong Huge were quoted on the NEEQ in March.
2016	We established Rizhao Huge and commenced the research and development of dental clinical products.
2017	Our invisible orthodontic aligner has obtained a Class II medical device registration certificate from NMPA and commenced commercialization.
2019	Each of our light cure dental adhesive and bonding resin cement obtained a Class III medical device registration certificate from NMPA.
2020	Each of our light cure dental adhesive and our bonding resin cement obtained CE certification and FDA approval.
2021	Our light cure veneer cement obtained a Class III medical device registration certificate from NMPA.
	Our light cure composite resin obtained FDA approval.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Milestone
2022	<p>We became a member of the innovation center of “National Engineering Research Center of Oral Biomaterials and Digital Medical Devices (口腔生物材料和數字診療裝備國家工程研究中心).”</p> <p>Our glass ionomer cement was certified in Switzerland.</p> <p>Our flowable resin obtained FDA approval.</p>
2023	<p>A total of 12 products obtained the first registration certificates from the MHRA.</p> <p>Shandong Huge was recognized as one of the 2023 Top 100 Shandong Private Enterprises with Innovation Potential (2023年山東民營企業創新潛力100強).</p> <p>Our light cure composite resin obtained a Class III medical device registration certificate from NMPA.</p> <p>Each of our glass ionomer cement, our light cure dental adhesive and our bonding resin cement obtained the MHRA certificate.</p> <p>Our enamel coating resin for pit and fissure sealing obtained the FDA approval.</p>
2024	<p>We established Huge Indonesia to further expand our business in Southeast Asia.</p>

OUR GROUP

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 7, 2024. For more information and subsequent shareholding changes of our Company, see “— Reorganization — Part 1: Offshore Reorganization.”

Our Major Subsidiaries

Set out below are the major subsidiaries that made material contributions to our results of operations during the Track Record Period.

Name	Date of establishment and commencement of business	Place of establishment	Principal business activities
Shandong Huge	November 24, 2006	PRC	Research, development, manufacture and sales of dental materials

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Name</u>	<u>Date of establishment and commencement of business</u>	<u>Place of establishment</u>	<u>Principal business activities</u>
Shanghai Huge Medical Devices . .	August 28, 2013	PRC	Sales of dental materials in domestic market
Rizhao Huge	April 22, 2016	PRC	Research, development and manufacture of dental clinical products

MAJOR SHAREHOLDING CHANGES AND CORPORATE DEVELOPMENTS

Early Development

Our history can be traced back to 2006 when our principal operating entity Shandong Huge was established as a limited liability company in Rizhao, Shandong on November 24, 2006 with an initial registered capital of US\$5,000,000. Upon establishment, Shandong Huge was owned by two holding entities, each controlled by Mr. Song.

From October 2008 to August 2014, Shandong Huge underwent a series of capital changes and equity transfers, upon completion of which Shandong Huge was held as to 86.37% through Shanghai Huizhi and Rizhao Jianzhi, and held as to 13.63% by other minority shareholders. Each of Shanghai Huizhi and Rizhao Jianzhi was controlled by Mr. Song, the remaining interests of which were subscribed for by the Group’s directors, senior management and employees as well as other individual shareholders.

On September 25, 2014, Shandong Huge was converted from a limited liability company into a joint stock limited company, with its then registered capital of RMB22,000,000 converted to 22,000,000 Shares with a par value of RMB1.00 each.

Shareholding Changes from March 2015 to May 2017

On March 20, 2015, Shandong Huge received the approval for its shares to be quoted on the NEEQ (stock code: 832202), and the shares of Shandong Huge began trading on the NEEQ on April 10, 2015. For further details, see “— Previous Quotation on NEEQ and A-Share Listing Attempts.”

In August 2015, December 2015 and November 2016, Shandong Huge conducted three rounds of private placements on the NEEQ with a subscription price of RMB2.5, RMB3.0 and RMB6.0 per share, respectively, which was determined with reference to the then market price. Following the completion of the private placements, Shandong Huge received proceeds of RMB63,440,000 in total and its registered share capital was increased from RMB22,000,000 to RMB36,600,000. After the private placements, Shandong Huge was held by (i) Mr. Song as to 60.11% through Shanghai Huizhi, Rizhao Jianzhi and Qingdao Lanxin Medical Investment

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Co., Ltd. (青島蘭信醫療投資有限公司), a then shareholding entity controlled by Mr. Song; (ii) Ms. QIN Lijuan (“**Ms. Qin**”), the mother of Mr. Song, as to 25.21% directly and indirectly through Rizhao Lanxin; and (iii) other then shareholders as to 14.68%.

In February and March 2017, Shandong Huge underwent several share transfers among the shareholders, the consideration of which were determined based on arm’s length negotiations with reference to the market price at that time. Following the share transfers, Shandong Huge was held by (i) Mr. Song as to 57.29% directly and indirectly through Shanghai Huizhi and Rizhao Jianzhi; (ii) Ms. Qin as to 25.21% directly and indirectly through Rizhao Lanxin; and (iii) other then shareholders as to 17.50%.

On June 16, 2017, Shandong Huge terminated its quotation on the NEEQ. For further details, see “— Previous Quotation on NEEQ and A-Share Listing Attempts.”

Shareholding Changes from November 2017 to November 2019

From November 2017 to November 2019, Shandong Huge underwent several rounds of share transfers, the considerations of which were determined based on arm’s length negotiations among the shareholders with reference to the development status of the Group. Each of Ningbo Huizhi and Shuohe Investment was established during this period as a shareholding entity of the Group’s directors, senior management and employees and/or other individual shareholders and acquired certain shares of Shandong Huge from the then shareholders. Following the share transfers, Shandong Huge was held by (i) Mr. Song as to 68.05% directly and indirectly through Shanghai Huizhi and Rizhao Jianzhi; (ii) Ms. Qin as to 16.00% directly and indirectly through Rizhao Lanxin; and (iii) other then shareholders as to 15.95%.

In November 2019, Shandong Huge allotted and issued 3,600,000 shares in total to seven subscribers at a consideration of RMB8.00 per share, among which: (i) 2,000,000 shares were subscribed for by World Mega Limited (長華有限公司) (“**World Mega**”), an Independent Third Party; (ii) 1,026,500 shares were subscribed for by Guo Lei (郭雷), an Independent Third Party; (iii) 243,500 shares were subscribed for by Hengxin Investment; and (iv) 330,000 shares were subscribed for by the directors of Shandong Huge at that time. The consideration was determined based on arm’s length negotiations with reference to the development status of the Group. The capital increase was completed on December 2, 2019, from which Shandong Huge raised proceeds of RMB28,800,000 in total. Upon completion, the registered share capital of Shandong Huge increased from RMB36,600,000 to RMB40,200,000, and Shandong Huge was held by (i) Mr. Song as to 61.95% directly and indirectly through Shanghai Huizhi and Rizhao Jianzhi; (ii) Ms. Qin as to 14.57% directly and indirectly through Rizhao Lanxin; (iii) World Mega as to 4.98%; and (iv) other then shareholders as to 18.50%.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pre-[REDACTED] Investments in 2023

From January 2023 to August 2023, Shandong Huge conducted Pre-[REDACTED] Investments through several share transfers. For details, see “— Pre-[REDACTED] Investments.”

PRE-[REDACTED] INVESTMENTS

In view of our business development from 2019 to 2022, our Pre-[REDACTED] Investors invested in Shandong Huge by way of acquiring existing shares of Shandong Huge from World Mega in 2023. The following table summarizes the key terms of the Pre-[REDACTED] investments.

No.	Date of share transfer agreement	Completion date of share transfer	Pre-[REDACTED] Investor (Transferee) ⁽¹⁾	Number of share transferred	Consideration <i>(RMB)</i>	Cost per share ⁽²⁾ <i>(RMB)</i>	[REDACTED] to the [REDACTED] ⁽³⁾ %
1 . . .	January 31, 2023	February 28, 2023	Hubei Tongying	250,000	10,500,000	42	[REDACTED]
2 . . .	March 17, 2023	March 31, 2023	Guangzhou Haihui	238,095	9,999,990	42	[REDACTED]
3 . . .	March 23, 2023	April 14, 2023	Primelight Yuanjing	476,190	19,999,980	42	[REDACTED]
4 . . .	August 25, 2023	September 1, 2023	Nanjing Tunzhi	454,545	19,999,980	44	[REDACTED]
5 . . .	August 25, 2023	September 28, 2023	Rizhao Gaoxin	340,909	14,999,996	44	[REDACTED]

Notes:

- (1) For the full details of the Pre-[REDACTED] Investors, please see “— Information about our Pre-[REDACTED] Investors.”
- (2) The cost per share paid by the Pre-[REDACTED] Investors was calculated based on the amount of investment made by the relevant Pre-[REDACTED] Investors and number of Shares held by them immediately before completion of the Share Subdivision and the [REDACTED].
- (3) The [REDACTED] to the [REDACTED] is calculated based on the assumption that the [REDACTED] is HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Other Principal Terms of the Pre-[REDACTED] Investments

Basis of determination of the consideration	The considerations for the Pre-[REDACTED] Investments were determined based on arm's length negotiation among the respective Pre-[REDACTED] Investors and World Mega, after taking into account the business prospects and financial performance of our Group, the valuation of comparable companies and the private nature of the transactions, being transfer of existing shares.
Lock-up period	As of the Latest Practicable Date, the Shares held by the Pre-[REDACTED] Investors were not subject to any lock-up undertakings pursuant to the terms of the Pre-[REDACTED] Investments.
Use of proceeds from the Pre-[REDACTED] Investments.	As the Pre-[REDACTED] Investments were conducted by way of transfer of Shares among our then existing Shareholders, no proceeds were received by our Company.
Strategic benefits to our Company brought by the Pre-[REDACTED] Investors	Our Pre-[REDACTED] Investors mainly include private equity funds. Our Directors were of the view that our Company could benefit from the Pre-[REDACTED] Investors' knowledge and experience while broadening our shareholder base. The Pre-[REDACTED] Investments demonstrate the Pre-[REDACTED] Investors' confidence in the operations of our Group and serve as an endorsement of our Company's performance, strengths and prospects.
Rights of the Pre-[REDACTED] Investors	No special right has been granted to the Pre-[REDACTED] Investors.

Compliance with Pre-[REDACTED] Investment Guidance

On the basis that (i) the consideration for the Pre-[REDACTED] Investments was irrevocably settled more than 28 clear days before the first filing of the [REDACTED] application by our Company with the Stock Exchange, and (ii) no special right has been granted to the Pre-[REDACTED] Investors, the Joint Sponsors confirm that the investments by the Pre-[REDACTED] Investors are in compliance with the Pre-[REDACTED] Investment Guidance in Chapter 4.2 of the Guide for New Listing Applicants.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Information about our Pre-[REDACTED] Investors

The background information of our Pre-[REDACTED] Investors as of the Latest Practicable Date is set out below.

Primelight Yuanjing

Primelight Yuanjing Venture Capital (Rizhao) Partnership (Limited Partnership) (初輝元景創業投資(日照)合夥企業(有限合夥)) (“**Primelight Yuanjing**”) is a limited partnership established in the PRC on November 22, 2022. It is principally engaged in private equity investment. The general partner of Primelight Yuanjing is Primelight Yuanjing (Hainan) Enterprise Management Center (Limited Partnership) (初輝元景(海南)企業管理中心(有限合夥)), and the general partner of which is Primelight Private Equity Fund Management (Shenzhen) Co., Ltd. (初輝私募股權基金管理(深圳)有限公司) (“**Primelight Capital**”), which is controlled by Shanghai Primelight Taihao Enterprise Management Center (Limited Partnership) (上海初輝泰昊企業管理中心(有限合夥)) and ultimately controlled by XIN Yu (忻煜). Primelight Yuanjing has nine limited partners, among which, Primelight Hengtai Venture Capital (Rizhao) Partnership (Limited Partnership) (初輝恒泰創業投資(日照)合夥企業(有限合夥)) (“**Primelight Hengtai**”) holds approximately 33.89% partnership interests therein. The general partner of Primelight Hengtai is Primelight Capital, which is ultimately controlled by XIN Yu. None of the other limited partners of Primelight Yuanjing holds more than 30% partnership interests therein. To the best knowledge and information of the Company, XIN Yu and all these aforementioned entities are Independent Third Parties.

Nanjing Tunzhi and Rizhao Gaixin

Nanjing Tunzhi Jinyong Biopharmaceutical Venture Capital Partnership (Limited Partnership) (南京瞰智金湧生物醫藥創業投資合夥企業(有限合夥)) (“**Nanjing Tunzhi**”) is a limited partnership established in the PRC on May 14, 2021. The general partner of Nanjing Tunzhi is Nanjing Jinming Venture Capital Management Partnership (Limited Partnership) (南京金鳴創業投資管理合夥企業(有限合夥)) (“**Nanjing Jinming**”), and the general partner of which is Jinyu Maowu (Tibet) Venture Capital Management Co., Ltd. (金雨茂物(西藏)創業投資管理有限公司) (“**Jinyu Maowu Tibet**”), which is wholly owned by Jinyu Maowu Investment Management Co., Ltd. (金雨茂物投資管理股份有限公司) (“**Jinyu Maowu**”), a company quoted on the NEEQ (stock code: 834960). Nanjing Tunzhi has two limited partners, namely, (i) Nanjing Jinbi Venture Capital Partnership (Limited Partnership) (南京金璧創業投資合夥企業(有限合夥)) which holds approximately 49.93% partnership interests therein, and the general partner of which is Nanjing Jinming which is ultimately controlled by Jinyu Maowu; and (ii) Nanjing High-Tech Venture Capital Co., Ltd. (南京高新創業投資有限公司) which holds approximately 49.00% partnership interests therein, which is ultimately controlled by Nanjing Jiangbei New Area Administration Committee (南京江北新區管理委員會).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Rizhao Gaoxin No. 2 Venture Capital Partnership (Limited Partnership) (日照高鑫二號創業投資合夥企業(有限合夥)) (“**Rizhao Gaoxin**”) is a limited partnership established in the PRC on July 5, 2022. The general partner of Rizhao Gaoxin is Jinyu Maowu Tibet, which is wholly owned by Jinyu Maowu. Rizhao Gaoxin has two limited partners, among which, Rizhao Huaju High-tech Equity Investment Fund Co., Ltd. (日照華聚高新股權投資基金有限公司) (“**Rizhao Huaju**”) holds 98% of the partnership interests therein and is ultimately controlled by State-owned Assets Supervision and Administration Commission of Rizhao Municipal People’s Government (日照市人民政府國有資產監督管理委員會).

To the best knowledge and information of the Company, all these aforementioned entities are Independent Third Parties.

Hubei Tongying

Hubei Tong Ying Equity Investment Fund II Partnership (Limited Partnership) (湖北通瀛二期股權投資基金合夥企業(有限合夥)) (“**Hubei Tongying**”) is a limited partnership organized in the PRC on November 11, 2022. It is principally engaged in equity investment, investment management and asset management. The general partner of Hubei Tongying is Hubei Tongying Enterprise Management Consulting Co., Ltd. (湖北通瀛企業管理諮詢有限公司), which is controlled (i) as to 40% by Hubei Heyuan Rongtong Enterprise Management Partnership (Limited Partnership) (湖北和圓融通企業管理合夥企業(有限合夥)) (“**Heyuan Rongtong**”), whose general partner is CHEN Shi (陳實) and sole limited partner is Hubei Hehui Rongtong Enterprise Management Partnership (Limited Partnership) (湖北和匯融通企業管理合夥企業(有限合夥)) general partner of which is also CHEN Shi; (ii) as to 30% by Jointown Pharmaceutical Group Co., Ltd. (九州通醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600998); and (iii) as to 30% by Daiwa Corporate Investment Co., Ltd., a venture capital arm of Daiwa Securities Group Inc., a company listed on the Tokyo Stock Exchange (stock code: 8601). To the best knowledge and information of the Company, CHEN Shi and all these aforementioned entities are Independent Third Parties.

Guangzhou Haihui

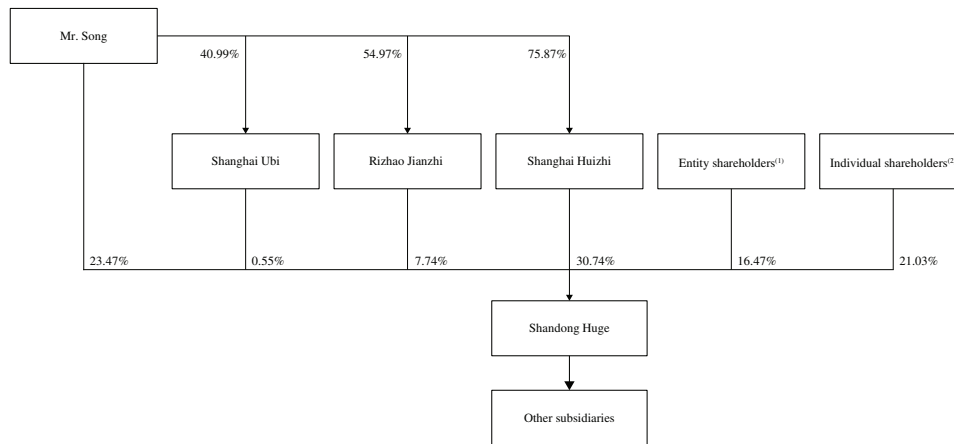
Guangzhou Haihuikechuang Venture Capital Partnership (Limited Partnership) (廣州海匯科創創業投資合夥企業(有限合夥)) (“**Guangzhou Haihui**”) is a limited partnership organized in the PRC on January 10, 2019. It is principally engaged in venture capital. The sole general partner of Guangzhou Haihui is LI Mingzhi (李明智). The sole limited partner of Guangzhou Haihui is Guangzhou Venture Capital Limited (廣州科技創業投資有限公司), which is ultimately controlled by Guangzhou Economic and Technological Development Zone, Guangzhou High-tech Industrial Development Zone, Guangzhou Export Processing Zone and Guangzhou Free Trade Zone Administration Committee (廣州經濟技術開發區、廣州高新技術產業開發區、廣州出口加工區及廣州保稅區管理委員會).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

Group structure before Reorganization

The following chart illustrates a simplified shareholding structure of our Group immediately before the Reorganization.



(1) Including World Mega, our Pre-[REDACTED] Investors and our other Pre-reorganization Shareholding Entities, namely Rizhao Lanxin, Shuohe Investment, Ningbo Huizhi and Hengxin Investment.

(2) Including Ms. Qin and other 12 individual minority shareholders.

Reorganization

In preparation for the [REDACTED], we undertook the following Reorganization whereby our Company became the holding company of our Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Part 1: Offshore Reorganization

Step 1.1: Incorporation of BVI shareholding vehicles

The following entities were incorporated in the BVI as shareholding vehicles, the Shares held by which reflect the respective equity interests in Shandong Huge held by the relevant shareholders (directly or indirectly through the Pre-reorganization Shareholding Entities).

Name of the BVI shareholding vehicle	Date of incorporation	Shareholders of the BVI shareholding vehicle	Equity interests
Huge Star	July 23, 2024	Huge Vanguard ⁽¹⁾	100%
HDMC Aurora LJQ Ltd.	July 26, 2024	HDMC Sunshine LJQ Ltd. ⁽²⁾	100%
HDMC Voyager RCH Ltd.	July 12, 2024	HU Richeng (胡日成)	100%
HDMC Voyager JL Ltd.	July 19, 2024	LI Jun (李軍)	100%
HDMC Voyager JRC Ltd.	July 19, 2024	CHEN Jirong (陳繼榮)	100%
HDMC Voyager PYC Ltd.	July 19, 2024	CHEN Pinyi (陳品亦)	100%
HDMC Voyager LSX Ltd.	July 12, 2024	XIANG Longsheng (相龍升)	100%
HDMC Voyager YD Ltd.	July 12, 2024	DENG Yan (鄧燕)	100%
HDMC Voyager YJZ Ltd.	July 12, 2024	ZHANG Yongjing (張永靜)	100%
Huge Bao Innovative Ltd.	July 22, 2024	LIU Qin (劉欽)	100%
DLXC Voyager LG Ltd.	July 26, 2024	GUO Lei (郭雷)	100%
Future LJQYHD	August 13, 2024	Note (3)	Note (3)
Future HFYJW	August 8, 2024	Note (4)	Note (4)
Future YPXNS	July 22, 2024	Note (5)	Note (5)

Notes:

- (1) Huge Vanguard was incorporated in the BVI on July 17, 2024 and wholly owned by Mr. Song.
- (2) HDMC Sunshine LJQ Ltd. was incorporated in the BVI on July 5, 2024 and wholly owned by Ms. Qin, mother of Mr. Song.
- (3) As of the Latest Practicable Date, Future LJQYHD was owned by 17 individuals, including Ms. Qin who held 37.26% equity interests therein and other 16 individuals who are former employees of the Group and Independent Third-Party individual shareholders.
- (4) As of the Latest Practicable Date, Future HFYJW was owned by 20 individuals, including employees and former employees of the Group and Independent Third-Party individual shareholders.
- (5) As of the Latest Practicable Date, Future YPXNS was owned by 44 individuals, including Mr. SONG Baisheng (宋佰升), cousin of Mr. Song, who held approximately 0.48% equity interests therein, and 43 employees or former employees of the Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Step 1.2: Incorporation of our Company, Huge Dental BVI and Huge Dental HK and issue and allotment of our Shares to BVI shareholding vehicles

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 7, 2024 with an authorized share capital of US\$100 divided into 100,000,000 ordinary shares with a par value of US\$0.000001 each. On the date of incorporation, our Company issued one share to an Independent Third Party and then transferred to Huge Star, a company indirectly wholly owned by Mr. Song, at par value.

On August 7, 2024, 21,127,842 Shares, 5,552,315 Shares, 1,467,962 Shares, 1,084,965 Shares, 863,974 Shares, 760,000 Shares, 760,000 Shares, 414,505 Shares, 395,985 Shares, 170,000 Shares and 40,000 Shares were issued and allotted to Huge Star, HDMC Aurora LJQ Ltd., Huge Bao Innovative Ltd., HDMC Voyager RCH Ltd., HDMC Voyager JL Ltd., HDMC Voyager JRC Ltd., HDMC Voyager PYC Ltd., Future YPXNS, HDMC Voyager YD Ltd., HDMC Voyager YJZ Ltd. and HDMC Voyager LSX Ltd., respectively, for a total consideration of RMB88,848,532, which was determined with reference to the amount paid by the respective shareholders for their interests in Shandong Huge and/or the Pre-reorganization Shareholding Entities, and was fully settled on February 3, 2025.

On August 20, 2024, Huge Dental BVI was incorporated under the laws of the BVI with limited liability with an authorized share capital of US\$50,000 divided into 50,000 shares with par value of US\$1.00 each. On the same day, one share of Huge Dental BVI was allotted and issued to our Company as fully paid at par value.

On September 5, 2024, Huge Dental HK was incorporated as a limited liability company in Hong Kong with an authorized share capital of US\$1.00 divided into one share with par value of US\$1.00. On the same day, one share of Huge Dental HK was allotted and issued to Huge Dental BVI as fully paid at par value.

Each of Huge Dental BVI and Huge Dental HK is an investment holding company. For details of our corporate structure, see “— Our Shareholding and Corporate Structure.”

On September 6, 2024, 778,119 Shares were issued and allotted to Future HFYJW for a consideration of RMB2,963,996, which was determined with reference to the amount paid by the respective shareholders for their interests in Shandong Huge and/or the Pre-reorganization Shareholding Entities, and was fully settled on February 5, 2025.

On September 6, 2024 and December 27, 2024, 2,324,985 Shares and 1,432,847 Shares were issued and allotted to Future LJQYHD for a total consideration of RMB7,448,767, which was determined with reference to the amount paid by the respective shareholders for their interests in Shandong Huge and/or the Pre-reorganization Shareholding Entities, and was fully settled on January 20, 2025.

On December 27, 2024, 1,026,500 Shares were issued and allotted to DLXC Voyager LG Ltd. for a consideration of RMB4,413,950, which was determined with reference to the amount paid by the shareholder for his interest in Shandong Huge, and was fully settled on February 8, 2025.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Step 1.3: Issuance and Allotment of Shares to World Mega and the Pre-[REDACTED] Investors

In order to reflect their equity interests in Shandong Huge prior to the Reorganization, on December 27, 2024, 476,190 Shares, 454,545 Shares, 340,909 Shares, 250,000 Share, 240,261 Share and 238,095 Shares were issued and allotted to Primelight Yuanjing, Nanjing Tunzhi, Rizhao Gaoxin, Hubei Tongying, World Mega and Guangzhou Haihui at a consideration of RMB19,999,980, RMB19,999,980, RMB14,999,996, RMB10,500,000, US\$267,339.11 and RMB9,999,990, respectively, which were determined with reference to the investment amount paid by the respective investors for their investments in Shandong Huge and were fully settled on January 2, 2025.

Upon the completion of the aforementioned share issuance and allotment, each of the individual shareholders (directly or indirectly through the Offshore Shareholding Entities), World Mega and the Pre-[REDACTED] Investors’ proportion of shareholdings of our Company became identical to that of Shandong Huge immediately before the Reorganization.

Part 2: Onshore Reorganization

Step 2.1: Conversion of Shandong Huge into a Limited Liability Company

Pursuant to the shareholders meeting held on June 28, 2024, Shandong Huge was converted into a limited liability company with the registered capital of RMB40,200,000, which was completed on July 15, 2024.

Step 2.2: Establishment of Huge Holding

On September 30, 2024, Huge Holding was established as a limited liability company in the PRC as a direct wholly owned subsidiary of Huge Dental HK with a registered capital of RMB100,000,000, which was fully subscribed for by Huge Dental HK on the same day.

Step 2.3: Capital Reduction of Shandong Huge by Pre-reorganization Shareholding Entities, World Mega and Pre-[REDACTED] Investors

Upon completion of registration with Rizhao Administration for Market Regulation (日照市市場監督管理局) in the PRC on November 8, 2024, Shandong Huge reduced its registered capital from RMB40,200,000 to RMB17,888,500 and repaid the total investment amount of RMB104,176,729 to the Pre-reorganization Shareholding Entities, World Mega and Pre-[REDACTED] Investors, who, in turn, utilized such payments as consideration for the subscription of Shares issued to them during the Reorganization.

Upon completion of the capital reduction, Shandong Huge was then owned by 14 remaining individual shareholders.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Step 2.4: Capital Injection to Shandong Huge by Huge Holding

On November 14, 2024, Huge Holding subscribed for the increased registered capital of RMB22,000,000 of Shandong Huge at a consideration of RMB22,000,000, which was fully paid up on November 19, 2024. Upon completion of the capital increase, the registered capital of Shandong Huge increased from RMB17,888,500 to RMB39,888,500 and Shandong Huge was held as to 55.15% by Huge Holding and 44.85% by the remaining 14 individual shareholders.

Step 2.5: Acquisition of Remaining Equity Interests of Shandong Huge by Huge Holding

Pursuant to the share transfer agreements entered into between Shandong Huge, Huge Holding and each of the remaining 14 individual shareholders dated December 10, 2024, Huge Holding acquired the remaining equity interests of Shandong Huge held by the remaining 14 individual shareholders amounting to RMB17,888,500 registered capital of Shandong Huge at a consideration of RMB76,920,550, which was determined with reference to a valuation report issued by an independent valuer. Upon completion of the share transfers on December 31, 2024, Shandong Huge became a wholly owned subsidiary of Huge Holding and thus an indirect wholly owned subsidiary of our Company.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any material acquisitions, mergers or disposals that we consider significant to us.

PREVIOUS QUOTATION ON NEEQ AND A-SHARE LISTING ATTEMPTS

Previous Quotation of Shandong Huge on the NEEQ

On March 20, 2015, Shandong Huge received the approval for its shares to be quoted on the NEEQ in the PRC (stock code: 832202), and the shares of Shandong Huge began trading on the NEEQ on April 10, 2015. Having considered our development strategy and desire to pursue further opportunities for accessing improved trading activity and equity liquidity, the quotation of Shandong Huge’s shares on the NEEQ no longer satisfied the then financing needs of our Group. As such, on May 4, 2017, the then shareholders passed resolutions to voluntarily terminate the quotation of Shandong Huge on the NEEQ, which was completed on June 16, 2017.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Compliance during Quotation on the NEEQ

Our Directors confirmed that, to the best of their knowledge and belief: (a) during the period that Shandong Huge was quoted on the NEEQ: (i) Shandong Huge had been in compliance in all material respects with all applicable rules and regulations of the NEEQ and PRC securities law; and (ii) Shandong Huge had not been subject to any administrative penalty by the NEEQ and/or any relevant law enforcement authority or regulator related to securities supervision; and (b) there are no further matters in relation to the prior quotation of Shandong Huge on the NEEQ and the subsequent delisting that needs to be brought to the attention of the Stock Exchange, our Shareholders or potential investors.

Based on the independent due diligence conducted by the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that would cause them to disagree with the Directors’ confirmation.

A-Share Listing Attempts

Proposed A-Share Listing in 2022

During the course of our development, we from time to time explored capital market opportunities and entered into A-share listing tutorials. However, no substantive work was conducted or advanced except in November 2021, when we believed that a listing on the ChiNext of the Shenzhen Stock Exchange would bring Shandong Huge (i) funds for the future business expansion, (ii) more financing opportunities to optimize the capital structure, and (iii) enhancement of the brand awareness, and therefore engaged Central China Securities Co., Ltd. (中原證券股份有限公司) as its sponsor and submitted the A-share listing application to the CSRC on December 27, 2021 (the “**Proposed A-Share Listing**”). CSRC only raised disclosure comments during the vetting process. Shandong Huge submitted its responses to address such comments on August 5, 2022 and did not receive further comments from the CSRC before its voluntary withdrawal of the application, of which the CSRC confirmed receipt on August 22, 2022.

Shandong Huge voluntarily withdrew the Proposed A-Share Listing because it wished to further enhance its profitability with an aim of attracting a more prestigious investor base. No questions or comments relating to suitability for listing of Shandong Huge on the ChiNext of the Shenzhen Stock Exchange were raised by the CSRC.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Save for the reasons as disclosed above, Shandong Huge did not encounter any material difficulties or legal impediments which led to its withdrawal of the Proposed A-Share Listing and termination of the A-share listing tutorials. Our Directors confirm that, to the best of their knowledge, our Directors are not aware of (i) any other matters relating to the Proposed A-Share Listing that are relevant to the [REDACTED] on the Stock Exchange and should be reasonably highlighted in this document for potential investors to form an informed assessment of our Company; (ii) any enquiries from the CSRC relating to the Proposed A-Share Listing that would affect our Company's suitability for [REDACTED] on the Stock Exchange; (iii) any other matters relating to the Proposed A-Share Listing that may have implications on our Company's suitability for the [REDACTED] on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this document; (iv) any disagreement or dispute between us and the professional parties involved in the Proposed A-Share Listing; and (v) any other matters that need to be brought to the attention of the Stock Exchange and potential investors in relation to the Proposed A-Share Listing and the A-share listing tutorials.

Reasons for Seeking [REDACTED] on the Stock Exchange

Our Directors believe that the [REDACTED] on the Stock Exchange will be in the interest of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for, among other things, the following reasons:

- (i) the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fundraising capabilities and broaden our fundraising channels and Shareholders base as well as strengthen our corporate governance;
- (ii) the [REDACTED] would give us a better platform to further develop our business, in particular our overseas business; and
- (iii) the [REDACTED] will further raise our brand awareness, business profile and thus, enhance our corporate image to attract new customers, business partners and strategic investors in the PRC and abroad, as well as to recruit, motivate and retain key management personnel for our Group's business.

Taking into account, among other things, the aforementioned factors and the long-term business development strategies of our Group, our Directors consider the Stock Exchange to be a more suitable venue to access international equity markets, and the [REDACTED] will be in the best interests of us and our Shareholders as a whole.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

SHARE SUBDIVISION

On [●], 2025, our Shareholders [resolved] to, among other things, conduct the Share Subdivision, pursuant to which, each of our authorized issued and unissued ordinary shares of US\$0.000001 each was subdivided into four Shares of US\$0.0000025 each effective upon the conditions of the [REDACTED] being fulfilled. Following the Share Subdivision, our authorized share capital consists of US\$100 divided into 400,000,000 Shares with a par value of US\$0.0000025 each.

PUBLIC FLOAT

Upon completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), Shares held by certain Shareholders who are our core connected persons will not be counted towards the public float. Details of these Shareholders are set out below:

- (1) Huge Star, indirectly wholly owned by Mr. Song, the chairman of our Board, our executive Director, chief executive officer and Controlling Shareholder, holding [REDACTED] Shares which represented approximately [REDACTED]% of the total issued Shares;
- (2) HDMC Aurora LJQ Ltd. and Future LJQYHD, each controlled by Ms. Qin, a substantial Shareholder, holding [REDACTED] Shares in total which represented approximately [REDACTED]% of the total issued Shares; and
- (3) Huge Bao Innovative Ltd., HDMC Voyager YJZ Ltd. and HDMC Voyager LSX Ltd., each a wholly-owned shareholding vehicle of our Directors, Mr. LIU Qin (劉欽), Ms. ZHANG Yongjing (張永靜) and Mr. XIANG Longsheng (相龍升), respectively, holding [REDACTED] Shares in total which represented approximately [REDACTED]% of the total issued Shares.

Save as disclosed above, upon the completion of the Share Subdivision and the [REDACTED], assuming the [REDACTED] is not exercised, [REDACTED] Shares held by all other Shareholders will be counted towards the public float, representing approximately [REDACTED]% of the issued share capital of our Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION

The shareholding structure of our Company is set forth below⁽¹⁾.

Shareholder	As of the Latest Practicable Date		Immediately upon completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised)	
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage
Huge Star ⁽²⁾	21,127,843	52.56%	[REDACTED]	[REDACTED]%
HDMC Aurora LJQ Ltd. ⁽³⁾	5,552,315	13.81%	[REDACTED]	[REDACTED]%
Future LJQYHD	3,757,832	9.35%	[REDACTED]	[REDACTED]%
Huge Bao Innovative Ltd. ⁽⁴⁾	1,467,962	3.65%	[REDACTED]	[REDACTED]%
HDMC Voyager RCH Ltd.	1,084,965	2.70%	[REDACTED]	[REDACTED]%
DLXC Voyager LG Ltd.	1,026,500	2.55%	[REDACTED]	[REDACTED]%
HDMC Voyager JL Ltd.	863,974	2.15%	[REDACTED]	[REDACTED]%
Future HFYJW.	778,119	1.94%	[REDACTED]	[REDACTED]%
HDMC Voyager JRC Ltd.	760,000	1.89%	[REDACTED]	[REDACTED]%
HDMC Voyager PYC Ltd.	760,000	1.89%	[REDACTED]	[REDACTED]%
Primelight Yuanjing	476,190	1.18%	[REDACTED]	[REDACTED]%
Nanjing Tunzhi ⁽⁵⁾	454,545	1.13%	[REDACTED]	[REDACTED]%
Future YPXNS	414,505	1.03%	[REDACTED]	[REDACTED]%
HDMC Voyager YD Ltd.	395,985	0.99%	[REDACTED]	[REDACTED]%
Rizhao Gaoxin	340,909	0.85%	[REDACTED]	[REDACTED]%
Hubei Tongying	250,000	0.62%	[REDACTED]	[REDACTED]%
World Mega	240,261	0.60%	[REDACTED]	[REDACTED]%
Guangzhou Haihui	238,095	0.59%	[REDACTED]	[REDACTED]%
HDMC Voyager YJZ Ltd. ⁽⁶⁾	170,000	0.42%	[REDACTED]	[REDACTED]%
HDMC Voyager LSX Ltd. ⁽⁷⁾	40,000	0.10%	[REDACTED]	[REDACTED]%
Other public Shareholders	–	–	[REDACTED]	[REDACTED]%
Total	40,200,000	100%	[REDACTED]	100%

(1) The percentage figures included in this table have been subject to rounding adjustments. Therefore, figure shown as total may not be an arithmetic aggregation of the figures above.

(2) Huge Star is wholly owned by Huge Vanguard which is in turn wholly owned by Mr. Song.

(3) HDMC Aurora LJQ Ltd. is wholly owned by HDMC Sunshine LJQ Ltd. HDMC Sunshine LJQ Ltd. is in turn wholly owned by Ms. Qin after repurchase of minority interest from certain individuals.

(4) Huge Bao Innovative Ltd. is wholly owned by Mr. Liu Qin (劉欽), our executive Director.

(5) Nanjing Tunzhi and Rizhao Gaoxin are managed by the same general partner and affiliated with each other.

(6) HDMC Voyager YJZ Ltd. is wholly owned by Ms. Zhang Yongjing (張永靜), our executive Director.

(7) HDMC Voyager LSX Ltd. is wholly owned by Mr. Xiang Longsheng (相龍升), our executive Director.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRC LEGAL COMPLIANCE

Our PRC Legal Advisors have confirmed that each of the incorporation and the subscription and transfer of equity interest of our PRC subsidiaries as described above in the Reorganization have been legally completed and the requisite government approvals or filings in all material respects, as applicable, have been obtained in accordance with PRC laws and regulations.

M&A Rules

Under the Provisions Regarding Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise, or subscribes for new equity interest in a domestic non-foreign invested enterprise via an increase in registered capital of the domestic non-foreign invested enterprise, thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic non-foreign invested enterprise, or which purchases the assets of a domestic non-foreign invested enterprise and injects those assets to establish a foreign-invested enterprise. The M&A Rules require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that an offshore special purpose vehicle, or a SPV, established or controlled by a PRC company or individual shall obtain approval from MOFCOM prior to the acquisition of any domestic enterprise related to such company or individual.

As advised by our PRC Legal Advisors, the onshore Reorganization of our PRC subsidiaries are not in violation with the M&A Rules and are not subject to a prior approval from the MOFCOM under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and whether the MOFCOM and other related government authorities would promulgate future PRC laws, regulations or rules contrary to the M&A Rules.

SAFE Registration

Pursuant to Circular of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Round-trip Investment Conducted by Chinese Mainland Residents via Special-purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 37**”), promulgated by SAFE and which became effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore assets or domestic enterprises’ equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii)

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of the Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries. Pursuant to the ODI Rules, a domestic institution shall undergo the procedure of overseas direct investment registration for foreign investment in accordance with the provisions of the ODI Rules, which require the domestic institution to register with the local SAFE prior to its overseas direct investment and handle the overseas direct investment registration, modification or filing formalities for any major change of its overseas direct investment.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**SAFE Circular 13**”), promulgated by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to qualified banks.

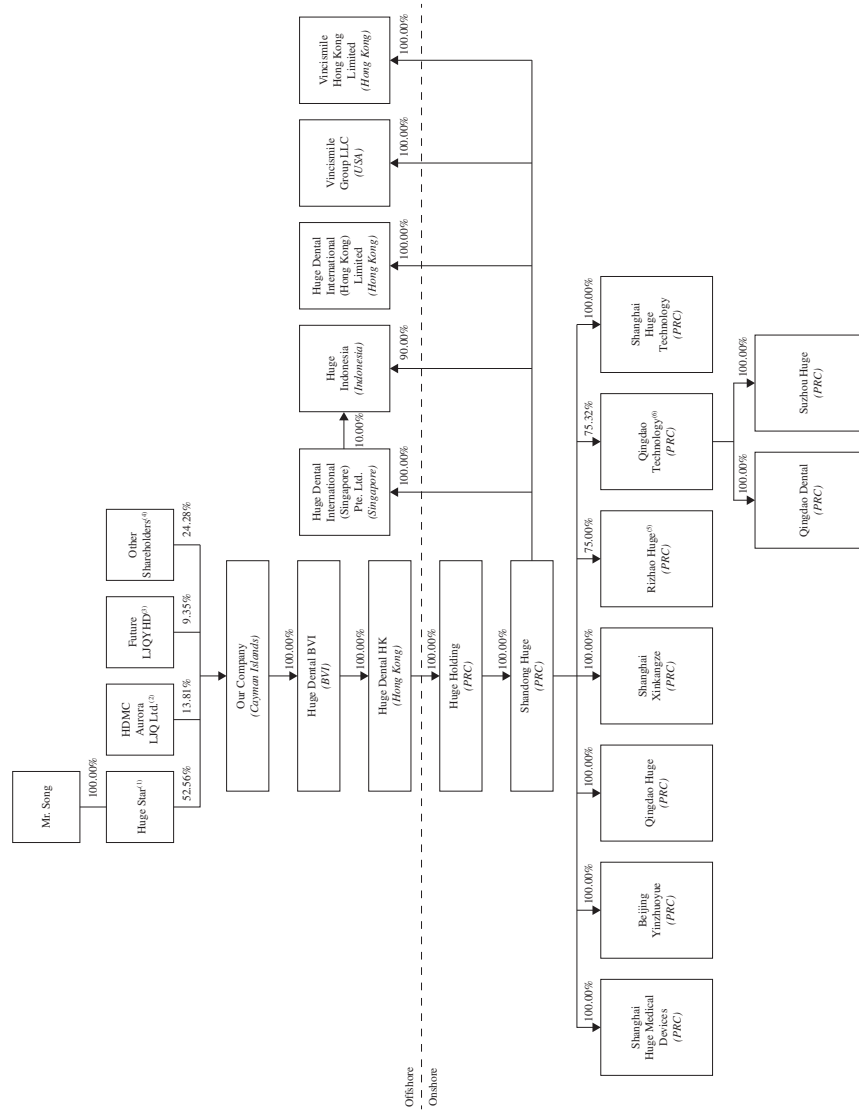
As advised by our PRC Legal Advisors, (i) a total of 90 PRC residents, including our Controlling Shareholder, Mr. Song, have completed the required initial registration under SAFE Circular 37 and SAFE Circular 13 on September 23, 2024; and (ii) as part of the Reorganization, all our Shareholders which are domestic institutions under the ODI Rules have completed their overseas direct investment registration with relevant governmental authorities.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR SHAREHOLDING AND CORPORATE STRUCTURE

Immediately Prior to the Share Subdivision and the [REDACTED]

The following chart illustrates the simplified shareholding structure of our Group following the completion of the Reorganization and immediately prior to the Share Subdivision and the [REDACTED]:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

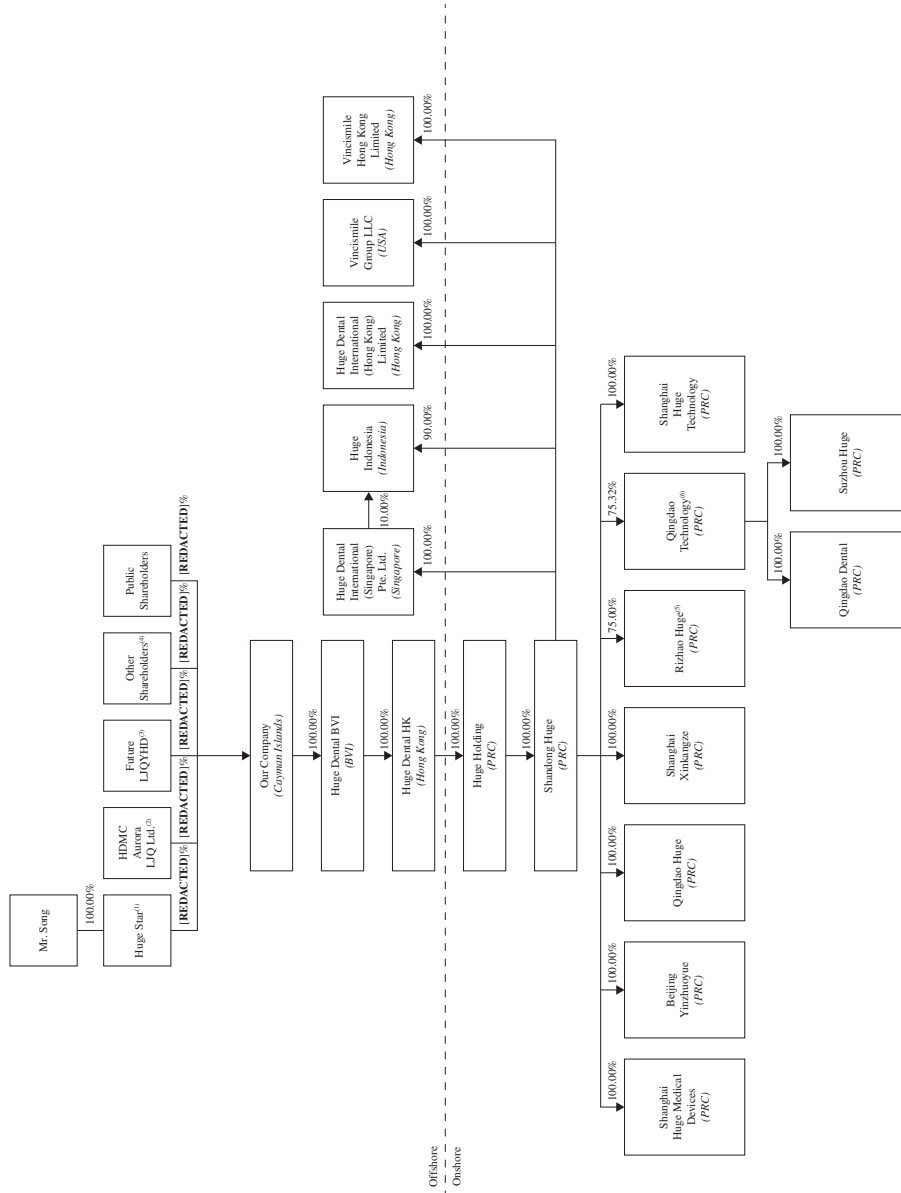
Notes:

- (1) As of the Latest Practicable Date, Huge Star was wholly owned by Mr. Song through Huge Vanguard. For details, see “Substantial Shareholders.”
- (2) As of the Latest Practicable Date, HDMC Aurora LJO Ltd. was wholly owned by Ms. Qin through HDMC Sunshine LJO Ltd. For details, see “Substantial Shareholders.”
- (3) As of the Latest Practicable Date, Future LJOYHD, was held by Ms. Qin as to 37.26% and Mr. WU Jianxin as to 35.47%. For details, see “Substantial Shareholders.”
- (4) Other Shareholders include: (i) our Pre-**[REDACTED]** Investors, namely, Primelight Yuanjing (1.18%), Nanjing Tunzhi (1.13%), Rizhao Gaoxin (0.85%), Hubei Tongying (0.62%) and Guangzhou Haihui (0.59%), for details, see “— Pre-**[REDACTED]** Investments”; (ii) other Offshore Shareholding Entities, namely, Future HFYJW (1.94%) and Future YPXNS (1.03%); (iii) World Mega (0.60%); (iv) other BVI shareholding vehicles, namely, Huge Bao Innovative Ltd. (3.65%), HDMC Voyager RCH Ltd. (2.70%), DLXC Voyager LG Ltd. (2.55%), LHDMC Voyager JLC Ltd. (2.15%), HDMC Voyager PYC Ltd. (1.89%), HDMC Voyager YD Ltd. (0.99%), World Mega (0.60%), HDMC Voyager YJZ Ltd. (0.42%) and HDMC Voyager LSX Ltd. (0.10%).
- (5) As of the Latest Practicable Date, Rizhao Huge was held by Shandong Huge as to 75% and Mr. JIA Weitao (賈為濤) as to 25%. Mr. JIA Weitao is an individual investor.
- (6) As of the Latest Practicable Date, Qingdao Technology was held by Shandong Huge as to approximately 75.32% and by Ningbo Meishan Bonded Port Area Chuangsheng Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區創升投資管理合夥企業(有限合夥)), which is controlled by its general partner Mr. WANG Kai (王凱), as to approximately 24.68%.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Immediately Following the Share Subdivision and the [REDACTED]

The following chart illustrates the simplified shareholding structure of our Group immediately upon completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised):



Notes: For notes (1) to (6), please refer to “— Immediately Prior to the Share Subdivision and the [REDACTED]” in this section above.

BUSINESS

OVERVIEW

Our vision is to become a leader in the global dental industry and safeguard dental health. Our mission is to empower oral healthcare with advanced techniques, providing innovative, high-quality and cost-effective solutions for dental professionals worldwide.

We are one of the leading dental material companies among domestic players in China, offering a wide range of dental clinical products, dental laboratory products and dental digital products in various application scenarios across key specialty areas in dentistry. Our comprehensive product portfolio caters to all scenarios in dental medical institutions (including dental hospitals and clinics) and laboratories, effectively addressing the diverse clinical needs of our customers, including restoration, implantation, endodontics, orthodontics and pediatrics. We are the largest manufacturer of dental impression taking materials and among the largest domestic manufacturers of dental clinical materials in China in terms of sales revenue in 2023, holding the most dental clinical materials with the CE Mark or FDA approval among domestic manufacturers, according to Frost & Sullivan.

The market for dental clinical products and dental laboratory products in China has traditionally been dominated by well-known foreign brands, yet we aspire to establish ourselves as a strong contender in the industry. Through our commitment to intensive research and development, we have achieved product standards comparable to those leading international brands. We have also focused on sales, establishing market presence through long-term marketing efforts, strategic partnerships and competitive pricing. As a result, our brand has a strong domestic recognition, with many dental professionals familiar with our cost-effective alternatives to imported products. This has helped us constantly build a solid reputation and earn the trust of our customers. Notably, in several subcategories, including elastomeric impression materials and synthetic resin teeth, we have surpassed these renowned brands, becoming the top-ranked company in China by sales revenue in 2023, according to Frost & Sullivan.

Building on this foundation, we have made significant advancements in product development and market presence. Our elastomeric impression materials and synthetic resin teeth ranked first in terms of sales revenue in China in 2023, according to Frost & Sullivan. Our elastomeric impression materials also ranked first among domestic brands in global market in terms of sales revenue in 2023, according to Frost & Sullivan. We plan to further develop our removable denture and implant restoration products to expand our product portfolio by leveraging digital technologies. Following extensive development, we have mastered several core technologies in dental materials. These include digital full denture manufacturing, which enhances precision and personalized service, five-layer colored resin molding technology, which improves patient aesthetics and satisfaction, and sustained fluoride release technology, which plays a crucial role in dental health, particularly in cavity prevention. Also, beyond elastomeric impression materials and synthetic resin teeth, many of our products have achieved market-leading positions and developed international competitiveness, including light cure dental adhesive, bonding resin cement (dual cure) and flowable resin, all of which have been effectively introduced in China and overseas. Globally, our products have been certified in over 60 countries and regions worldwide, including 26 FDA-cleared or approved products, 28 products with the CE Mark and 15 NMPA-approved products, reflecting our strong domestic and international presence and strategically positions us within the competitive dental medical devices market.

BUSINESS

As of the Latest Practicable Date, we held 33 domestic registration certificates for Class II and Class III medical devices, representing the largest number among domestic dental material companies in China, according to Frost & Sullivan. We view the broad range of regulatory certifications as not only exemplifying the breadth of our product offerings but also underscoring the quality and reliability of our product portfolio. The following diagram sets forth representative products within our product portfolio.



In addition to the comprehensive dental product portfolio, we have built a robust global sales network to realize the commercial potential of our products. In China, we serve a wide range of dental medical institutions, including hospitals and clinics, supported by an extensive network of distributors and dental laboratories. Overseas, our products are available in over 60 countries and regions. Our key overseas markets include Europe, the U.S. and Southeast Asia. We are competitive in both European and the U.S. markets, and we aspire to become a market leader in Southeast Asia.

Through this extensive market development, our brands, including *Huge* (滬鴿), *Hujishu* (護脊舒), *Kaijing* (凱晶), *Kaifeng* (凱豐), *Kaili* (凱麗), *Kaibiao* (凱標), *Meijiayin* (美佳印), *Meiyiting* (美益汀), *Meijingci* (美晶瓷), *Huge Meiyue* (滬鴿美悅), *Meitiangu* (美天固) and *VinciSmile*, which correspond to a variety of products, have gained significant visibility in the dental medical device industry and earned a strong market reputation. Leveraging our advanced research and development capabilities, high production capacity and our highly efficient professional service system, we are committed to developing and manufacturing products that demonstrate internationally recognized performance standards and continuing to explore opportunities in overseas markets.

BUSINESS

We experienced robust growth during the Track Record Period. Our revenue increased by 27.7% from RMB280.1 million in 2022 to RMB357.6 million in 2023, and increased by 13.7% from RMB267.2 million for the nine months ended September 30, 2023 to RMB303.7 million for the same period of 2024. Our net profit increased by 38.0% from RMB64.0 million in 2022 to RMB88.4 million in 2023, and increased by 6.6% from RMB72.9 million for the nine months ended September 30, 2023 to RMB77.7 million for the same period of 2024.

Going forward, we look to capitalize on the opportunities and solidify our market position in the dental medical device industry. We plan to upgrade and expand production at our Rizhao manufacturing facility with advanced automation to improve efficiency, quality and capacity. In parallel, we will establish a manufacturing facility in Indonesia, which will serve as a strategic base for our global expansion. We believe this dual-factory strategy in China and Indonesia will ultimately strengthen the stability of both our domestic and overseas supply chains. To support long-term growth, we also intend to invest in the research and development efforts that focus on advancing digital technologies, further expand our global logistics and sales network, and achieve enhanced domestic and overseas sales.

OUR COMPETITIVE STRENGTHS

A dental material company in China with the most Class II and Class III registrations among domestic companies, offering a wide range of products, and known for quality and strong global presence.

We are one of the leading dental material companies among domestic players in China, offering a wide range of dental clinical products, dental laboratory products and dental digital products in various application scenarios across key specialty areas in dentistry. As of the Latest Practicable Date, we held 33 domestic registration certificates for Class II and Class III medical devices, representing the largest number among domestic dental material companies in China, according to Frost & Sullivan.

As we continue to expand our influence, the dental medical device industry is also set for substantial growth, driven by its diverse segments and the increasing demand for care across all age groups, especially in emerging markets like China and Southeast Asia. The dental medical device industry is a vast market that covers the entire patient life cycle and consists of numerous segments. Dental care is also relevant to everyone and with significant demand, from children with cavities to adults with gum disease and the elderly needing dentures. In China, where there is a large population of dental patients, the per capita spending on dental care remains much lower than that of developed countries. This indicates substantial growth potential for China’s dental medical devices market. Moreover, the rising awareness of oral health and preventive care is driving the growth of demand. Other countries also present significant market opportunities, particularly in the field of elastomeric impression materials and synthetic resin teeth, according to Frost & Sullivan.

BUSINESS

Since 2006, we have been established as a domestic pioneer and leader in the dental medical device industry in China. We are the largest manufacturers of impression materials and synthetic resin teeth in China in terms of sales revenue in 2023, according to Frost & Sullivan. We have also established a reputation in the industry with our high product quality, excellent research and development capabilities and superior customer experiences. After years of strategic market development and brand cultivation, our brands, including *Huge* (滬鴿), *Hujishu* (護脊舒), *Kaijing* (凱晶), *Kaifeng* (凱豐), *Kaili* (凱麗), *Kaibiao* (凱標), *Meijiayin* (美佳印), *Meiyiting* (美益汀), *Meijingci* (美晶瓷), *Huge Meiyue* (滬鴿美悅), *Meitiangu* (美天固) and *VinciSmile* have attained high visibility in the dental medical device industry and are widely recognized in the market, establishing a strong and reputable presence.

Our product portfolio is broadly divided into three product categories, namely, dental clinical products, dental laboratory products and dental digital products, in five application scenarios across key specialty areas, including restorative, implantology, orthodontics, endodontics implants and pediatric dentistry. Dental clinical products are deployed in all these areas, whereas dental laboratory products are adopted in restorative, implantology and pediatric dentistry. We are further broadening our product portfolio to include dental digital products, such as intraoral scanners.

Following extensive development, we have mastered several core technologies in dental materials, and many of our products have achieved market-leading positions in China and developed international competitiveness, including resin block, light cure dental adhesive, bonding resin cement (dual cure) and flowable resin, all of which have been effectively introduced in China and overseas. Among our product portfolio, our elastomeric impression materials and synthetic resin teeth ranked first in terms of sales revenue in China in 2023, according to Frost & Sullivan. Our elastomeric impression materials also ranked first among domestic brands in global market in terms of sales revenue in 2023, according to Frost & Sullivan.

Our footprint extends beyond the Chinese market, and we aim to be a recognized leader in the global dental field by actively pursuing strategic development. To achieve this goal, we have built an international talent team and secured certifications from major countries and regions, gaining recognition from esteemed international customers. Our products have received certification from the CE certifications quality system, U.S. FDA and Canadian MDL, enabling us to provide high-quality dental products to both domestic and international customers. Currently, our sales have expanded broadly, including Europe, the U.S. and Southeast Asia. Looking ahead, we will implement global strategies that cater to the unique needs of customers in various regions, ensuring the continuous delivery of innovative and competitive products to drive growth.

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Three key product categories covering five application scenarios across key specialty areas in dentistry to capture the high-potential dental medical devices market to ensure sustainable growth.

We offer a wide range of dental products in three key product categories, namely dental clinical products, dental laboratory products and dental digital products. These products are designed to be deployed in five primary application scenarios across key specialty areas in dentistry, including restorative, implantology, orthodontics, endodontics implants and pediatric dentistry. Our synthetic resin teeth product in the dental laboratory products category represents the foundation product of our business, from which we have gradually expanded our portfolio into dental clinical products and dental digital products, such as elastomeric impression materials and glass ionomer cement, light cure dental adhesive and invisible orthodontic aligner, among other dental clinical products. We have now established a comprehensive portfolio of dental clinical products, dental laboratory products and dental digital products that thoroughly cover various application scenarios across key specialty areas in dentistry. This ensures that we meet the diverse needs of both practitioners and patients and cater to all scenarios in dental medical institutions and laboratories. Such a comprehensive product portfolio also differentiates us from major domestic competitors who tend to specialize in limited product categories, according to Frost & Sullivan.

- *Dental clinical products.* Our dental clinical products are presented in five application scenarios across key specialty areas in dentistry, including restorative, implantology, orthodontics, endodontics implants and pediatric dentistry. Among our dental clinical products, our elastomeric impression materials ranked first in its Chinese market in 2023 by sales revenue, with a 28.6% market share, and ranked first among domestic brands in its global market, according to Frost & Sullivan. Our elastomeric impression materials enable dental professionals to make accurate molds of oral cavities, which is crucial for crafting custom dentures and crowns tailored to their unique dental structure. Globally, our dental clinical products have received relevant certifications and been sold across various countries and regions, including China, the U.S., the EU and Southeast Asia.
- *Dental laboratory products.* Our dental laboratory products are presented in three application scenarios across key specialty areas in dentistry, including restorative, implantology and pediatric dentistry. Among our dental laboratory products, our synthetic resin teeth ranked first in its Chinese market in 2023 by sales revenue, with a 22.2% market share, according to Frost & Sullivan. Our synthetic resin teeth and resin blocks are used in dentures to enhance chewing function and appearance, offering good aesthetics and compatibility for both full and partial dentures.

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- *Dental digital products.* With our extensive hands-on experience and know-how in both dental clinical products and dental laboratory products, we believe that we are uniquely positioned to advance our product portfolio in the dental digital products sector, especially when developing dental digital products that guide the production of dental clinical products and dental laboratory products. We aim to focus on five application scenarios across key specialty areas in dentistry, including restorative, implantology, orthodontics, endodontics implants and pediatric dentistry. We plan to offer advanced dental digital products, including invisible orthodontics that utilize oral scanning technology to provide customized solutions. We also intend to use oral scanning technology to refine impressions and elevate customer experiences. Additionally, we employ CAD/CAM technologies to develop a digital service platform that streamlines communication and product delivery among dental stakeholders. Our strategic vision to offer integrated dental digital products has given us a first-mover advantage in multiple market segments, enabling rapid growth and establishing a strong foundation for our future development.

Well-positioned to embrace digital transformation in the dental medical device industry through in-house research and development capabilities.

By establishing research and development centers and partnering with leading universities and experts, we have consistently enhanced our research and development capabilities and adapted ourselves to address unmet clinical needs in the dental industry. We strive to remain on par with or exceed the internationally recognized standards for dental products and elevate the performance of our established products to international excellence while also increasing our research and development efforts on new high-end products and dental digital platforms.

We assess the research and development capabilities essential for achieving with our strategic goals. To this end, we have strategically established three advanced research and development centers in Rizhao, Shanghai and Suzhou. Our Rizhao research and development center is dedicated to the development, innovation and enhancement of our dental laboratory products, including synthetic resin teeth, zirconia block. In Shanghai, our research and development center primarily emphasizes the innovation and application of 3D printing technology, while our Suzhou research and development center is committed to advancing dental digital products. These three research and development centers are responsible for their respective responsibilities in line with our corporate goals. We also promote a positive corporate culture that promotes growth for our research and development personnel.

Recognizing the imperative of digital innovation in the industry, our research and development efforts also encompass leveraging digital technologies to enhance the competitiveness of our products and facilitate the transformation of traditional dental practices. We leverage digital technologies to upgrade our products to enhance our industry competitiveness, such as those used in implantology and orthodontics. In line with this effort, we are also involved in exploring new 3D printing technologies and materials designed to replace traditional resin teeth, as well as developing related medical equipment, including

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intraoral scanners and other innovative tools. Through this effort, we strive to enable the accessibility of digital technology and services to dental professionals, patients and clinics to better empower them. In addition, we also focus on development of special materials, including flowable resin materials and temporary crown and bridge resin materials, to address unmet needs. Lastly, we are exploring more applications that incorporate AI capability. This includes utilizing AI in the design of invisible aligners and transferring the core techniques of leading practitioners to AI through machine learning.

Our team members are cornerstones of our research and development capabilities. As of September 30, 2024, our R&D team had 93 employees, among which over 30% hold master’s or Ph.D. degree. The skilled workforce contributes to our achievements not only in product development but also in intellectual property. Furthermore, through engagements with universities and academic institutions, we believe that we are well-positioned to access technologies that advance versatile, digital and intelligent dental medical products to better serve dental professionals, patients and clinics.

A mature sales network with comprehensive pre-sales and after-sales support on a global scale.

We have built strong relationships with prominent dental medical institutions across China and established a wide-ranging sales network both domestically and overseas. In China, we have built a dedicated sales and marketing team of approximately 200 professionals to cover over 30 province-level divisions of China, ensuring comprehensive geographic coverage across the country. We also selectively choose strategic distributors and deepen collaborations with them. This approach is designed to promote our products more effectively among local customers. For additional information about our distributors, see “— Sales and Marketing — Distributor Sales.” In addition to our geographic coverage, our strong sales team is well-equipped to provide both pre-sales and after-sales support to municipal and county-level hospitals, as well as large clinics across various areas. In remote areas, we also provide access to our pre-sales and after-sales support for medical institutions.

Internationally, our products are widely recognized and have been certified in over 60 countries and regions, including Europe, the U.S. and Southeast Asia. Given the significant variations in market demand across different countries and regions, we primarily focus on serving their dental medical institutions by establishing local sales teams and partnering with overseas distributors in those markets. To address the unique needs of various countries and regions, we work with these overseas distributors, who provide on-site product training and after-sales support by establishing local service centers. We are also in the process of establishing Indonesia as a strategic hub for our overseas operational expansion to target markets in Southeast Asia and beyond. This established domestic and overseas sales network allows us to swiftly launch our new products and expand the market immediately after development, which not only accelerates market entry but also reduces associated costs. Together with our established trust within our mature network, our sales team can enhance customer acceptance of these new products by gathering timely feedback on ongoing sales, enabling us to adjust our market strategies effectively.

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Our customer can conveniently access detailed product information and place orders directly online. To deepen their understanding of our products, we provide a variety of training resources, including independent training modules, product manual inquiries, classroom sessions and training sessions provided to key customers. In addition, customers can easily communicate online with our staff for prompt assistance and support. By leveraging our online platform, we have also created an integrated system that consolidates sales data, terminal data and customer feedback, facilitating effective end-customer management. This ensures timely and efficient transmission of product information and enables comprehensive tracking of the product lifecycle.

Modern automation and standardized production systems, governed by stringent quality management protocols, enabling us to achieve significant scale efficiencies.

Our commitment to excellence in manufacturing is exemplified by our state-of-the-art facility in Rizhao. Our manufacturing plant in Rizhao serves as our primary production base in China, covering approximately 33,000 square meters. To achieve this, we have independently developed a range of large-scale automated production equipment designed to enhance productivity and achieve scale efficiencies. For example, we have designed automated production lines for our products according to the characteristics of each product's production process in order to ensure that the production of our products is the most efficient and the quality of our products is stable and controllable. Moreover, our production line for synthetic resin teeth and resin blocks features advanced manufacturing equipment, including automated molding line, automated plate application line and automated laser marking line, as well as fully automated silicone rubber paste filling and packaging line, fully automated film pressing line and fully automated laser coding line, among others.

Together, we have implemented strict quality management systems and measures, as well as inspection standards, to ensure that every step, from raw material supply to product manufacturing, rigorously adheres to relevant industrial protocols. For example, our employees undergo quality management training to enhance their awareness of quality standards. We also use real-time monitoring and data tracking during production to promptly identify and address potential quality issues. Regular internal audits and a strong customer feedback system are utilized to continuously improve our production processes. Additionally, we have utilized an advanced information management system consisting of software applications procured from renowned vendors to facilitate the product lifecycle, from order placement to production and delivery, thereby standardizing and improving our production and management processes. In addition to our manufacturing plant in Rizhao, we plan to establish another manufacturing plant in Indonesia. Together with our automation and standardized production systems, a new manufacturing plant in Indonesia will help reduce costs and improve efficiency, boosting our competitiveness in international markets.

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Our founder and experienced senior management team with deep involvement in the dental medical market and global business insight.

Our founder and director, Mr. Song, is a pioneer in developing a diverse range of dental medical products. He is committed to providing a comprehensive product portfolio to dental medical institutions and laboratories. With remarkable determination, Mr. Song has dedicated the past 18 years to advancing the dental medical device industry. Through his forward-thinking vision, innovative strategies and exceptional management skills, he has positioned us at the forefront of the global dental medical devices market.

Over the years, we have built an experienced senior management team dedicated to developing dental medical products for various unmet needs in key specialty areas of dentistry, aiming to capitalize on anticipated business growth. Our senior management team members possess strong academic credentials and a deep understanding of the market. Their foresight, extensive industry knowledge, and long-term dedication drive our current achievements and future goals. We believe that our senior management team has been crucial in formulating business strategies, capturing opportunities in the industry and execution of our business plans.

In addition, we firmly believe that our corporate culture is the cornerstone of our success. Our corporate culture places great emphasis on empowering dentists around the world and improving oral health for everyone. These pillars of our corporate culture provide us with the foundation to excel in customer satisfaction and ensure continued growth in profitability.

OUR STRATEGIES

Our ambition is to strengthen our market position in the dental medical device industry in China and globally. To achieve this vision, we plan to implement the following strategic initiatives.

Driven by product development, embrace digital transformation, and provide customers with better and cost-effective products.

We are committed to investing in research and development, leveraging our core technologies and talents to create an internationally competitive innovation platform. We actively collaborate with universities and academic institutions to nurture and attract multidisciplinary talents at all levels, building a global team that meets high standards. Through the integration of talents and technological innovation, we will continually enhance our research, development, and production processes by creating and improving dental clinical products, dental laboratory products and dental digital products. By optimizing these processes, we aim to offer high quality products that integrate technological innovation, provide good quality for money and ultimately achieve higher customer satisfaction.

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Building on our commitment to innovation, we prioritize the research and development of advanced materials to meet the diverse needs of various products and applications in the industry. We aim to explore advanced materials in identified markets and further expand our product portfolio by leveraging our existing technological strengths. Currently, we have developed flowable resin materials suitable for specific treatments while we aim to expand their applications.

To further our innovation, we are also actively pursuing advancements in digital tools to tailor solutions to meet the specific needs of patients. Our commitment extends to the design and production phases, where we aim to equip dental professionals with tools to create customized solutions tailored to their patients' needs. We have been focusing on the research and development of digital technology applications in removable denture restoration, fixed denture restoration, implant restoration and invisible orthodontic aligners. We anticipate such innovations to not only streamline processes but also improve the quality of care provided to patients, ensuring a more comfortable and effective treatment experience.

Be responsive to customer demands, focus on product expansion to cover various application scenarios across all specialty areas in dentistry, and enhance product competitiveness.

We closely collaborate with our customers during the product development stage to achieve our goal of becoming a leader both in China and internationally. With this goal, we are committed to developing and further expanding a diverse range of dental clinical products, dental laboratory products and dental digital products in various application scenarios across all specialty areas in dentistry. We adhere to a demand-oriented and innovation-driven approach that aligns with market needs and future trends, reinforcing our persistent commitment to proprietary research and development and innovation. By facilitating strong communication with our customers, we gain valuable insights into their needs, allowing us to effectively enhance product functionality. This ongoing feedback loop not only enhances our understanding of market demands but also drives continuous improvement in our offerings. As a result, this commitment enables us to adapt quickly to changes, seize new opportunities and enhance product functionality, as well as diversify our product categories, ultimately strengthening our competitive position.

Furthermore, we aim to further develop dental products in various unaddressed application scenarios across key specialty areas in dentistry to capitalize on anticipated business growth. As our customer base continues to expand, so does the demand for a diverse range of products. Our broad customer base has a growing need for these products, and by providing high-quality, comprehensive specialty offerings, we can better meet their demands. By focusing on these investments, we are not only enhancing our product range but also positioning ourselves to seize new market opportunities. We are confident that this strategic approach will lead to greater customer satisfaction, increased market share, and sustainable growth in the dental industry.

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Continuously expand global footprint to enhance international presence.

We are actively expanding our global presence, targeting key regions, including Europe, North America and Southeast Asia, among others. As we pursue this international growth, we are dedicated to enhancing our research and development efforts, as well as our marketing and service networks, from a global perspective. We are establishing comprehensive pre-sales and after-sales support, which encompasses training and service, to further strengthen our position in these markets. By leveraging our strengths — such as superior product quality, well-established technical services, a diverse product portfolio, and effective cost control — we strategically engage with overseas customers to seize additional opportunities for international market share.

We also plan to develop a comprehensive global logistics network, a robust global sales network and a centralized global operations center. For global logistics network, we will establish warehousing centers, expand our supplier network, and implement a global logistics management system. This network and the selected warehousing centers aim to facilitate faster deliveries to international markets and enhance our competitiveness. In terms of global sales network, we will recruit experienced local sales personnel in medical product distribution and further develop markets in North America, Europe and Southeast Asia. We also plan to build a global operations center. This center is designed to coordinate overseas sales and operations, provide professional training for overseas sales personnel, conduct marketing activities and enhance digital management of international customers and suppliers.

Furthermore, we may explore merger and acquisition opportunities for international expansion. Our primary selection criteria are that potential targets align with our core business and can enhance our product range to application scenarios across all key specialty areas in dentistry. Additionally, we will evaluate candidates based on their fitness of technical background, management experience and their capacity to boost our brand awareness and global presence, ultimately strengthening our market position in the dental medical device industry.

Invest in automation and the manufacturing plant in Indonesia to enhance production, reduce costs, and strengthen our supply chains.

As the demand for automation and customization in the manufacturing and processing technology of the dental medical device industry continues to rise, we plan to utilize this capital investment to enhance our production capabilities. As we anticipate additional production capabilities are required to meet rising demand, we plan to upgrade and expand production lines at our Rizhao manufacturing facility with advanced automation technology. Recognizing the substantial growth potential of the dental medical devices market in China, we also plan to expand our production capacity at the manufacturing facility by installing new production lines for clinical biomaterials, zirconia, 3D printing resin and oral scanning equipment. This initiative is expected to considerably reduce production costs, thereby improving profitability and strengthening our competitive position in the industry, allowing us to stay ahead of market trends and consumer needs.

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Further to our investment in automation, since our products have achieved remarkable market recognition, and as we see an increase in sales orders from Europe and the U.S., coupled with the faster and more convenient product distribution from Indonesia to these markets, we are committed to expanding our production capacity through the construction of a new manufacturing plant in Indonesia. With production expected to commence on a rented premise in 2026 and construction of additional production lines on a to-be-acquired land in the coming years, we anticipate our Indonesia manufacturing facility to be a solid foothold undergirding our aspiration to tap into the vast international market for dental medical devices and grow the size and sources of our revenue. Supported by this manufacturing plant with our mature production processes and management systems, the goal in Indonesia is to leverage its competitive labor costs, well-established production facilities, mature production processes and management system to achieve the same level of production efficiency and quality as in China to enhance our economic benefits. By leveraging automation, we expect to reduce production costs and improve efficiency. This, combined with Indonesia's competitive labor costs, will lead to substantial economic benefits. We expect our dual-factory strategy in China and Indonesia to eventually enhance the stability of both our overseas and international supply chains, sustaining the growth of overseas revenue and competitiveness.

Anchor a talent strategy in product development and innovation while integrating international perspectives.

Our future talent acquisition strategy includes the ongoing pursuit of top-tier professionals, with a particular focus on skilled research and development expertise and experienced marketing personnel with knowledge of international markets. Recognizing the importance of talent development, we have implemented a comprehensive framework for talent acquisition and people development, paired with a strong compensation and benefits system. We have established a dedicated reward policy for research and development to motivate our key talents in that area and developed an internal talent selection process that has successfully built a professional team spanning across research and development, production, quality control and marketing. We also view the stability of our core management and research and development talents to be a key asset that supports our sustainable and resilient growth trajectory. This strategic emphasis on talent acquisition will enhance our product development and technological innovation while bringing a global perspective to us.

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OUR PRODUCTS

Overview

Our products are divided into dental clinical products, dental laboratory products and dental digital products. Our dental clinical products include a wide range of high-quality products designed to address various dental treatment needs, covering six categories of dental clinical products, namely, impression taking materials, glass ionomer materials, resin adhesive materials, restorative resin materials, pediatric dental prevention and orthodontics products, and include over ten products. Our dental laboratory products are used in dental laboratories to make dental restorations (such as crowns, bridges, dentures), where they undergo further processing before being utilized by dentists for patient treatment, covering two categories of dental laboratory products, namely, removable denture restoration materials and fixed denture restoration materials, and include over ten products. Our dental digital products primarily include intraoral scanner, 3D printer and 3D-printing materials, which are under continuous development. The following table sets forth a breakdown of our revenue by product category and highlights the revenue contribution of our top revenue-contributing products (products contributing over 5% of revenue during each period of the Track Record Period).

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023	2024				
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Dental Clinical Products								
Impression Taking Materials⁽¹⁾	113,244	40.5%	148,485	41.4%	108,922	40.9%	136,478	44.9%
<i>Including:</i>								
<i>Elastomeric impression material</i>	101,999	36.4%	130,774	36.6%	97,945	36.6%	112,352	37.0%
Glass Ionomer Materials⁽²⁾	8,446	3.0%	12,613	3.5%	9,165	3.4%	10,741	3.5%
Resin Adhesive Materials⁽³⁾	2,324	0.8%	4,507	1.3%	3,044	1.1%	3,986	1.3%
Orthodontics⁽⁴⁾	24,562	8.8%	27,746	7.8%	21,493	8.0%	20,848	6.9%
<i>Including:</i>								
<i>Invisible orthodontic aligner (for full-cycle treatment)</i>	23,912	8.5%	26,165	7.3%	20,155	7.5%	18,620	6.1%
Other Dental Clinical Products⁽⁵⁾								
	354	0.1%	1,291	0.4%	1,040	0.4%	784	0.3%
Dental Laboratory Products								
Removable Denture Restoration Materials								
Restoration Materials	114,074	40.7%	140,225	39.2%	106,763	39.9%	112,643	37.1%
<i>Including:</i>								
<i>Synthetic resin teeth</i>	67,273	24.0%	83,848	23.4%	63,460	23.7%	63,813	21.0%
<i>Temporary crown and bridge resin block</i>	24,061	8.6%	29,193	8.2%	23,125	8.7%	28,515	9.4%
Fixed Denture Restoration Materials								
	8,556	3.1%	12,327	3.5%	9,250	3.5%	10,336	3.4%
Dental Digital Products⁽⁶⁾	398	0.1%	2,760	0.8%	1,913	0.7%	2,485	0.8%
Others⁽⁷⁾	8,114	2.9%	7,659	2.1%	5,657	2.1%	5,443	1.8%
Total	280,072	100.0%	357,613	100.0%	267,247	100.0%	303,744	100.0%

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Notes:

- (1) Impression taking materials include our elastomeric impression materials and other materials specialized for dental impression taking.
- (2) Glass ionomer materials include our glass ionomer cements and resin-modified glass ionomer cements.
- (3) Resin adhesive materials include our light cure dental adhesives and bonding resin cement (dual cure), as well as certain pretreatment materials for adhesion.
- (4) Orthodontics includes invisible orthodontics aligners offered as comprehensive full-cycle treatment packages (with aligner treatment solutions) or as individual units available for purchase in smaller quantities.
- (5) Other dental clinical products include our restorative resin materials and materials for pediatric dental prevention.
- (6) Revenue from dental digital products during the Track Record Period was primarily generated through the sales of supplier-provided intraoral scanners branded under our name.
- (7) Include other miscellaneous income.

Our Broad Coverage

Dental departments primarily include five key specialties: restorative, implantology, orthodontics, endodontics and pediatrics. Each department has its unique needs and specialized techniques, involving the use of various dental materials and equipment. Restorative dentistry focuses on repairing and restoring damaged or decayed teeth to their natural function and appearance. This includes treatments such as fillings, crowns, bridges and veneers to address cavities, fractures, and other structural issues. Implantology specializes in replacing missing teeth with dental implants. This involves surgically placing titanium posts in the jawbone to serve as artificial tooth roots, which are then topped with crowns, bridges, or dentures for a permanent and natural-looking restoration. Orthodontics addresses diagnosing, preventing, and correcting misaligned teeth and jaws. This includes the use of orthodontic braces, invisible orthodontic aligners, and other devices to improve dental alignment, bite functionality and overall aesthetics. Endodontics focuses on the diagnosis and treatment of dental and pulp-related diseases, such as cavities, pulpitis, and periapical periodontitis, aiming to preserve the functionality and health of teeth. Pediatric dentistry specializes in oral healthcare for children, from infancy through adolescence. This includes preventive care, cavity treatments, education on oral hygiene, and monitoring dental growth and development to ensure healthy teeth and gums. Our product portfolio covers all five key dental departments. The following table illustrates the range of dental departments covered by our major products.

	<u>Restorative</u>	<u>Implantology</u>	<u>Orthodontics</u>	<u>Endodontics</u>	<u>Pediatrics</u>
Dental Clinical Products					
Impression Taking Materials:					
Elastomeric impression material . . .	✓	✓	✓	✓	
A-silicone for bite registration . . .	✓	✓	✓	✓	
Glass Ionomer Materials:					
Glass ionomer cement	✓		✓	✓	✓
Resin Adhesive Materials:					
Light cure dental adhesive	✓	✓	✓	✓	✓
Bonding resin cement (dual cure)	✓	✓	✓	✓	✓
Restorative Resin Materials:					
Light cure composite resin	✓	✓	✓	✓	
Flowable resin	✓			✓	✓

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	Restorative	Implantology	Orthodontics	Endodontics	Pediatrics
Pediatric Dental Prevention:					
Sodium fluoride tooth protector . . .					√
Enamel coating resin for pit and fissure sealing	√				√
Orthodontics:					
Invisible orthodontic aligner			√		√
Dental Laboratory Products:					
Removable Denture Restoration					
Materials:					
Synthetic resin teeth	√				√
Temporary crown and bridge resin block	√	√			√
Denture base resin	√				√
Fixed Denture Restoration:					
Materials:					
Zirconia block	√	√			√
Dental Digital Products:					
Intraoral scanner	√	√	√	√	√
3D printer and printing materials	√	√	√		

Our footprint extends beyond the China market. Our sales network extends across six continents during the Track Record Period. Among them, our primary markets are China, Europe, the United States and Southeast Asia. The following table sets forth a breakdown of our revenue by geographic market for the Track Record Period.

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023	2024				
	<i>RMB'000 (except for percentages)</i>							
				<i>(Unaudited)</i>	<i>(Unaudited)</i>			
China	195,068	69.6%	248,347	69.4%	185,699	69.5%	208,278	68.6%
Europe	30,252	10.8%	36,683	10.3%	27,494	10.3%	37,495	12.3%
North America	31,034	11.1%	36,514	10.2%	27,543	10.3%	29,420	9.7%
Other Asian countries/regions ⁽¹⁾ . .	13,514	4.8%	19,645	5.5%	14,216	5.3%	18,860	6.2%
Southeast Asia	7,259	2.6%	8,763	2.5%	6,692	2.5%	7,848	2.6%
Other countries/regions	2,945	1.1%	7,661	2.1%	5,603	2.1%	1,843	0.6%
Total	280,072	100.0%	357,613	100.0%	267,247	100.0%	303,744	100.0%



Note:

(1) Other Asia countries/regions include Asian countries or regions other than China and Southeast Asia such as Japan and Korea.

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Dental Clinical Products

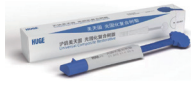

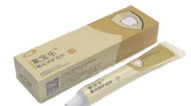

Our dental clinical products include a wide range of high-quality products designed to address various dental treatment needs, covering six categories of dental clinical products, namely, impression taking materials, glass ionomer materials, resin adhesive materials, restorative resin materials, pediatric dental prevention and orthodontics products, and include over ten products. The following table sets forth a description of our major dental clinical products. Among our dental clinical products, elastomeric impression material is the largest revenue-contributing product, which accounts for nearly 70% of revenue from dental clinical products for each period of the Track Record Period and accounts for nearly 40% of our total revenue for each period of the Track Record Period.

Product	Representative Image	Description	Major Approved Regions
<p>Impression Taking Materials: Elastomeric impression material (彈性體印模材料)*</p>		<p>Elastomeric impression materials are used for taking precise impressions for crowns, bridges, inlays, onlays, telescopic crowns, attachments, implants, orthodontics and other precision restorations. Our elastomeric impression materials provide highly accurate impressions, are resistant to deformation, and have a dimensional change rate of less than 1%.</p>	<p>China (Class II medical device), EU, U.S., Japan, Canada, Australia, Brazil, Indonesia</p>
<p>A-silicone for bite registration (咬合記錄硅橡膠)</p>		<p>A-silicone for bite registration is primarily used to record the occlusal relationship of teeth to ensure precise fitting of restorations, which is typically used in dental restorations, orthodontic treatments and before and after implant surgeries.</p>	<p>China (Class II medical device), EU, U.S., Japan, Brazil, Indonesia</p>

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Product	Representative Image	Description	Major Approved Regions
<p>Glass Ionomer</p>			
<p>Materials:</p>			
<p>Glass ionomer cement (玻璃離子水門汀) . . .</p>		<p>Glass ionomer cement is used for filling defects in non-stress-bearing areas of permanent teeth and cavities in primary teeth, as well as for bonding metal or ceramic inlays, crowns, bridges, posts and orthodontic bands. Its fluoride-releasing properties can effectively help prevent caries. Our product is independently developed, with the entire process, from glass material melting and liquid synthesis to the formulation and final product manufacturing, being entirely completed in-house.</p>	<p>China (Class III medical device), EU, U.S., Australia, Indonesia</p>
<p>(Luting cement) (黏結型)</p>			
<p>(Filling cement) (充填型)</p>			
<p>Resin Adhesive</p>			
<p>Materials:</p>			
<p>Light cure dental adhesive (光固化牙體黏接劑)</p>		<p>Our light cure dental adhesive and bonding resin cement (dual cure) are domestically leading products, capable of bonding and cementing restorations made from various materials. They are versatile products suitable for both light-curing and self-curing mechanisms. These products not only match imported counterparts in terms of material strength, film-forming thickness, water absorption and solubility but also offer strong options for color and transparency. They are highly user-friendly, with excellent bonding strength, and show great potential to replace imported products of this type.</p>	<p>China (Class III medical device), EU, U.S., Indonesia</p>
<p>Bonding resin cement (dual cure) (黏固用樹脂水門汀(雙固化))</p>			<p>China (Class III medical device), EU, U.S., Indonesia</p>

BUSINESS

Product	Representative Image	Description	Major Approved Regions
<p>Restorative Resin Materials: Light cure composite resin (光固化複合樹脂)</p>		<p>Light cure composite resin is used to provide direct restorations, such as fillings and aesthetic repairs, offering excellent aesthetics and durability, which is used in restorative dentistry to restore decayed or damaged teeth. Our product is easy to use due to non-stickiness to instruments and comes in various shades that closely resemble natural teeth, providing excellent aesthetic results.</p>	<p>China (Class III medical device), EU, U.S.</p>
<p>Flowable resin (流動樹脂)</p>		<p>Flowable resin is used to fill small cavities and areas requiring precise application, allowing for excellent adaptation to tooth structures, which is often used in minimally invasive procedures and as a liner beneath stronger materials.</p>	<p>EU, U.S. (Registration application submitted in China)</p>
<p>Pediatric Dental Prevention: Sodium fluoride tooth protector (氟化鈉護齒劑)</p>		<p>Sodium fluoride tooth protector is used to enhance the mineralization of teeth and provide protection against cavities, which is typically applied in preventive dental care and is often used during routine dental check-ups. Our product is child-friendly with a pleasant taste, highly stable without layering, and ensures quick release.</p>	<p>China (Class II medical device)</p>
<p>Enamel coating resin for pit and fissure sealing (窩溝封閉牙釉質塗布樹脂)</p>		<p>Enamel coating resin for pit and fissure sealing is used to seal the chewing surfaces of teeth to prevent decay by covering pits and fissures, which is commonly used in pediatric dentistry to protect children’s teeth from cavities. Our product changes color under light exposure, making it easy to distinguish, and has excellent flowability, allowing it to penetrate the depths of pits and fissures, while also providing high bonding strength.</p>	<p>China (Class II medical device), EU, U.S., Indonesia</p>

BUSINESS

Product	Representative Image	Description	Major Approved Regions
<p>Orthodontics:</p> <p>Invisible orthodontic aligner (無托槽隱形正畸矯治器)*</p>		<p>Invisible orthodontic aligners are used for correcting non-skeletal dental malocclusions in the permanent dentition stage. Our product integrates computer-aided design, orthodontic techniques, 3D printing technology and advanced intelligent manufacturing processes. Made from medical-grade resin materials, it eliminates the need for traditional fixed braces with wires and brackets, ensuring effective results while offering advantages in comfort, aesthetics and hygiene.</p>	<p>China (Class II medical device), EU, U.S., Canada, Australia, Indonesia</p>

* Our top revenue-contributing products (products contributing over 5% of revenue during each period of the Track Record Period).

Our dental clinical products are presented in five application scenarios across key specialty areas in dentistry, including restorative, implantology, orthodontics, endodontics implants and pediatric dentistry. Among our dental clinical products, our elastomeric impression materials ranked first in its Chinese market in 2023 by sales revenue, with a 28.6%, and ranked first among domestic brands in its global market, according to Frost & Sullivan. Our elastomeric impression materials enable dental professionals to make accurate molds of oral cavities, which is crucial for crafting custom dentures and crowns tailored to their unique dental structure. Globally, our dental clinical products have received relevant certifications and been sold across various countries and regions, including China, the U.S., the EU and Southeast Asia.

Elastomeric Impression Material

Impression taking refers to the process of recording or reproducing the shape and relationship of oral soft and hard tissues, directly impacting the accuracy of models and the quality of final restorations. Ideal materials for impression taking should have good biocompatibility, appropriate viscosity before setting, certain hydrophilicity, suitable working time, moderate softness after setting, excellent elasticity, sufficient compressive strength, good detail reproduction and compatibility with mold materials.

Materials for impression taking can be categorized into three types based on their main components: alginate materials, agar materials and synthetic elastomers. Elastomeric materials for impression taking are the most advantageous among the three types of materials.

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They are suitable for crowns, bridges, veneers, inlays, dentures and occlusal records, and are accurate, easy to use, and offering significant application potential. Elastomeric materials have been in use for over 30 years in western markets and are gradually gaining popularity in the domestic market.

Advantages of our elastomeric impression material include:

- Proprietary product formula and manufacturing process, which prevent oil separation that could affect uniformity and effectively resolve stickiness during use.
- Excellent hydrophilicity, making them highly suitable for saliva-rich oral environments.
- Superior flowability, enabling more precise replication of intraoral details.

For the years ended December 31, 2022, 2023 and the nine months ended September 30, 2023 and 2024, revenue from elastomeric impression material amounted to RMB102.0 million, RMB130.8 million, RMB97.9 million and RMB112.4 million, respectively, accounting for 36.4%, 36.6%, 36.6% and 37.0% of our total revenue.

We ranked first in the elastomeric impression materials market in China in terms of sales revenue in 2023, accounting for 28.6% of the total market sales in China, according to Frost & Sullivan.

Our elastomeric impression materials are primarily associated with our local brand, *Meijiayin* (美佳印) and overseas brand, *Perfit*.

Invisible Orthodontic Aligner

Invisible orthodontic aligners are used for correcting non-skeletal dental malocclusions in the permanent dentition stage. Our product integrates computer-aided design, orthodontic techniques, 3D printing, and advanced intelligent manufacturing technologies. Made from medical-grade resin materials, it eliminates the need for traditional braces with wires and brackets, ensuring effective treatment while offering comfort, aesthetics and hygiene.

Advantages of our invisible orthodontic aligners include:

- Enable functions such as automatic model recognition, segmentation, model processing, clinical analysis, treatment planning and model preparation.
- Made with materials that feature excellent elastic recovery, wear resistance and fracture resistance, ensuring a snug fit on teeth and a comfortable experience.

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- Supported by a professional team of orthodontists, with technical guidance from an expert committee comprising numerous renowned domestic and international industry specialists.


We primarily sell our invisible orthodontics aligners as comprehensive full-cycle treatment packages, which include aligner treatment solutions. For the years ended December 31, 2022, 2023 and the nine months ended September 30, 2023 and 2024, revenue from invisible orthodontic aligner sold as full-cycle treatment amounted to RMB23.9 million, RMB26.2 million, RMB20.2 million and RMB18.6 million, respectively, accounting for 8.5%, 7.3%, 7.5% and 6.1% of our total revenue.

In China, the invisible orthodontic products market is primarily led by one foreign company and two domestic companies, while the remainder of the market is highly fragmented.




Our invisible orthodontic aligners are primarily associated with our local brand, *Huge Meiyue* (滙鷓美悦) and overseas brand, *VinciSmile*.

Dental Laboratory Products

Our dental laboratory products are used in dental laboratories to make dental restorations (such as crowns, bridges, dentures), where they undergo further processing before being utilized by dentists for patient treatment, covering two categories of dental laboratory products, namely, removable denture restoration materials and fixed denture restoration materials, and include over ten products. The following table sets forth a description of our major dental laboratory products. Among our dental laboratory products, synthetic resin teeth and temporary crown and bridge resin block are the largest revenue-contributing products, which together account for over 70% of revenue from dental laboratory products for each period of the Track Record Period and accounts for over 30% of our total revenue for each period of the Track Record Period.

Product	Representative Image	Description	Major Approved Regions
Removable Denture Restoration: Synthetic resin teeth (合成樹脂牙)*		Synthetic resin teeth are used for making complete removable dentures, partial removable dentures, and temporary implant teeth. Our products cover the high, medium, and low-end resin teeth markets, offering an ideal combination of hardness and toughness, making them resistant to cracking. They bond well with denture base materials, are easy to modify anatomically, and are available in over 150 shape designs. The color options are based on the most popular global palettes, including multi-color, three-layer, four-layer and five-layer visible resin teeth.	China (Class III medical device), EU, U.S., Japan, Canada, Australia, Brazil, Indonesia

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Product	Representative Image	Description	Major Approved Regions
Temporary crown and bridge resin block (臨時冠橋樹脂塊)* . . .		Resin blocks are used for fabricating temporary crowns, bridges, night guards and surgical guides for implants, and are available in a variety of color options. Our products feature natural tooth-like layering, high flexural strength, excellent post-milling polishing performance, good biocompatibility, and long wear resistance.	China (Class II medical device), EU, U.S., Japan, Canada, Australia, Brazil
Denture base resin (義齒基托樹脂)		Denture base resin is primarily used for fabricating the bases of complete and removable dentures. Typically, a complete denture consists of two parts: artificial teeth and the denture base. The denture base holds the artificial teeth together and evenly transmits the chewing force exerted on the artificial teeth to the alveolar ridge. Our denture base resin is available in multiple colors and is classified based on application and requirements into rapid heat-cure resin, pour-type resin and self-cure resin.	China (Class III medical device), EU, U.S., Indonesia
Fixed Denture Restoration: Zirconia block (氧化鋯瓷塊)		Zirconia blocks are used for fabricating crowns, bridges, inlays and veneers for fixed dental prostheses. Our zirconia blocks are made from high-quality imported zirconia powder using internationally advanced cold isostatic pressing technology. They are compatible with high-precision open dental CAD/CAM milling systems and feature excellent translucency, operability, high strength, aging resistance, and are completely radiation-free.	China (Class II medical device), EU, U.S., Japan, Canada, Australia, Indonesia

* Our top revenue-contributing products (products contributing over 5% of revenue during each period of the Track Record Period).

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Our dental laboratory products are presented in three application scenarios across key specialty areas in dentistry, including restorative, implantology and pediatric dentistry. Among our dental laboratory products, our synthetic resin teeth ranked first in its Chinese market in 2023 by sales revenue, with a 22.2% market share, according to Frost & Sullivan. Our synthetic resin teeth and resin blocks are used in dentures to enhance chewing function and appearance, offering good aesthetics and compatibility for both full and partial dentures.

Synthetic Resin Teeth

Synthetic resin teeth are used for making complete removable dentures, partial removable dentures, and temporary implant teeth. Our products cover the high, medium, and low-end resin teeth markets, offering an ideal combination of hardness and toughness, making them resistant to cracking. They bond well with denture base materials, are easy to modify anatomically, and are available in over 150 shape designs. The color options are based on the most popular global palettes, including multi-color, three-layer, four-layer and five-layer visible resin teeth.

Advantages of our synthetic resin teeth include:

- We have independent tooth shape design capabilities and high-precision CAD/CAM mold production capabilities. The seven major shapes of synthetic resin teeth we have developed meet the needs of markets worldwide, and are characterized by aesthetically pleasing tooth shapes, consistent dimensions and uniform color rendering.
- We use our self-developed pearlescent opalescence color-matching technology, which provides an opalescent effect similar to natural teeth.
- We use IPN and ultra-high molecular weight materials, offering outstanding wear resistance and color rendering effects.
- We employ advanced multi-color synthetic resin tooth molding technology as well as advanced enamel-wrapped dentin molding techniques.

For the years ended December 31, 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue from synthetic resin teeth amounted to RMB67.3 million, RMB83.8 million, RMB63.5 million and RMB63.8 million, respectively, accounting for 24.0%, 23.4%, 23.7% and 21.0% of our total revenue.

We ranked first in the synthetic resin teeth market in China in terms of sales revenue in 2023, accounting for 22.2% of the total market sales in China.

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Our synthetic resin teeth are primarily associated with our local brands, *Huge* (滙鵠), *Hujishu* (護脊舒), *Kaijing* (凱晶), *Kaifeng* (凱豐), *Kaili* (凱麗), and overseas brands, *Nobilcam*, *Kaiplus*, *Bluebell*, *Impla*, *Kaili*, *Maist*, *Sonning*, *Kaijing*.

Temporary Crown and Bridge Resin Block

Resin blocks are used for fabricating temporary crowns, bridges, night guards, and surgical guides for implants, and are available in a variety of color options. Our products feature natural tooth-like layering, high flexural strength, excellent post-milling polishing performance, good biocompatibility, and long wear resistance.

For the years ended December 31, 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue from temporary crown and bridge resin block amounted to RMB24.1 million, RMB29.2 million, RMB23.1 million and RMB28.5 million, respectively, accounting for 8.6%, 8.2%, 8.7% and 9.4% of our total revenue.

Our temporary crown and bridge resin blocks are primarily associated with our local brands, *Meitiangu* (美天固), *Meijingci* (美晶瓷) and overseas brands, *Nobilcam*, *Digitalife*.

Dental Digital Products

Our dental digital products primarily include intraoral scanner, 3D printer and 3D printing material, which are under continuous development. Intraoral scanner is used to quickly and painlessly capture high-precision digital models of the patient’s mouth, allowing dentists to make accurate diagnoses and treatment plans, which is widely used in dental clinics, particularly in procedures such as restorations, orthodontics and implants, enhancing patient comfort and treatment efficiency. 3D printer manufactures various dental products, such as dentures, crowns and models, based on digital designs, ensuring high accuracy and rapid production, which is suitable for dental laboratories and clinics, providing dental professionals with efficient solutions for creating prosthetics that meet individual patient needs. During the Track Record Period, we generated revenue primarily from sales of supplier-provided intraoral scanners branded under our name. Such revenue accounted for less than 1.0% of the total revenue for each year/period of the Track Record Period.

With our extensive hands-on experience and know-how in both dental clinical products and dental laboratory products, we believe that we are uniquely positioned to advance our product portfolio in the dental digital products sector, especially when developing dental digital products that guide the production of dental clinical products and dental laboratory products. We aim to focus on five application scenarios across key specialty areas in dentistry, including restorative, implantology, orthodontics, endodontics implants and pediatric dentistry. We plan to offer advanced dental digital products, including invisible orthodontics that utilize oral scanning technology to provide customized solutions. We also intend to use oral scanning technology to refine impressions and elevate customer experiences. Additionally, we employ CAD/CAM technologies to develop a digital service platform that streamlines communication and product delivery among dental stakeholders. Our strategic vision to offer integrated dental digital products has given us a first-mover advantage in multiple market segments, enabling rapid growth and establishing a strong foundation for our future development.

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Our Next-generation Digital Technology Supported Products

Digital technology plays a crucial role in the entire field of dental materials, significantly enhancing the efficiency of design, production and application. Through CAD and CAM, the manufacturing process of dental materials has become more precise and efficient. These technologies not only improve production accuracy but also reduce dependence on manual expertise and shorten working time. Moreover, digital tools enable personalized customization, allowing dentists to tailor solutions to meet the specific needs of patients, thereby delivering treatments that better align with patient expectations. Additionally, advancements in digitalization improve data management and analysis, assisting dental professionals in making clinical decisions that optimize treatment outcomes. We have been focusing on the research and development of digital technology applications in removable denture restoration, fixed denture restoration, implant restoration and invisible orthodontic aligners.

Removable Denture Restoration

Digital removable dentures leverage advanced digital scanning technology to accurately capture the three-dimensional structure of a patient's oral cavity. By utilizing professional softwares, the process enables a fully digital full-arch teeth arrangement, achieving comprehensive digital customization. This approach offers significant advantages, including high precision, efficiency and reproducibility. Specifically, in the field of removable denture restoration, we plan to apply digital technology to synthetic resin teeth, resin blocks, denture base resin and 3D printing materials.

Fixed Denture Restoration

Currently, zirconia is the primary material used in fixed denture restorations. The digital design and manufacturing process involves several steps: First, an intraoral scanner is used to precisely capture the patient's oral cavity, generating a 3D digital model of the teeth, which is then transferred to CAD software. Based on the model and the patient's oral condition, dental technicians design the shape of the crown or bridge. Using CAM technology, CNC equipment then mills the high-precision restoration from a zirconia ceramic block. The restoration undergoes further processing, such as sintering, glazing, and staining, to achieve a color and appearance similar to natural teeth. Finally, it is combined with bonding agents, cements, or other materials to complete the intraoral fixation. We are actively conducting research and development in this area.

Implant Restoration

Implant restorations have a wide range of applications, covering cases of single-tooth, multiple-tooth, or full-arch edentulism. Their key features include excellent stability, high chewing efficiency and outstanding aesthetic results, making them an advanced restorative option. Implant restorations involve multiple precise components and steps, including implants, abutments, restorations and auxiliary materials, with zirconia being the primary material used for restorations.

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The integration of zirconia implant restorations with digital technology has brought significant innovation and progress to the field of dental implants. Through techniques such as CBCT imaging, intraoral scanning, software analysis, virtual implant planning, digitally designed and manufactured surgical guides, digital fabrication of zirconia restorations, and post-operative digital evaluation and follow-up, comprehensive digital diagnosis and assessment are achieved. This approach not only enhances surgical precision and safety but also improves patient comfort and aesthetics while reducing treatment time.

The combination of zirconia implant restorations and digital technology is driving the evolution of implant restoration toward greater digitalization and intelligence. We are actively conducting research and development in this area.

Invisible orthodontic aligners

The digital application of invisible orthodontic aligner represents a significant advancement in modern orthodontics. Our invisible orthodontic aligners, developed and refined over many years, have successfully integrated various digital technologies. This integration enables fully digitalized management across the entire process, from diagnosis and treatment planning to aligner production and treatment monitoring.

RESEARCH AND DEVELOPMENT

Overview

We have obtained national high-tech enterprise certification and received national and provincial R&D awards. As of the Latest Practicable Date, we held 33 domestic registration certificates for Class II and Class III medical devices, representing the largest number among domestic dental material companies in China, according to Frost & Sullivan. Globally, our products have been certified in over 60 countries and regions worldwide, including 26 FDA-cleared or approved products, 28 products with the CE Mark and 15 NMPA-approved products, reflecting our strong domestic and international presence and strategically positions us within the competitive dental medical devices market.

We place significant emphasis on product research and development, actively pursuing technological breakthroughs for our existing products while also exploring new product opportunities. In our industry, the advantages of products stem from the leading edge provided by technological differences. We possess such edge in many of our products and our advanced technology positions us as a leader in China and holds potential for import substitution. Furthermore, as technologies advance and patient needs evolve, new generations of products and materials continue to emerge. Our investment in research and development ensures that we remain at the forefront of the industry.

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In 2022, 2023 and the nine months ended September 30, 2024, our research and development expenses were RMB19.5 million, RMB23.8 million and RMB21.1 million, respectively.

Our R&D Team

Our R&D team is led by Ms. ZHANG Yongjing, who has nearly 20 years of experience in healthcare management. As of September 30, 2024, our R&D team had 93 employees, among which over 30% hold master’s or Ph.D. degree.

Our R&D team is primarily based in Rizhao, Suzhou and Shanghai, organized into seven teams based on product types. These teams include: (i) the restorative and adhesive products team, which focuses on laboratory and restorative products such as resin teeth, zirconia, and clinical resin products including composite resin, filling resin and adhesive; (ii) the elastomeric impression materials team, which encompasses the entire range of silicone rubber products; (iii) the glass ionomer cement team, (iv) the invisible orthodontic team, (v) the zirconia and related equipment team, (vi) the 3D printing technology team; and (vii) the digital products team. Additionally, we actively seek research collaborations with top PRC universities as needed to develop cutting-edge technology products with foreseeable commercial opportunities. Each of these teams is led by a highly experienced manager.

Product Development Approach

Our product development is grounded in market opportunities. We strive to explore advanced technologies while emphasizing their commercial potential to enhance our return on R&D investment. Our research and development projects follow a structured process to ensure high success rates and viable commercialization opportunities. The following sets forth our key R&D steps.

- **Project Initiation Research.** Before initiating a product project, we conduct in-depth market research to analyze customer needs and market trends. We gather customer feedback, assess competitors, and analyze market trends to ensure a comprehensive understanding of target user requirements. We also conduct cost-benefit analysis and R&D feasibility studies to evaluate the likelihood of R&D success and return on investment of R&D. This systematic analysis provides a solid foundation for our decision-making process, enabling us to determine whether to proceed with the project.
- **Risk Assessment.** The risk assessment of the project is a crucial process in deciding whether to invest resources, encompassing various aspects, such as market risk, technical risk and financial risk. We maintain a clear understanding of our strategic objectives and integrate resources across departments through scientific analysis and evaluation, which are gathered in a comprehensive risk assessment report. This report serves as an important reference for management’s decision-making.

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- **Intellectual Property Risk Management.** During the product development phase, we identify and analyze intellectual property risks, establishing a systematic intellectual property management process that includes patent searches, infringement assessments and patent application strategies. These processes assist us in identifying potential patent issues early in the technical development phase, thereby avoiding future legal disputes. Regular patent reviews and updates ensure our compliance with legal standards, protecting our innovative outcomes and minimizing risks associated with intellectual property.
- **Deviation Control.** Throughout the R&D process, we may encounter deviations related to timelines, quality and costs. To manage these deviations, we have established comprehensive management processes that ensure appropriate controls are in place for each validation and confirmation stage. We develop detailed project timelines, quality standards and budget forecasts while conducting regular reviews and adjustments to promptly identify issues and implement corrective measures, ensuring projects progress according to plan.

Exploration of Next-Generation Technologies

Digital technology plays a crucial role in the entire field of dental materials, significantly enhancing the efficiency of design, production and application. Through CAD and CAM, the manufacturing process of dental materials has become more precise and efficient. These technologies not only improve production accuracy but also reduce dependence on manual expertise and shorten working time. Moreover, digital tools enable personalized customization, allowing dentists to tailor solutions to meet the specific needs of patients, thereby delivering treatments that better align with patient expectations. Additionally, advancements in digitalization improve data management and analysis, assisting dental professionals in making clinical decisions that optimize treatment outcomes. We have been focusing on the research and development of digital technology applications in removable denture restoration, fixed denture restoration, implant restoration and invisible orthodontic aligners. See “— Our Products — Our Next-generation Digital Technology Supported Products” for details.

We are exploring 3D printing technologies and materials designed to replace traditional resin teeth. 3D-printed removable dentures integrate digital technology with advanced manufacturing processes, enabling the rapid and precise production of personalized dentures that perfectly fit the patient’s oral structure. Compared to traditional methods, 3D printing offers advantages, such as high precision, fast production, and customization, significantly improving efficiency, reducing human errors, and meeting patients’ higher demands for comfort and functionality. As a manufacturer of traditional removable denture resin materials, we have accumulated extensive technical expertise in material development, providing a strong foundation for our entry into the 3D printing field. For AI technology, we intend to explore AI-driven solutions in various scenarios, such as for implant restoration planning and to achieve fully automated, unmanned design of dentures, crowns and other prosthetics.

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In addition, we actively sponsor or participate in academic research projects, working closely with leading research teams from China’s top universities to advance technologies in the field of dental materials. These research projects are typically led by expert teams from China’s top universities, focusing on the exploration of advanced dental technologies and material innovations. Through such collaborations, we are committed to fostering deeper integration between research and industry, contributing to technological development and progress in the dental field.

SALES AND MARKETING

We are rooted in the domestic market while expanding into international markets. After years of dedicated effort, we have achieved coverage of dental medical institutions in all prefecture-level cities in the domestic market, and our overseas sales network extends across six continents during the Track Record Period.

Our customers include distributors and direct sales end-customers. Our end-customers are generally dental medical institutions and laboratories. Our distributors help us to reach more end-customers. During the Track Record Period, we served 1,569 distributor customers and over 10,000 direct sales customers, which include nearly 8,000 dental medical institutions and over 2,000 laboratories. This strong sales network is the result of our long-term market development and customer relationship management.

The following table sets forth a breakdown of our sales revenue by sales channel and customer type during the Track Record Period.

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023		2024			
	<i>RMB'000 (except for percentages)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>			
Distributor sales								
– China	128,702	45.9%	167,025	46.7%	125,583	47.0%	144,788	47.7%
– Overseas	84,572	30.2%	107,350	30.0%	80,138	30.0%	93,011	30.6%
Direct sales								
– China	64,337	23.0%	79,280	22.2%	58,568	21.9%	62,672	20.6%
– Overseas	433	0.2%	1,915	0.5%	1,409	0.5%	2,456	0.8%
Others	<u>2,028</u>	<u>0.7%</u>	<u>2,043</u>	<u>0.6%</u>	<u>1,549</u>	<u>0.6%</u>	<u>817</u>	<u>0.3%</u>
Total	<u>280,072</u>	<u>100.0%</u>	<u>357,613</u>	<u>100.0%</u>	<u>267,247</u>	<u>100.0%</u>	<u>303,744</u>	<u>100.0%</u>

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Sales and Marketing Team

Our domestic sales and marketing team is led by Mr. LIU Qin, our executive Director and the general manager of our Company, who has nearly 30 years of experience in sales and marketing. As of September 30, 2024, our domestic sales and marketing team consisted of 170 employees. Our domestic sales and marketing team is responsible for all aspects of work, including product sales, sales management, product marketing, product advertising, logistics and customer services, among others.

Our overseas sales and marketing team is led by Mr. BEN Jianwei, who has over 20 years of experience in overseas sales and management. As of September 30, 2024, our overseas sales and marketing teams consisted of 48 employees.

Distributor Sales

We collaborate with a wide range of distributors to increase our sales and market share. We aim to reach to as many customers as possible through their efforts. By adopting this distributor model, we can expand quickly and cost-effectively. In addition, distributor model helps us optimize production scheduling, lower our delivery costs and mitigate our financial risks, as our end-customers are fragmented and often small. Moreover, distributors are crucial for maintaining end-customer satisfaction, as our end-customers, often small and mid-sized dental clinics and laboratories, are of great amount and located in fragmented areas.

Our relationship with distributors is one of buyer and seller, rather than principal and agent. We do not have ownership or management control over any of our distributors. Under our distributor model, we typically set a fixed wholesale price in the distributorship agreements at a discount compared to the direct selling price based on various factors, including the distributors' distribution territory, channel resources, business volume and bargaining power. We believe our distributor model is in line with industry norms, as supported by Frost & Sullivan.

During the Track Record Period, to the best knowledge of our Directors, we are not aware of any distributors that had any past or present relationship (business, employment or otherwise) with our Company, our subsidiaries, shareholders, directors, senior management or any of their respective associates. During the Track Record Period, we did not provide any advance or financial assistance to our distributors.

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Selection of Distributors

We employ a comprehensive set of criteria for selecting distributors, focusing on market coverage, sales strength, brand recognition, financial stability and end-customer support capabilities. Initially, we conduct market research to identify potential distributors and assess their influence and sales networks within target markets. Following this, we thoroughly evaluate their historical sales performance, customer base, and existing partnerships with other brands to ensure they possess the competitive edge necessary for success.

After the initial screening, we engage in discussions with potential distributors to gauge their understanding of our products and their promotional capabilities. We also review their financial status to ensure they have the necessary funding stability. Finally, we conduct compliance checks to confirm that the distributors meet relevant legal and regulatory requirements. Through this systematic selection process, we aim to establish partnerships with reliable distributors, effectively expanding our market reach and enhancing end-customer satisfaction.

Distribution Network

As of September 30, 2024, we had a distributor network of 1,569 distributors, covering over 30 provinces in China and a broad range of countries and regions across six continents overseas.

The following table sets forth the changes in the number of our distributors during the Track Record Period.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
	<i>RMB'000</i>		
Distributors at the end of the previous year ⁽¹⁾	1,394	1,456	1,571
Addition of new distributors ⁽²⁾	390	369	291
Termination of distributors ⁽³⁾	(328)	(254)	(293)
Total	1,456	1,571	1,569

Notes:

- (1) Represents the number of distributors that engaged in transactions with us and generated revenue during the applicable period.
- (2) Represents the number of distributors that engaged in transactions with us and generated revenue during the applicable period but did not generate revenue in the immediately preceding period.
- (3) Represents the number of distributors that did not engage in transactions with us or generate revenue during the applicable period but did generate revenue in the immediately preceding period.

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The number of distributors we engaged during the Track Record Period demonstrated consistent growth primarily because we managed to expand our sales network through our brand recognition and pricing strategy. Additionally, our growth was driven by our proactive efforts to expand into new countries and regions, our active approach to developing and onboarding new distributors, as well as the high quality and competitive pricing of our products.

We do not have sub-distributors in China. For overseas distributors that we engage, we do not recommend adopting sub-distributors. However, we have not established contractual restrictions or controls over whether our overseas distributors may engage sub-distributors given the relatively short term of the overseas distribution agreements and the expansive geographic coverage of our overseas distributor network.

Management of Distributors

Effective management of distributors is essential for fostering successful partnerships and maximizing market reach. We establish clear communication with our distributors, ensuring they are informed about our products and strategies. We provide training programs to equip them with the necessary knowledge and tools to effectively promote our offerings, as well as ongoing support to address any challenges they face. We establish performance metrics to evaluate their effectiveness, monitoring key performance indicators, such as sales volume and customer feedback. We generally encourage distributors to make monthly or quarterly purchases and we do not encourage stockpiling or overstocking inventory.

Distribution Terms

We generally enter into a distribution agreement with our distributors. The distribution agreement contains terms and conditions consistent with customary industry practice, primarily including the following major terms.

- **Term and renewal.** The agreement with domestic distributors generally has a term of four years and is renewable by mutual consent. The agreement with overseas distributors generally has a term of one year and is renewable by mutual consent.
- **Designated distribution territories.** We designate distribution territory for our distributors. Distributors are prohibited from distributing and marketing outside their own distribution territory absent our prior approval.
- **Minimum purchase amount.** Domestic distributors are not subject to minimum purchase amount. Overseas distributors may be subject to minimum purchase amount and we offer rebates upon their fulfillment of purchasing amount. We set the benchmark for granting rebates based on our overall business goal and the specific circumstances of the distributors and assess whether each distributor is entitled to rebates on an annual basis. We provide rebates to distributors in the form of

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discounted products in future procurement. In 2022, 2023 and for the nine months ended September 30, 2024, we granted rebates of RMB2.4 million, RMB4.8 million and RMB2.4 million, respectively.

- **Pricing policies.** We establish recommended selling price ranges for our distributors.
- **Delivery.** For domestic distributors, logistics costs are generally borne by us. For overseas distributors, we typically use free-on-board terms, where we only bear domestic transportation to the port and local charges.
- **Compliance.** Our distributors are responsible for conducting sales in accordance with the relevant laws and regulations.
- **Payment and credit terms.** We generally do not offer credit terms to distributors. For certain distributors, we may grant credit terms generally in the range of 30 to 90 days.
- **Product return/exchange.** For domestic distributors, we accept product returns within seven days of receipt and we only accept product returns due to quality issues thereafter. For overseas distributors, we do not accept returns for non-quality issues. For quality issues, returns or exchanges can be arranged after negotiation.
- **Suspension and termination.** We generally have the right to terminate the agreement in the event of delayed payment or material breach.

Direct Sales

Our direct sales customers primarily include dental medical institutions and laboratories. For dental laboratories, we typically utilize direct sales due to their sensitivity to pricing.

Pricing Strategy

We adhere to a pricing strategy offering competitive pricing for products that match the quality and performance of leading foreign brands to meet the demand for cost-effective products. Meanwhile, by continuously investing in technological innovation and quality enhancement, we have achieved a significant differentiation in product quality and technological advancement compared to domestic competitors, thereby solidifying our market position in the domestic market and beyond.

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The following table sets forth the average selling price of our key products during the Track Record Period.

	For the year ended		For the
	December 31,		nine months
	2022	2023	ended
			September 30,
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Elastomeric impression materials	174/kg	171/kg	173/kg
Synthetic resin teeth	0.9/tooth	0.9/tooth	0.9/tooth
Temporary crown and bridge resin block	584/kg	555/kg	528/kg
Invisible orthodontic aligner . . .	3,564/case	3,250/case	3,212/case

During the Track Record Period, elastomeric impression materials and synthetic resin teeth, our two largest revenue-contributing products, maintained a stable average selling price. Meanwhile, for invisible orthodontic aligners and temporary crown and bridge resin blocks, which contributed to our revenue to a significantly less extent, we offered competitive pricing that was enabled by our improved cost efficiency and aligned with market conditions.

Branding and Marketing

Marketing plays a crucial role in our operation. We are dedicated to enhancing our market competitiveness and brand influence in the dental materials industry. Our marketing activities primarily include:

- **Exhibitions and conferences.** We participate in dental-related exhibitions and conferences focused on restoration, orthodontics, endodontics and pediatric preventive dentistry. During these events, we promote our products through demonstrations, product experiences and distribution of product samples.
- **Training promotion.** Training promotions are divided into specialized training sessions, key customer training sessions and online training sessions. Specialized training sessions include training on the use of our products. For key clients, we offer tailored on-site training services. Additionally, we have developed an online platform which provides comprehensive product training for dental professionals, nurses, distributors, and our sales staff nationwide. This ensures that they quickly grasp our product design concepts, treatment operation standards, and usage techniques, thereby enhancing our overall service capabilities.

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- **Online Promotion.** For online promotion, we leverage platforms such as social media official accounts and official website. Both our distributors and end-customers can learn about our products and interact with us through these online channels.
- **Customer management platform.** We have established an integrated information platform based on our ERP system, consolidating sales data, terminal implantation data and customer follow-up data. This enables efficient transmission of product information and tracking of product lifecycles. Employees can use the platform to monitor work progress and client updates, identify strengths and weaknesses in their performance, and effectively improve their work. Distributors can access financial and inventory information at any time, as well as review relevant regulatory documents and product qualifications, including electronic copies of contracts. Additionally, distributors can learn about our promotional plans and decide whether to participate, thereby enhancing communication efficiency. Dentists and dental technicians, regardless of their procurement channel, can access product performance and usage information on the platform and interact directly with us, thus we can improve end-user experience and reduce the workload for distributors. This information management system not only enhances customer relationship management efficiency but also facilitates market analysis and decision-making.
- **Social network.** We actively promote sales growth through social network, especially in overseas market.
- **Trade shows.** Trade show is critical for our business development. We actively participate in industry trade shows both in China and overseas countries to reach more potential customers. In 2024, we participated in over 70 trade shows worldwide.

Third-party Payment Arrangements

Background

During the Track Record Period, certain of our customers (the “**Relevant Customer(s)**”) settled their payments through accounts not belonging to the contractual parties under the corresponding sales and purchase agreements (the “**Third-party Payment Arrangement(s)**”). In 2022, 2023 and the nine months ended September 30, 2024, the number of the Relevant Customers was 2,317, 3,866 and 3,443, respectively. The total amount settled through these third-party payments was RMB18.4 million, RMB22.5 million and RMB15.7 million, respectively, accounting for 6.0%, 5.7% and 5.0% of the total payments received from all customers, respectively, in the same period. No individual Relevant Customer had made a material contribution to our revenue during the Track Record Period.

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During the Track Record Period and up to the Latest Practicable Date, we had not proactively initiated any Third-party Payment Arrangements (the “**Arrangements**”), nor had we participated in any separate arrangements between the Relevant Customers and their respective third-party payors for settling payments owed by the Relevant Customers to the third-party payors. Furthermore, during the Track Record Period and up to the Latest Practicable Date, we had not provided any discounts, commissions, rebates or other benefits to any of the Relevant Customers or the third-party payors to facilitate or incentivize the Arrangements.

Reasons for the Arrangements

The Relevant Customers during the Track Record Period primarily consisted of small distributors, dental laboratories and private dental clinics. The third-party payors primarily consisted of individuals affiliated with the Relevant Customers, such as legal representatives, business operators, shareholders, spouses, relatives, employees, or affiliated entities.

To the best knowledge of our Company, the Relevant Customers use third-party payments mainly because:

- (i) some of our domestic Relevant Customer, such as small distributors, private dental clinics or sole proprietorships, do not use separate business bank accounts because of their own preferences;
- (ii) our Relevant Customers use e-commerce platform as a result of the convenience it offers; and
- (iii) our overseas Relevant Customers occasionally make payments through third parties in cross-border transactions for payment convenience and faster transaction times.

According to Frost & Sullivan, it is not uncommon to accept payment from third parties designated by customers in the industry.

During the Track Record Period and as of the Latest Practicable Date, we had not been subject to investigations, penalties or material claims related to these practices, nor had we encountered refund requests or disputes arising from the Arrangements.

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Internal Control Measures of the Arrangements

To safeguard our interest against risks associated with Arrangements, we are implementing various internal control measures to monitor payments received from third-party payors and to mitigate the relevant risks, including:

- (i) we have required all customers to settle their payments directly through their own corporate bank accounts;
- (ii) for customers without corporate bank accounts, those who prefer personal bank accounts, those who purchase on third-party payment platforms, or those unable to settle payments immediately, upon their requests of delegating third-party payors, we require that such Relevant Customers enter into our standard delegation letter before making payments through third-party payment. This typically specifies:
 - (a) the identity of the designated third-party payor and the relationship between the Relevant Customer and the designated third-party payor;
 - (b) the delegation period;
 - (c) the authorization for the designated third-party payor to settle payments on behalf of the Relevant Customer; and
 - (d) the clause stating that we are not responsible for any disputes or legal liabilities associated with or arising from the Arrangements (the "**Written Delegation**").
- (iii) before accepting any third-party payment, we verified the payment information against our foreign exchange settlement registration form to ensure that such payment was settled through the relevant third-party payor's account as identified in the appropriate Written Delegation;
- (iv) if a Written Delegation could not be entered immediately, we implemented additional stringent internal procedures to assess whether to retain or reject such third-party payments; and
- (v) we have established know-your-customer procedures. To prevent fraud or money laundering activities and ensure the accuracy and completeness of our accounting books and records, we have enhanced our know-your-customer procedures to gain a comprehensive understanding of our customers and performed verification of payment details against our records in the system to confirm payments are made in accordance with the agreements and/or the Written Delegation. If any abnormalities are detected, we will promptly liaise with such customers for verification and correction.

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Our Directors are responsible for formulating and overseeing the implementation of internal control measures and the effectiveness of our quality management system, promoting compliance of our new customers. We have engaged an independent third-party consultant (the “**Internal Control Consultant**”) to perform a review over selected areas of our internal controls from October to December 2024 and follow-up reviews from January to February 2025 (the “**Internal Control Review**”), which included the Arrangements. Any identified deficiency, such as the insufficiency of Written Delegation on third-party payment platforms, had been completely rectified as of the Latest Practicable Date. Going forward, we will enhance our internal control measures to reduce the portion of payments received from third-party payors.

Our Directors further confirm that, to the best of their knowledge and based on the know-your-customer procedures and internal control measures implemented, during the Track Record Period and up to the Latest Practicable Date, (i) these payments strictly corresponded to *bona fide* commercial transactions governed by valid contractual terms, with pricing and payment conditions consistent with those offered to customers outside such arrangements; and (ii) there were no instances of commercial bribery, money laundering, tax evasion or existing or potential disputes with us related to the Arrangements.

As advised by our PRC Legal Advisors, based on the above, these Arrangements by themselves do not contravene or circumvent applicable laws or regulations in the PRC (including anti-money laundering laws) in all material aspects, provided that the receipt of payment was performed solely as the settlement of sales of goods or services and not related to any criminal or illegal proceeds or gains.

PRC Governmental Volume-based Procurement Scheme

During the Track Record Period and up to the Latest Practicable Date, only one of our products, invisible orthodontic aligners, was included in and therefore subject to the PRC Governmental Volume-based Procurement Scheme (the “**VBP scheme**”), at certain provinces. None of our other products had been included in or subject to the VBP Scheme during the Track Record Period and up to the Latest Practicable Date. Meanwhile, revenue from invisible orthodontic aligners accounted for less than 10% of our total revenue for each period of the Track Record Period. This limited exposure to the VBP Scheme has enabled us to maintain greater flexibility in formulating pricing and sales strategies for our product offerings.

MANUFACTURING

Overview

We currently manufacture at our Rizhao manufacturing facility in Shandong Province, China. Our manufacturing facility occupies 33,332 square meters of land with a total floor area of 27,391 square meters.

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Our manufacturing team is led by Ms. ZHANG Yongjing, who has nearly 20 years of experience in healthcare management. As of September 30, 2024, our manufacturing team consisted of 402 employees, including 11 management personnel. Our manufacturing management team possesses extensive experience in the manufacturing sector, with nine members having over a decade of relevant expertise.

Our production lines feature advanced manufacturing equipment, including automated molding line, AI vision sorting line, for synthetic resin teeth, automated plate application line, and automated laser marking line, as well as CAD/CAM precision milling machine, dual planetary mixer, fully automated silicone rubber paste filling and packaging line, 3D printers, fully automated film pressing line, fully automated laser coding line, orthodontic appliance robotic arm/five-axis cutting line, pre-pressing molding machine, kiln-style furnace, UV printer, quantitative filling machine for denture base resin, light-curing molding/cutting/sorting line, among others.

For the nine months ended September 30, 2024, our overall utilization rate of production lines reached nearly 90%. The following table sets forth the designed production capacity, actual production volume and utilization rate of our key products’ production lines during the Track Record Period.

	For the year ended December 31, 2022			For the year ended December 31, 2023			For the nine months ended September 30, 2024		
	Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾	Designed production capacity ⁽¹⁾	Production volume	Utilization rate ⁽²⁾
Elastomeric impression material (ton)⁽³⁾	883.2	672.5	76.1%	883.2	834.7	94.5%	853.9	763.7	89.4%
Invisible orthodontic aligner (million pieces)	1.20	1.00	83.5%	1.26	1.21	96.5%	0.95	0.89	93.9%
Synthetic resin teeth (million pieces)	94.4	81.9	86.8%	96.0	89.1	92.9%	80.1	67.2	83.9%
Temporary crown and bridge resin block (million blocks)	0.38	0.24	62.9%	0.32	0.32	99.8%	0.33	0.29	90.4%

Notes:

- (1) The designed production capacity refers to the theoretical maximum units of products that our manufacturing facilities can produce in a period.
- (2) Utilization rate refers to the percentage of the production volume to designed production capacity during the period.
- (3) Includes A-silicone for bite registration and silicone rubber duplication materials. The manufacturing process for elastomeric impression materials, A-silicone for bite registration and silicone rubber duplication materials is the same and share the same production line.

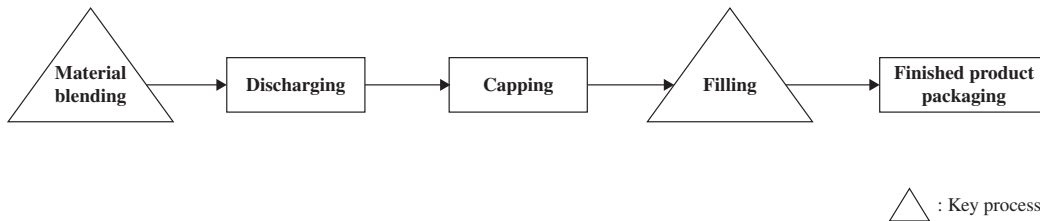
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Manufacturing Process

Manufacturing processes of our key products are set forth below.

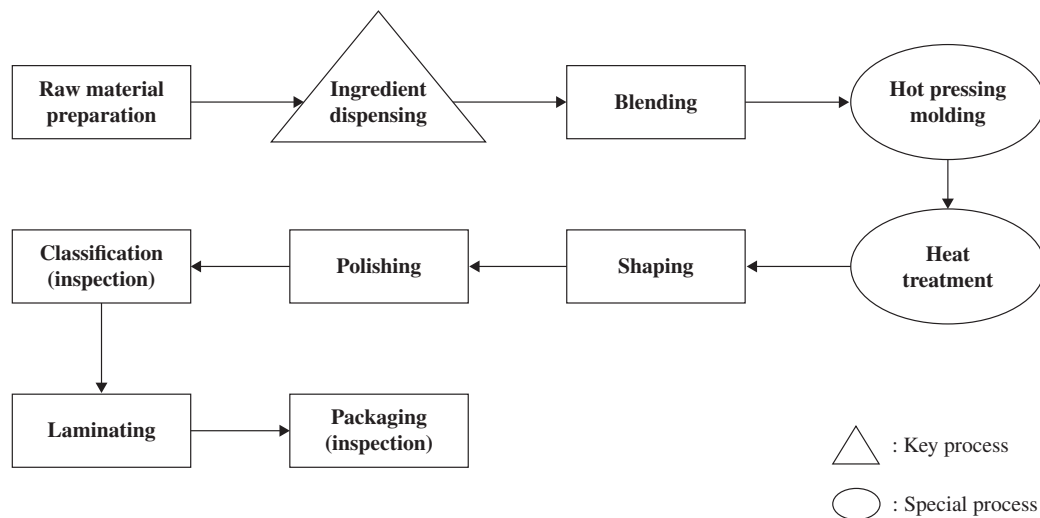
Elastomeric Impression Material

Raw materials used for elastomeric impression material primarily include various silicone rubber raw materials, such as silica powder, silicone oil and catalysts. Manufacturing process is set forth below.



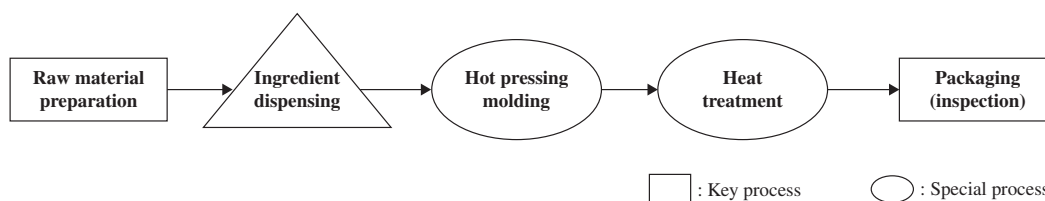
Synthetic Resin Teeth

Raw materials used for synthetic resin teeth primarily include PMMA and MMA. Manufacturing process is set forth below.



Temporary Crown and Bridge Resin Block

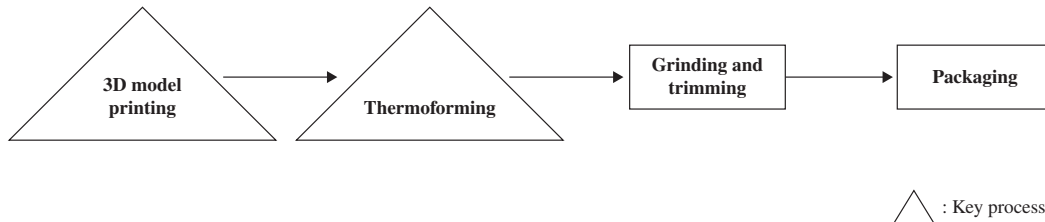
Raw materials used for temporary crown and bridge resin block primarily include PMMA and MMA. Manufacturing process is set forth below.



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Invisible Orthodontic Aligner

Raw materials used for invisible orthodontic aligner primarily include gutta-percha sheets and light-curable resin liquid. Manufacturing process is set forth below.



Quality Control

Our manufacturing process starts with strict procurement of raw materials and packaging materials to ensure that all incoming raw and auxiliary packaging materials meet our technical requirements. Each batch of materials undergoes quality inspection before entering the warehouse to confirm that its performance and chemical composition meet the standard requirements. We organize our production in a plant that meets the GMP standard for medical devices, and the entire production process is managed and monitored in full compliance with the relevant requirements of the quality management system for medical devices. We have designed automated production lines for our products according to the characteristics of each product's production process in order to ensure that the production of our products is the most efficient and the quality of our products is stable and controllable. Our semi-finished and finished products are subject to strict quality testing, including physical and chemical evaluation. Qualified products are packaged according to standards, and each product is stored and subsequently shipped according to specific storage and transportation requirements.

We have a comprehensive quality management system in place to ensure traceability at every stage. All employees receive quality management training to raise their awareness of quality standards and ensure compliance in their respective roles. During the production process, we implement real-time monitoring and data logging to detect and correct potential quality problems in a timely manner. In addition, we conduct regular internal audits and quality assessments to continuously improve our production processes and quality management methods. We also have a customer feedback mechanism in place to regularly collect and analyze customer opinions so that we can optimize our products and services to meet market demands. Through these measures, we are committed to providing high-quality dental products.

During the Track Record Period, we had not encountered any product recall, product return, customer complaint, or incurred any product liability, due to product quality issues that had a material impact on our business operations or financial position.

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Upgrade Plan

We plan to upgrade our production lines with more advanced automation, which we expect to expand our production capacity at the Rizhao manufacturing facility, including installing production lines of dental clinical products, dental laboratory products (zirconia and 3D printing resin), and dental digital product (intraoral scanner), over the next five years. For additional information, see “Future Plans and Use of [REDACTED].”

Indonesia Factory

We plan to establish a factory in Indonesia. As of the Latest Practicable Date, we had leased a facility with pilot production expected to take place in the second half of 2025 following the installation and calibration of equipment. In addition, we plan to purchase land in Indonesia to construct a manufacturing facility with larger scale. For additional information, see “Future Plans and Use of [REDACTED].”

We have chosen to establish the Indonesia manufacturing facility due to the following factors: (i) the global market demand is vast and continuously growing; (ii) we already have a broad presence in the global market and have gained a notable market share in the Indonesian and Singaporean markets; (iii) establishing a factory in Indonesia facilitates delivery of our overseas orders; and (iv) the potential to mitigate the impact of uncertainties in trade policies and relationships in certain regions.

The Indonesia factory will serve as a strategic base for our global expansion in the future, establishing closer ties with customers in Southeast Asia and beyond. Our goal is to take advantage of Indonesia’s competitive labor costs, production facilities, our mature production processes and management system to achieve production with the same quality and efficiency as our China factory. Local production in Indonesia will give our products priority consideration in public medical device procurement under the policies of the Indonesian Ministry of Health, potentially boosting our sales. In addition, the ability to export products from Indonesia to markets in Europe and the Americas will facilitate faster and more efficient distribution, thereby enhancing our competitive edge in the international market.

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CUSTOMERS

Our customers primarily include our distributors and to a lesser extent, dental medical institutions and laboratories. See “— Sales and Marketing.” Revenue generated from our top five customers accounted for 16.4%, 16.6% and 21.2% of our total revenue in 2022, 2023 and the nine months ended September 30, 2024, respectively, and revenue generated from our largest customer accounted for 4.0%, 4.4% and 5.6% of our total revenue in the same periods, respectively. The following table sets forth certain information of our top five customers during the Track Record Period.

Rank	Customer	Sales amount	% of total sales	Credit Term	Commencement of business relationships	Customer Background	Product Procured
		RMB'000	(%)				
<i>For the nine months ended September 30, 2024</i>							
1.	Shanghai Lichi Medical Technology Co., Ltd. (上海勵齒醫療科技有限公司)	16,891	5.6	30-55 days	2016	Dental products seller, based in Shanghai, a one-stop procurement platform providing comprehensive dental products for dental medical institutions	Dental clinical products and dental laboratory products
2.	Customer A	14,996	4.9	30-55 days	2017	Medical products seller, based in Hangzhou, Zhejiang Province, providing medicines, dental materials, medical devices, SaaS software, health products, and related services to dental medical institutions, pharmacies and baby stores	Dental clinical products and dental laboratory products
3.	Customer B	12,675	4.2	30 days	2013	Global dental products seller, based in U.S., providing precious dental gold alloys, zirconia, digital dentistry solutions and scrap refining services	Dental laboratory products
4.	Customer C	10,848	3.6	40% prepaid, 60% payable 90 days after shipment	2020	Multinational company based in Hong Kong conducting various business, including distribution of medical devices	Dental clinical products
5.	Xin Hua Guang Medical Technology Group Co., Ltd. (新驛光醫療科技集團有限公司)	9,132	3.0	0-90 days	2006	Dental products seller, based in Chengdu, Sichuan Province, a comprehensive dental service platform integrating the supply, installation and maintenance of dental medical devices, equipment and consumables	Dental clinical products and dental laboratory products
	Total	64,542	21.2				

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Rank	Customer	Sales amount	% of total sales	Credit Term	Commencement of business relationships	Customer Background	Product Procured
		RMB'000	(%)				
<i>For the year ended December 31, 2023</i>							
1.	Shanghai Lichi Medical Technology Co., Ltd. (上海勵齒醫療科技有限公司)	15,657	4.4	30-55 days	2016	Dental products seller, based in Shanghai, a one-stop procurement platform providing comprehensive dental products for dental medical institutions	Dental clinical products and dental laboratory products
2.	Customer A	13,725	3.8	30-55 days	2017	Medical products seller, based in Hangzhou, Zhejiang Province, providing medicines, dental materials, medical devices, SaaS software, health products, and related services to dental medical institutions, pharmacies and baby stores	Dental clinical products and dental laboratory products
3.	Customer C	11,841	3.3	40% prepaid, 60% payable 90 days after shipment	2020	Multinational company based in Hong Kong conducting various business, including distribution of medical devices	Dental clinical products
4.	Customer B	9,705	2.7	30 days	2013	Global dental products seller, based in U.S., providing precious dental gold alloys, zirconia, digital dentistry solutions and scrap refining services	Dental laboratory products
5.	Xin Hua Guang Medical Technology Group Co., Ltd. (新驊光醫療科技集團有限公司)	8,274	2.3	0-90 days	2006	Dental products seller, based in Chengdu, Sichuan Province, a comprehensive dental service platform integrating the supply, installation and maintenance of dental medical devices, equipment and consumables	Dental clinical products and dental laboratory products
	Total	59,202	16.6				

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Rank	Customer	Sales amount	% of total sales	Credit Term	Commencement of business relationships	Customer Background	Product Procured
		<i>RMB'000</i>	(<i>%</i>)				
<i>For the year ended December 31, 2022</i>							
1.	Customer C	11,294	4.0	40% prepaid, 60% payable 90 days after shipment	2020	Multinational company based in Hong Kong conducting various business, including distribution of medical devices	Dental clinical products
2.	Customer A	10,245	3.7	30-55 days	2017	Medical products seller, based in Hangzhou, Zhejiang Province, providing medicines, dental materials, medical devices, SaaS software, health products, and related services to dental medical institutions, pharmacies and baby stores	Dental clinical products and dental laboratory products
3.	Shanghai Lichi Medical Technology Co., Ltd. (上海勵齒醫療科技有限公司)	8,521	3.0	30-55 days	2016	Dental products seller, based in Shanghai, a one-stop procurement platform providing comprehensive dental products for dental medical institutions	Dental clinical products and dental laboratory products
4.	Customer B	8,492	3.0	30 days	2013	Global dental products seller, based in U.S., providing precious dental gold alloys, zirconia, digital dentistry solutions and scrap refining services	Dental laboratory products
5.	Xin Hua Guang Medical Technology Group Co., Ltd. (新驊光醫療科技集團有限公司)	7,510	2.7	0-90 days	2006	Dental products seller, based in Chengdu, Sichuan Province, a comprehensive dental service platform integrating the supply, installation and maintenance of dental medical devices, equipment and consumables	Dental clinical products and dental laboratory products
Total		46,062	16.4				

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers.

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SUPPLIERS AND PROCUREMENT

Our suppliers primarily include suppliers of raw materials for our products. Purchase from our top five suppliers accounted for 21.9%, 26.2% and 25.4% of our total purchases of such products and services in 2022, 2023 and the nine months ended September 30, 2024, respectively, and purchase from our largest supplier accounted for 6.2%, 6.7% and 8.4% of our total purchases in the same periods, respectively. The following table sets forth certain information of our top five suppliers during the Track Record Period.

Rank	Supplier	Purchase amount <i>RMB'000</i>	% of total purchase <i>(%)</i>	Credit term	Commencement of business relationships	Supplier background	Product/Service Supplied
<i>For the nine months ended September 30, 2024</i>							
1.	Supplier A	10,988	8.4	30 days after goods and invoice arrival	2020	Chemical distributor of leading international chemical brands, based in Shanghai	Silicone rubber raw materials
2.	Supplier B	8,046	6.2	30 days after the bill of lading date	2020	Multinational Trading Company, based in Hong Kong	Silicone rubber raw materials
3.	Supplier C	5,149	3.9	The end of the following month after goods and invoice arrival	2021	Dental materials manufacturer, based in Shenzhen, Guangdong Province, engaged in the R&D, production, sales, and service of zirconia for all-ceramic dentures and dental equipment	Zirconia ceramic block raw materials
4.	Supplier D	4,668	3.6	30% upfront, 70% upon delivery	2011	Chemical distributor of overseas plastic chemicals, based in Shanghai	PMMA
5.	Supplier E	4,324	3.3	60 days after the bill of lading date	2021	Chemical manufacturer, based in U.K., has four operational business areas — methacrylates, ethylene-vinyl alcohol copolymer, electrolyte and specialty resin and resin	PMMA
	Total	33,175	25.4				

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Rank	Supplier	Purchase amount <i>RMB'000</i>	% of total purchase <i>(%)</i>	Credit term	Commencement of business relationships	Supplier background	Product/Service Supplied
<i>For the year ended December 31, 2023</i>							
1.	Supplier A	10,526	6.7	30 days after goods and invoice arrival	2020	Chemical distributor of leading international chemical brands, based in Shanghai	Silicone rubber raw materials
2.	Supplier F	10,034	6.4	30 days after goods and invoice arrival	2011	High-precision conveying equipment manufacturer, headquartered in Switzerland	Container for impression taking materials
3.	Supplier B	9,125	5.8	30 days after the bill of lading date	2020	Multinational Trading Company, based in Hong Kong	Silicone rubber raw materials
4.	Supplier C	7,103	4.5	30 days after goods and invoice arrival	2021	Dental materials manufacturer, based in Shenzhen, Guangdong Province, engaged in the R&D, production, sales, and service of zirconia for all-ceramic dentures and dental equipment	Zirconia ceramic block raw materials
5.	Supplier G	4,525	2.9	30 days after goods and invoice arrival	2018	Chemical manufacturer, based in Dongguan, Guangdong Province	Silicone rubber raw materials
	Total	41,313	26.2				

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Rank	Supplier	Purchase amount	% of total purchase	Credit term	Commencement of business relationships	Supplier background	Product/Service Supplied
		<i>RMB'000</i>	<i>(%)</i>				
<i>For the year ended December 31, 2022</i>							
1.	Supplier F	7,574	6.2	30 days after goods and invoice arrival	2011	High-precision conveying equipment manufacturer, headquartered in Switzerland	Silicone rubber raw materials
2.	Supplier A	5,046	4.1	30 days after goods and invoice arrival	2020	Chemical distributor of leading international chemical brands, based in Shanghai	Silicone rubber raw materials
3.	Supplier B	4,859	4.0	30 days after the bill of lading date	2020	Multinational Trading Company, based in Hong Kong	Silicone rubber raw materials
4.	Supplier D	4,832	4.0	30% upfront, 70% upon delivery	2011	Chemical distributor of overseas plastic chemicals, based in Shanghai	PMMA
5.	Supplier G	4,357	3.6	30 days after goods and invoice arrival	2018	Chemical manufacturer, based in Dongguan, Guangdong Province	Silicone rubber raw materials
	Total	26,668	21.9				

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers.

Raw Materials

The raw materials we procure primarily consist of PMMA, MMA, silica powder, silicone oil, gutta-percha sheets and light-curable resin liquid. We select our suppliers based on the quality and prices of their supplies. We have established a rigorous supplier evaluation system, selecting multiple qualified suppliers for key raw materials to serve as long-term vendors. Suppliers are categorized and scored based on the importance of materials, purchasing volume and supply risk, allowing for dynamic adjustments as needed. Additionally, we have implemented stringent procurement control procedures to standardize purchasing practices, ensuring product quality and timely supply while minimizing procurement costs and risks.

We typically enter into legally-binding procurement agreements with our raw materials suppliers, under which the suppliers are obligated to fulfill each of our procurement orders on demand. We typically place purchase orders on a monthly basis based on our forecasts. The purchase price of raw materials is primarily determined by prevailing market rates for products of comparable quality. We typically make advance payments for the procurement of raw materials. Certain suppliers extend credit terms to us, generally ranging from 30 to 90 days. Additionally, we reserve the right to return raw materials in the event of quality defects.

BUSINESS

We select our suppliers based on various factors, including quality, cost, and supply capabilities. During the Track Record Period, we did not experience any price fluctuations of our primary raw materials that had a material impact on our business operations or financial position.

Inventory Management

Our production is primarily driven by existing and anticipated sales orders. We also make demand forecasts to ensure that our raw materials procurement orders are placed in a timely manner. As a result, our production is generally aligned with customer demand and we maintain relatively low yet sufficient inventory level.

COMPETITION

The competitive landscape of the dental medical devices market in China is marked by intense competition, featuring a large number of both domestic and international companies vying for market share. Key players include well-known global brands as well as emerging local enterprises. As technical innovation and product quality are critical factors driving competitiveness, companies must continuously enhance their research and development capabilities while strengthening their brand influence to face the competitive environment. Additionally, as consumer awareness of oral health increases, there is a growing demand for high-performance and personalized products, which further propels competition and development within the industry. The global dental medical devices market has similar features. See “Industry Overview” for details.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisors has advised that, as of the Latest Practicable Date, we had obtained all licenses, permits and approvals necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits, approvals and certificates remained in effect.

The following table sets out a list of material licenses, permits and approvals relating to our operations.

License/Permit	Holder	Latest Validity Period	Issuing Authority
Medical device production license (醫療器械生產許可證)	Shandong Huge	February 23, 2027	Shandong Provincial Drug Administration (山東省藥品監督管理局)
Medical device production license	Rizhao Huge	August 5, 2029	Shandong Provincial Drug Administration
Medical device business license (醫療器械經營許可證)	Shandong Huge	September 22, 2029	Rizhao Administrative Approval Service Bureau (日照市行政審批服務局)
Medical device business license	Shanghai Huge Medical Devices	February 26, 2028	Shanghai Songjiang District Market Supervision Administration (上海市松江區市場監督管理局)

BUSINESS

We intend to apply for renewal of the above material licenses prior to their respective expiry dates. The successful renewal of our existing licenses, permits and certifications will be subject to our fulfilment of relevant requirements. As of the date of this document, our Directors are not aware of any reason that would cause or lead to the nonrenewal of such licenses, permits and certificates. Our PRC Legal Advisors confirmed that as of the Latest Practicable Date, there was no legal impediment for us to renew these licenses, permits and certificates as long as we comply with the relevant legal requirements.

BUSINESS ACTIVITIES IN COUNTRIES/REGIONS WITH INTERNATIONAL SANCTIONS EXPOSURE

Certain countries or organisations, including the U.S. and the EU, maintain economic sanctions and trade restrictions targeting certain industries or sectors within countries/regions subject to International Sanctions.

Analysis on primary sanctions risk

(a) U.S. primary sanctions risk

(i) Sales involving Syria

We recognized revenue of less than 0.3% of our total revenue in each year/period of 2022, 2023 and the nine months ended September 30, 2024, from sales of dental products to a customer in Syria (the "**Syrian Customer**"). The sale to the Syrian Customer were conducted in USD and RMB. We did not receive the USD payments directly from Syria but rather from third-party exchange service providers located outside of Syria. Such sale to Syria would be subject to the jurisdiction of U.S. primary sanctions targeting Syria, which prohibit, among other things, USD transactions for providing any services (including sales of dental products) to Syria and any transaction that evades or avoids such prohibition. However, under Syrian Sanctions Regulations 31 CFR 542.525, OFAC authorizes the exportation, reexportation, sale, or supply, directly or indirectly, from the United States or by a U.S. person, wherever located, to Syria of services that are ordinarily incident to the exportation or reexportation to Syria of non-U.S.-origin food, medicine, and medical devices that would be designated as EAR 99 if it were subject to the EAR. This means that while the products sold to the Syrian customer are non-U.S.-origin dental products and are not subject to the EAR, if they can be categorized as EAR 99 (as if they were subject to the EAR), then the USD transactions with the Syrian customer would be authorized. Based on our analysis of the U.S. export control classifications, our Syria-bound products should accordingly be authorized pursuant to Syrian Sanctions Regulations 31 CFR 542.525.

OFAC has made clear that it will not impose sanctions on non-U.S. persons for activities that are permitted for U.S. persons (see, e.g., OFAC FAQs 542, 545, and 574). Therefore, non-US persons such as us can rely on the authorization under 31 CFR 542.525. Moreover, neither the Syrian Customer nor any of the third-party exchange service providers appear to be otherwise subject to U.S. sanctions.

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Accordingly, our International Sanctions Legal Advisers have advised that we should not risk exposure to U.S. primary sanctions for engaging in the sales to the Syrian Customer. For information about U.S. sanctions laws and regulations targeting Syria, please see “Regulatory Overview — Sanctions Laws and Regulations” in this document.

(ii) Sales involving Ukraine

We recognized revenue of less than 0.5% of our total revenue in each year/period of 2022, 2023 and the nine months ended September 30, 2024, from annual sales of various types of dental products to multiple customers located in Ukraine, who further distributed our products within Ukraine (the “**Ukraine Sales**”). We are unable to obtain identifying information about the end users located in Ukraine, including in which regions of Ukraine they are located, except for a general understanding that the local end users are predominantly dental medical institutions and laboratories. The Ukraine Sales were all conducted in USD and would therefore be subject to the jurisdiction of U.S. primary sanctions targeting Crimea, the DNR, the LNR, and occupied Kherson and Zaporizhzhya regions of Ukraine, if our products were sold to end users in these regions.

However, in the Crimea region of Ukraine, 31 C.F.R. 589.513 authorizes the exportation or reexportation of medical supplies by U.S. persons. The authorized “medical supplies” include dental equipment and devices, which would cover our products. In addition, exportation or reexportation of dental equipment and devices to DNR, LNR, Zaporizhzhya and Kherson regions of Ukraine should be exempted from U.S. sanctions restrictions by virtue of General License 18.

As mentioned above, OFAC has made clear that it will not impose sanctions on non-U.S. persons for activities that are permitted for U.S. persons. Moreover, OFAC has clarified that its sanctions do not target activities that benefit the Ukrainian people, which include export of medical devices to Ukraine. Both U.S. and non-U.S. persons can avail themselves of the available authorizations issued by OFAC as they continue to engage in these activities in relation to Ukraine. Therefore, even if our products were sold to Crimea, the DNR, the LNR, and occupied Kherson and Zaporizhzhya regions of Ukraine, such sales should be authorized by virtue of the general licenses discussed above.

Accordingly, our International Sanctions Legal Advisers have advised that we do not risk exposure to U.S. primary sanctions for engaging in the Ukraine Sales. For information about U.S. sanctions laws and regulations targeting Ukraine, please see “Regulatory Overview — Sanctions Laws and Regulations” in this document.

(iii) Sales involving other Relevant Regions

During the Track Record Period, we conducted USD-denominated sales to customers or end users in Belarus, Libya, Myanmar, Russia (excluding Crimea, the DNR, the LNR, and occupied Kherson and Zaporizhzhya regions of Ukraine), Turkey and Venezuela (together with Syria and Ukraine (including Crimea, the DNR, the LNR, and occupied Kherson and

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Zaporizhzhya regions of Ukraine), “**Relevant Regions**”). OFAC has imposed less-than-comprehensive sanctions targeting these jurisdictions, generally prohibiting U.S.-nexus transactions (e.g., transactions denominated in USD) with parties designated as SDNs under the respective sanctions regimes. Our International Sanctions Legal Advisers have advised that none of the customers engaged in transactions concerning the Relevant Regions is a U.S. Sanctioned Target and would not have triggered relevant primary U.S. sanctions restrictions.

For our sales to the Relevant Regions while our International Sanctions Legal Advisers cannot verify the identities and sanctions status of all end users, to our best knowledge, the end users of our products are predominantly dental medical institutions and laboratories. Our International Sanctions Legal Advisers are not aware of any dental medical institutions or laboratories located in the Relevant Regions that are subject to U.S. sanctions. Given the nature of the products at issue and the nature of the end users, our International Sanctions Legal Advisers have advised that it does not appear likely that we would face material primary sanctions risks in regard to our business dealings in the Relevant Regions. For information about U.S. sanctions laws and regulations targeting the Relevant Regions, please see “Regulatory Overview — Sanctions Laws and Regulations” in this document.

(b) EU sanctions risk

During the Track Record Period, we recorded business dealings with customers located in the EU. Some of these EU customers were distributors who further resold our products to other end users in the EU. Our International Sanctions Legal Advisers have advised that, even if any of the EU customers resold our products to a party subject to EU sanctions, it should not give rise to liability on our part because we did not know, and had no reasonable cause to suspect, that the resales would infringe EU sanctions. The liability would rather lie with the EU distributors.

Together with certain confirmations we made to our International Sanctions Legal Advisers, our International Sanctions Legal Advisers have advised that our Relevant Activities during the Track Record Period are not subject to material risks under EU sanctions. For information about EU sanctions laws and regulations targeting the Relevant Regions, please see “Regulatory Overview — Sanctions Laws and Regulations” in this document.

Our International Sanctions Legal Advisers have advised that our Group’s Relevant Activities during the Track Record Period are not subject to material risks under sanctions imposed by UK, Australia or the UN.

Analysis on secondary sanctions risk

As our end users are predominantly dental medical institutions and laboratories and the fact that no dental medical institutions or laboratories located in the Relevant Regions are subject to U.S. sanctions, our International Sanctions Legal Advisers have advised that it appears highly unlikely that our Group has rendered significant or material transactions with SDNs or blocked persons which would expose our Group to U.S. secondary sanctions liability.

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Evaluation of our Group's International Sanctions risk exposure

Our Directors are of the view that, as at the Latest Practicable Date, we have no reasonable grounds to believe that any of the owners, controllers or directors of the contracting parties are Sanctioned Targets. As advised by our International Sanctions Legal Advisers, our Company is not a Sanctioned Target, or located, incorporated, organised or resident in a Sanctioned Country; and our sales activities during the Track Record Period do not qualify as a Sanctioned Trader for purposes of the Chapter 4.4 of the Guide.

On this basis, for the purpose of the Chapter 4.4 of the Guide, our International Sanctions Legal Advisers have advised that, our business activities (a) did not constitute Primary Sanctioned Activity; and (b) did not constitute Secondary Sanctioned Activity. However, such risks cannot be completely excluded but may be further mitigated to the extent that we can demonstrate compliance as discuss below.

Further, our Directors undertake that we will not directly or indirectly apply the [REDACTED] and any other funds raised through the Stock Exchange to (a) finance or facilitate any Sanctioned Activity; or (b) pay any damages for terminating or transferring the relevant contracts that constitute Sanctioned Activity.

Our internal control measures to minimize sanctions risk

In order to identify and monitor our exposure to risks associated with sanctions laws relating to these sales, the following measures have been fully implemented to control and monitor our exposure to sanctions risks.

- our Company's legal department has taken on the responsibility to manage our exposures to sanctions risks and oversee the implementation of the related internal control policies;
- our Company's legal department will, *inter alia*: (a) regularly organize compliance training to ensure that relevant management and departments understand International Sanctions risks and can promptly and effectively identify and report actual or potential violations; (b) issue warnings in case of significant International Sanctions escalations that may affect the company's business operations; (c) lead the revision and implementation of our International Sanctions-related internal control policies. When necessary, our Company's legal department may propose to our Company to hire external legal advisors with expertise and experience in International Sanctions matters to provide opinions and assess International Sanctions risks. Based on the above, the International Sanctions Legal Advisers are of the view that the additional responsibilities added to our Company's legal department will be able to serve the purpose of monitoring our exposure to sanctions risks.

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Upon [REDACTED], we will further monitor our sanctions risk and implement additional measures as appropriate to minimise sanctions risk.

The Internal Control Consultant conducted follow-up reviews on our enhanced internal control measures in respect of our exposure to sanction risks that may arise from our business dealings with counterparties in overseas countries, for the period from October 2023 to September 2024. The Internal Control Consultant is not aware of any significant deficiencies in the design and implementation (save for those internal control measures which will be implemented upon [REDACTED]) of the enhanced internal control measures in respect of our exposure to sanction risks, and the Internal Control Consultant did not have any further recommendation in the internal control review.

Our International Sanctions Legal Advisers have reviewed and evaluated these internal control measures and are of the view that these measures, insofar as they can be strictly implemented by our Group, would be adequate and effective for our Company to comply with the applicable International Sanctions Laws.

Having taken the above advice of our International Sanctions Legal Advisers into account, our Directors are of the view that the above measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risks relating to international sanctions.

INTELLECTUAL PROPERTY

Intellectual property rights are essential to our operations, and we invest considerable time and resources into their development and safeguarding. We utilize a mix of contractual agreements, confidentiality protocols and intellectual property registrations to establish and protect our proprietary technologies. As of the Latest Practicable Date, we had registered 137 trademarks, 64 patents and 18 software copyrights in China. As of the same date, we also had registered 26 trademarks overseas.

EMPLOYEES

As of September 30, 2024, we had 795 full-time employees. Most of our employees are in China. The following table sets forth the number of our full-time employees by function as of September 30, 2024.

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	As of September 30, 2024	
Function	Number of Employees	% of Total
Manufacturing	402	50.6%
Sales and marketing	218	27.4%
Research and development.	93	11.7%
Administration.	82	10.3%
Total	795	100.0%

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives. We provide pre-employment training and regular continuing training to our employees.

As required under PRC labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. In compliance with PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

We believe that we maintain a good working relationship with our employees, and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, in China, we owned the land use rights of four parcels of land in China with a total area of 109,014 square meters; as of the same date, we operated our businesses through three owned properties with a total gross floor area of 38,192 square meters, and three leased properties with a total gross floor area of 4,233 square meters. As of the Latest Practicable Date, outside of China, we had one leased property in Indonesia with a total gross floor area of 1,076 square meters, which is expected to be used for production, and one leased property in the U.S. with a total gross floor area of 610 square meters for office and storage use.

Owned Properties

As of the Latest Practicable Date, we owned the land use rights to four parcels of land located in Rizhao, Qingdao and Shanghai, with a site area of 109,014 square meters, which are used primarily for production, R&D, warehouse, office and accommodation. As of the same date, we owned three properties in Rizhao and Shanghai with a total gross floor area of 38,192 square meters used primarily for production, R&D, warehouse, office and accommodation. We

BUSINESS

have obtained certificates to all our land use rights and properties. During the Track Record Period, we leased out certain properties that were not occupied by us. As of the Latest Practicable Date, our land use rights and properties were mortgaged for interest-bearing bank borrowings.

Leased Properties

As of the Latest Practicable Date, in China, we rented three properties in Qingdao, Shanghai and Suzhou, with a total gross floor area of 4,233 square meters, which are used primarily for production, R&D, office and accommodation. As of the same date, outside of China, we had one leased property in Indonesia with a total gross floor area of 1,076 square meters, which is expected to be used for production, and one leased property in the U.S. with a total gross floor area of 610 square meters for office and storage use.

Our lease agreements in respect of the abovementioned leased properties as of the Latest Practicable Date generally have expiration dates ranging from 2024 to 2030. We plan to renew our leases or negotiate new terms when the existing leases expire. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is sufficient supply of properties in China.

As of September 30, 2024, none of the properties leased or owned by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group’s interests in land or buildings.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. We maintain certain product liability insurance, work safety liability insurance, property all-risk insurance, and export credit insurance. We do not maintain key man life insurance, business interruption insurance or insurance policies covering damages to our technical infrastructure. During the Track Record Period, we have not made or been the subject of any material insurance claims. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — We are exposed to potential product liability claims.”

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AWARDS AND RECOGNITION

During the Track Record Period, we have received recognition for the quality and popularity of our business. The following table sets forth some significant awards and recognition we have received.

Awards or Recognitions	Year Granted	Granting Authority
National High-Tech Enterprise (國家高新技術企業)	2017	Shandong Provincial Department of Science and Technology (山東省科學技術廳), Shandong Provincial Department of Finance (山東省財政廳), Shandong Provincial National Tax Bureau (山東省國家稅務局), and Shandong Provincial Local Tax Bureau (山東省地方稅務局)
National “Specialized, Refined, Distinctive, and Innovative Little Giant” Enterprise (國家“專精特新小巨人”企業)	2020	Ministry of Industry and Information Technology, Small and Medium Enterprise Bureau (國家工業和信息化部中小企業局)
Shandong Provincial-Level Enterprise Technology Center (山東省省級企業技術中心)	2019	Shandong Provincial Development and Reform Commission (山東省發展和改革委員會)
Shandong Provincial Key Laboratory of Dental Materials (山東省口腔材料重點實驗室)	2022	Shandong Provincial Department of Science and Technology (山東省科學技術廳)

LEGAL PROCEEDING AND COMPLIANCE

Legal Proceedings

We may be subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. As of the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material and adverse effect on our business, financial condition or results of operations.

Compliance

We are subject to various regulatory requirements and guidelines issued by regulatory authorities in China. During the Track Record Period and as of the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, and we did not experience any non-compliance incident, which taken as a whole, in the opinion of our Directors and as advised by our PRC Legal Advisors, is likely to have a material and adverse effect on our business, financial condition or results of operations.

BUSINESS

SOCIAL, HEALTH, WORK SAFETY AND ENVIRONMENTAL MATTERS

We believe our long-term success rests on our ability to make a positive impact on the society. We strive to build a sustainable ecosystem comprised of our employees, collaborators and business partners.

We are subject to various health, work safety and environmental laws and regulations and our operations are regularly inspected by local government authorities. During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with health, work safety and environmental laws and regulations applicable to our operations in all material respects and had not been subject to any material claims, fines or other penalties due to non-compliance with health, work safety or environmental regulations that would materially and adversely affect our business, financial condition or results of operations.

Governance on ESG Matters

We have built a series of policies and procedures to contribute to social, health, work safety and environmental matters. Going forward, it is our objective to proactively identify and assess the actual and potential environmental, social and governance (“ESG”) risks that may impact our business, strategy and financial performance, and integrate considerations of ESG issues into our business, strategic and financial planning, in compliance with the recommendations made by the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules.

We are committed to strengthening our ESG oversight mechanisms by thoroughly integrating environmental, social and governance factors into our business operations and ensuring compliance with relevant environmental protection laws and regulations. Recognizing the risks and opportunities associated with ESG, we are dedicated to identifying and addressing these factors through environmental impact assessments and management. We are exploring various measures to mitigate ESG-related risks while striving to balance cost-effectiveness with sustainable development. Our emissions reduction targets are based on industry standards and our specific circumstances, aiming to enhance our environmental performance in alignment with best practices. We plan to set up a timeline for achieving our ESG goals through a phased approach that ensures feasibility and traceability. Furthermore, we are committed to fostering a culture of compliance, with a goal to ensure that all employees are well-informed of and adhere to relevant ESG regulations and requirements through cross-departmental collaboration.

Our Board is responsible for monitoring and enhancing compliance with ESG laws and regulations. Our management regularly reports to the board on ESG matters, and the Board makes decisions regarding our policies and practices in alignment with ESG requirements. The Board will continue to monitor, evaluate and address ESG issues, overseeing the implementation of policies that promote ESG practices.

BUSINESS

Environmental Protection

We strive to conduct our operations in an environmentally friendly manner. Our main business involves the research, production, and sales of professional dental products. Throughout our manufacturing process, there are no significant pollution issues. Since our establishment, we have placed a strong emphasis on environmental protection and actively implemented effective measures to control and reduce pollutant emissions.

Waste Water

The wastewater primarily consists of production wastewater, employee domestic sewage, and catering wastewater. Production wastewater is treated through sedimentation to meet the "Discharge Standards for Wastewater into Urban Sewers" before being sent via municipal pipelines to the sewage treatment plant. Employee domestic sewage and catering wastewater are also directed to the treatment facility.

Emissions

The emissions mainly arise from specific production processes, including dust from ingredient handling and sintering exhaust. The sintering exhaust is collected by a hood and treated through an activated carbon adsorption system before being discharged through exhaust stacks. Dust is processed by a mobile dust purification unit to ensure compliance with environmental standards.

Solid Waste

Solid waste comprises production waste and domestic garbage. General solid waste is collected and stored for disposal by external services. Hazardous waste, including expired reagents, contaminated rags, oily metal shavings and used cutting fluids, is collected and temporarily stored in a designated hazardous waste area for disposal by qualified agencies. Domestic garbage is collected and managed by local sanitation departments.

Noise

Noise primarily originates from operating production equipment. To mitigate noise impact on the surrounding environment, we employ noise reduction measures to ensure that equipment noise remains minimal.

Management of Environmental Protection Matters

We conduct environmental impact assessments to monitor emission levels. We use a range of metrics to evaluate the impact of environmental risks. Furthermore, we have set multiple objectives to reduce our environmental footprint and are actively pursuing significant measures to meet these targets. The following table sets forth the indicators related to our energy consumption and waste production during the Track Record Period.

BUSINESS

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
Energy consumption			
Electricity (<i>MWh</i>)	3,003	3,196	3,190
Water (<i>tons</i>).	20,883	16,549	14,240
Waste			
Hazardous waste (<i>tons</i>)	6	7	6

In 2022, 2023 and the nine months ended September 30, 2024, our environmental protection expenditures were RMB0.3 million, RMB0.7 million and RMB0.4 million, respectively.

Work Safety

We strive to provide a safe and healthy working environment for our employees. To achieve this, we have established stringent safety protocols. These protocols are reinforced by regular safety training initiatives that equip our employees with the necessary awareness and technical expertise to perform their duties safely and efficiently. We provide necessary personal protective equipment in our R&D centers and manufacturing facility. We conduct regular audits to ensure adherence to relevant standards. During the Track Record Period and up to the Latest Practicable Date, we did not have any major workplace accidents.

Workplace Diversity

We are dedicated to fostering an inclusive and open workplace that values equality. Our recruitment practices are strictly merit-based, ensuring that all employees are provided with equal opportunities regardless of gender, age, race, religion, or any other social or personal attributes. As of September 30, 2024, over 60% of our total employees were female. We are committed to maintaining a fair and transparent employee management system and continuously strive to enhance the gender and age diversity of our workforce.

RISK MANAGEMENT AND INTERNAL CONTROL

We have established and maintained risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations.

BUSINESS

Risk Management

We recognize that effective risk management is critical to the success of our business operations. The key operational risks we face include, among others, changes in the general market conditions and regulatory environment of the PRC and the global dental markets, our ability to develop, manufacture and commercialize our products, as well as our ability to compete with other dental product companies. See “Risk Factors” for a detailed discussion of the various risks and uncertainties we confront. We also encounter diverse market risks, including credit, liquidity, interest rate and currency risks. See “Financial Information — Quantitative and Qualitative Disclosure about Market Risk.”

To address these challenges, we have implemented a comprehensive set of risk management policies that establish a framework to identify, assess, evaluate, and continuously monitor the key risks associated with our strategic objectives. Risks identified by our management are analyzed based on likelihood and impact, and are then properly followed up, mitigated and rectified by our Group, which reports to our Board of Directors. Our Directors oversee the implementation of these risk management policies.

To monitor the ongoing implementation of risk management policies and corporate governance measures after the [REDACTED], we have adopted or will continue to adopt, among other things, the following risk management measures:

- Our Directors will oversee and manage the overall risks associated with our business operations by (i) reviewing and approving our risk management policy to ensure alignment with our corporate objectives; (ii) reviewing and approving the annual working plan and annual report on corporate risk management; (iii) monitoring the most significant risks related to our business operations and evaluating our management’s handling of these risks; (iv) assessing our corporate risk in relation to our risk tolerance; and (v) ascertaining the appropriate application of our risk management framework across our Group.
- Our finance, legal, human resources and other relevant departments will be responsible for (i) developing our risk management policy and reviewing major risk management issues within our Company; (ii) creating the annual risk management plan and report; (iii) offering guidance on our risk management approach to relevant departments and supervising the implementation of our risk management policy; (iv) reviewing reports on key risks from relevant departments and providing feedback; and (v) conducting education and training related to risk management.
- Our finance, legal, human resources and other relevant departments will be responsible for implementing our risk management policy and conducting daily risk management activities. To standardize risk management across our Group and establish a common level of transparency and performance, these departments will (i) gather information about risks related to their operations or functions; (ii) conduct risk assessments, which include identifying, prioritizing, measuring and categorizing all key risks that could potentially impact their objectives; (iii) continuously monitor key risks related to their operations or functions; (iv) implement appropriate risk responses as needed; (v) develop and maintain mechanisms to facilitate the application of our risk management framework; and (vi) promptly report any material risks to relevant departments.

BUSINESS

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to perform certain agreed-upon procedures (the “**Internal Control Review**”), in connection with the internal control of our Company and our major operating subsidiaries and to report factual findings on our Group’s entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, human resources and payroll management, general controls of IT system, taxation management, procurement management and other procedures of our operations. The Internal Control Consultant performed the Internal Control Review from October to December 2024 and follow-up reviews from January to February 2025. As of the Latest Practicable Date, there were no material outstanding issues relating to our Group’s internal control.

During the Track Record Period, we regularly reviewed and enhanced our internal control system. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have implemented a range of measures and procedures covering various aspects of our business operations, including related party transactions, risk management, intellectual property protection, environmental protection, and occupational health and safety. For more information, see “— Intellectual Property” and “— Social, Health, Work Safety and Environmental Matters.” As part of our employee training program, we regularly provide training on these measures and procedures to our staff.
- Our Directors, who are responsible for overseeing the corporate governance of our Group, will, with assistance from our legal advisers, will periodically review our compliance status with all relevant laws and regulations following the [REDACTED].
- An audit committee to be established upon [REDACTED] will (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.
- We have appointed Zhongtai International Capital Limited as our Compliance Advisor to provide advice to our Directors and management team until the end of the first fiscal year after the [REDACTED] regarding matters relating to the Listing Rules. Our Compliance Advisor is expected to ensure our use of funding complies with the section headed “Future Plans and Use of [REDACTED]” in this document after the [REDACTED], as well as to provide support and advice regarding requirements of relevant regulatory authorities in a timely fashion.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, Mr. Song, chairman of our Board, an executive Director and our chief executive officer, indirectly controlled the voting rights attaching to 52.56% of the total issued Shares of our Company through Huge Vanguard and Huge Star. Immediately following completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Song, through Huge Vanguard and Huge Star, will control the voting rights attaching to [REDACTED]% of the total issued Shares of our Company. Therefore, Mr. Song, Huge Vanguard and Huge Star are and will continue to be a group of Controlling Shareholders of our Company upon the [REDACTED].

COMPETITION

As of the Latest Practicable Date, none of the Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently from the Controlling Shareholders and/or their close associates upon the [REDACTED] for the following principal reasons:

Management Independence

Upon the [REDACTED], our Board will consist of seven Directors, comprising four executive Directors and three independent non-executive Directors. For more information, see “Directors and Senior Management.”

Our business is managed and conducted by our Board and senior management, and our Directors believe that our Company is capable of maintaining management independence due to the following reasons:

- (a) our daily management and operations are carried out by the executive Directors and the senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (b) save for Mr. Song, our executive Directors and senior management members do not hold any role as an executive director or member of senior management in any associates of our Controlling Shareholders;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (c) each of our Directors is fully aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and all our Shareholders as a whole and does not allow any conflict between his/her duties as a Director and his/her personal interest to exist;
- (d) all of our three independent non-executive Directors are independent of the Controlling Shareholders and have extensive experience in their respective areas of expertise. All our independent non-executive Directors are appointed in accordance with the requirements under the Listing Rules and certain matters of our Company must always be referred to the independent non-executive Directors for review, ensuring the decisions of our Board are made only after due consideration of independent and impartial opinions;
- (e) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions and will abstain from voting at the relevant meeting and will not be counted towards the quorum; and
- (f) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance Measures."

Based on the above, our Directors believe that our Company has sufficient and effective control mechanisms to ensure that the Directors perform their respective duties properly and safeguard the interests of our Company and our Shareholders as a whole. Our Board together with our senior management team, therefore, are able to perform the managerial role in our Group independently.

Operational Independence

We are in possession of all production and operating facilities and technology relating to our Group's business and have obtained relevant requisite qualifications and approvals for conducting all our business.

We have independent access to customers and suppliers and, therefore, are not dependent on our Controlling Shareholders for any significant amount of our revenue, R&D, staffing or marketing and sales activities, and we have sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders. We have an established and complete organizational structure comprising various separate departments, each charged with specific responsibilities, such as staffing, administration, finance, internal audit, R&D, sales and marketing, or company secretarial functions. These departments have been in operation and are expected to continue to operate separately and independently from our

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Controlling Shareholders and their close associates. We also have our own headcount of employees for our operations and management of human resources. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders or any of their close associates.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit, and internal control functions independent from our Controlling Shareholders and their close associates, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of our Controlling Shareholders and their close associates.

We do not expect to rely on our Controlling Shareholders and/or their close associates for financing after the [REDACTED] as we expect that our working capital will be funded by cash flows generated from operating activities, bank loans as well as the [REDACTED] from the [REDACTED]. During the Track Record Period, there were no loans and advances due to or from the Controlling Shareholders or their close associates. Save as disclosed in Note 25 to the Accountants' Report in Appendix I in relation to the guarantees of bank loans provided by Mr. Song to our Group, which are expected to be fully released before or upon the [REDACTED], we have no other guarantees provided by our Controlling Shareholders or their close associates. During the Track Record Period, we have not entered into any financing arrangements or loans with our Controlling Shareholders or any of their close associates.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company and our Directors are committed to upholding and implementing the highest standards of corporate governance and recognize the importance of protecting the rights and interests of all Shareholders, including the rights and interests of our minority Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles of Association, where our Company has knowledge that any Shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution of our Company or restricted to vote only for or only against any particular resolution of our Company, any votes cast by or on behalf of such Shareholder in contravention of such requirement or restriction shall not be counted;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders. Our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review. Our Company will disclose decisions of the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (d) we have established the Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules. All of the members of our Audit Committee, including the chairman, are independent non-executive Directors;
- (e) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense; and
- (f) we have appointed Zhongtai International Capital Limited as our Compliance Advisor and will appoint Hong Kong legal advisors to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].

CONNECTED TRANSACTIONS

OVERVIEW

Prior to the [REDACTED], we have entered into certain transactions with parties who will, upon the [REDACTED], become connected persons of our Company. Details of the connected persons and such connected transactions are set out below.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon the [REDACTED] and the nature of their relationships with our Company.

Connected Person	Connected Relationship
Rizhao Heart Hospital Management Co. Ltd. (日照心臟病醫院管理有限公司) and Rizhao Heart Hospital (日照心臟病醫院) (together, “ Rizhao Heart ”)	As of the Latest Practicable Date, Rizhao Heart Hospital (日照心臟病醫院) was wholly owned by Rizhao Heart Hospital Management Co. Ltd. (日照心臟病醫院管理有限公司), which was owned as to 63.77% by Shanghai Lanxin Medical Technology Group Co. Ltd. (上海蘭信醫療科技集團股份有限公司), a company controlled by Mr. Song. Therefore, Rizhao Heart is an associate of Mr. Song and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Rizhao Dental Hospital Dongcheng Co. Ltd. (日照口腔醫院東城有限公司) and Rizhao Dental Hospital (日照口腔醫院) (together, “ Rizhao Dental ”)	As of the Latest Practicable Date, each of Rizhao Dental Hospital Dongcheng Co. Ltd. (日照口腔醫院東城有限公司) and Rizhao Dental Hospital (日照口腔醫院) was wholly owned by Rizhao Dental Hospital Group Management Co. Ltd. (日照口腔醫院集團管理有限公司), which was ultimately controlled by Ms. QIN Lijuan as to 80%, our substantial Shareholder and mother of Mr. Song. Therefore, Rizhao Dental is an associate of Ms. Qin and Mr. Song and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.
Qingdao Chunci Xindu Dental Hospital Co., Ltd. (青島春慈新都口腔醫院有限公司) and Qingdao Lanxin Medical Technology Co. Ltd. (青島蘭信醫療科技有限公司) (together, “ Qingdao Lanxin ”)	As of the Latest Practicable Date, Qingdao Chunci Xindu Dental Hospital Co., Ltd. (青島春慈新都口腔醫院有限公司) was wholly owned by Lanxin Medical Technology Co. Ltd. (青島蘭信醫療科技有限公司) which is in turn wholly owned by Shanghai Lanxin Medical Technology Group Co. Ltd., a company controlled by Mr. Song. Therefore, Qingdao Lanxin is an associate of Mr. Song and thus a connected person of our Company under Rule 14A.07 of the Listing Rules.

CONNECTED TRANSACTIONS

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We engage in the following transactions with our connected persons and plan to continue these transactions after the [REDACTED]. The details of the relevant transactions are set out below:

1. Sales of dental clinical products to Rizhao Heart, Rizhao Dental and Qingdao Lanxin

During the Track Record Period, our Group sold dental clinical products to Rizhao Heart, Rizhao Dental and Qingdao Lanxin from time to time. Such transactions were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm’s length basis, and (iii) on normal commercial terms with the consideration being determined with reference to the market price of the dental clinical products and are expected to continue after Listing.

As the transactions are carried out in our ordinary and usual course of business on normal commercial terms, the annual transaction amount, on an aggregated basis, will be less than HK\$3,000,000 and the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be less than 5%, the transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

2. Lease Agreement with Rizhao Heart

Shandong Huge entered into property lease agreements with Rizhao Heart, pursuant to which Shandong Huge agreed to lease certain buildings to Rizhao Heart for staff dormitory use for a term of up to two years commencing from November 1, 2024. The leases were entered into (i) on arm’s length basis, and (ii) on normal commercial terms with the fees being determined with reference to the prevailing market rates for similar properties in surrounding areas and the leased acreage for the property leased.

As the transactions under the leases are carried out on normal commercial terms, the annual rental payable by Rizhao Heart to our Group, on an aggregated basis, will be less than HK\$3,000,000 and the highest applicable percentage ratio for the purpose of Chapter 14A of the Listing Rules will be less than 5%, the transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The following table sets forth the key information about our Directors as of the Latest Practicable Date.

Name	Age	Positions	Roles and responsibilities	Date of first joining our Group	Date of appointment as a Director
Mr. SONG Xin (宋欣)	52	Chairman of the Board, executive Director and chief executive officer	Responsible for overseeing the overall management and business operations, formulating strategies and operation plans and making major decisions of our Group	Founder of our Group	August 7, 2024
Mr. LIU Qin (劉欽)	51	Executive Director and general manager	Responsible for the strategic planning, daily business operations and the management of domestic sales and marketing of our Group	November 24, 2006	January 27, 2025
Ms. ZHANG Yongjing (張永靜)	41	Executive Director and deputy general manager	Responsible for the management of production, quality control, R&D and product registration of our Group	July 29, 2008	January 27, 2025
Mr. XIANG Longsheng (相龍升)	40	Executive Director, chief financial officer and Board secretary	Responsible for managing financial affairs, investment and financing, Board related matters, investor relations and corporate governance of our Group	April 19, 2017	January 27, 2025

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Positions	Roles and responsibilities	Date of first joining our Group	Date of appointment as a Director
Mr. WONG Fatt Heng (黃柏興) . . .	68	Independent non-executive Directors	Responsible for providing independent advice and judgment to our Board	[REDACTED]	[REDACTED]
Mr. WANG Lin (王林)	65	Independent non-executive Directors	Responsible for providing independent advice and judgment to our Board	[REDACTED]	[REDACTED]
Mr. YI Shanbing (易善兵)	48	Independent non-executive Directors	Responsible for providing independent advice and judgment to our Board	September 7, 2021 ⁽¹⁾	[REDACTED]

Note:

- (1) Mr. YI Shanbing joined our Group and served as an independent director of Shandong Huge from September 2021 to July 2024. He was appointed as an independent non-executive Director of our Company in February 2025 effective from the [REDACTED]. For details, see “— Independent Non-executive Directors.”

Executive Directors

Mr. SONG Xin (宋欣), aged 52, is our founder, chairman of our Board, an executive Director, our chief executive officer and Controlling Shareholder. Mr. Song was re-designated as an executive Director on February 7, 2025. Mr. Song is primarily responsible for overseeing the overall management and business operations, formulating strategies and operation plans and making major decisions of our Group.

Mr. Song founded our Group in November 2006 and has since led its development, assuming pivotal roles as director and senior management across various subsidiaries of our Group showcasing his exceptional leadership and visionary approach. From June 2004 to June 2017, he also worked at Qingdao Yixin Medical Technology Co., Ltd. (青島益信醫學科技有限公司).

Mr. Song obtained an associate degree in pharmacy from Shandong Medical University (山東醫科大學) in China in July 1999 and a master’s degree in business administration from City University of Hong Kong in July 2021. In April 2023, Mr. Song was honored with “Rising Star Entrepreneur of the Top 100 Private Entrepreneurs in Shandong Province” (山東省民營企業家“掛帥出征”百強榜單新星型企業家) by the Shandong Province Leading Group for Promoting the Development of Non-Public Economy (山東省促進非公有制經濟發展工作領導小組).

DIRECTORS AND SENIOR MANAGEMENT

Mr. LIU Qin (劉欽), aged 51, is an executive Director and the general manager of our Company. He was re-designated as an executive Director on February 7, 2025. He is responsible for the strategic planning, daily business operations and the management of domestic sales and marketing of our Group.

Mr. Liu joined our Group in November 2006 and has been serving as the general manager of Shandong Huge since then. He has been a director of Shandong Huge and the general manager of Shanghai Huge Medical Devices since September 2014. From July 1997 to December 1999, he served as a regional sales manager of Qingdao Haier Washing Machine Co., Ltd. (青島海爾洗衣機銷售有限公司). From December 1999 to December 2002, he served as the head of the advertising review department of Qingdao Haier Trading Co., Ltd. (青島海爾工貿有限公司). Since November 2013, Mr. Liu has been serving as the standing committee member of the subcommittee for Stomatological Devices of the Chinese Stomatological Association (中華口腔醫學會口腔醫學設備器材分會).

Mr. Liu obtained a bachelor’s degree in plastic engineering from Qingdao Institute of Chemical Technology (青島化工學院) (currently known as Qingdao University of Science and Technology (青島科技大學)) in China in July 1997. From September 2008 to July 2010, Mr. Liu attended a postgraduate advanced course in enterprise management organized by Shanghai University of Finance and Economics (上海財經大學) and obtained a completion certificate.

Ms. ZHANG Yongjing (張永靜), aged 41, is an executive Director and the deputy general manager of our Company. She was re-designated as an executive Director on February 7, 2025. She is primarily responsible for the management of production, quality control, R&D and product registration of our Group.

Ms. Zhang joined our Group in July 2008. She has been serving as a deputy general manager of Shandong Huge since May 2015 and director since March 2018. Ms. Zhang also holds positions in a number of subsidiaries of our Group.

Ms. Zhang obtained a bachelor’s degree in pharmacy from Shandong University (山東大學) in China in January 2015 and a master’s degree of business administration from Shandong University (山東大學) in China in June 2020. Ms. Zhang was qualified as an intermediate engineer (中級工程師) by the Rizhao Municipal Bureau of Human Resources and Social Security (日照市人力資源和社會保障局) in December 2019.

Mr. XIANG Longsheng (相龍升), aged 40, is an executive Director, chief financial officer and Board secretary of our Company. He was re-designated as an executive Director on February 7, 2025. He is primarily responsible for managing financial affairs, investment and financing, Board-related matters, investor relations and corporate governance of our Group.

Mr. Xiang possesses over 15 years of experience in financial management and corporate governance. Mr. Xiang currently holds various positions within our Group, including: (i) the chief financial officer of Shandong Huge since August 2017; (ii) the board secretary of Shandong Huge since April 2020; (iii) the chairman of Rizhao Huge since March 2018; and (iv) a director of Huge Dental International (Singapore) Pte. Ltd. since September 2024. Prior to joining our Group, from March 2006 to April 2017, Mr. Xiang worked at Sailun Jinyu Group Co., Ltd. (賽輪金宇集團股份有限公司) (currently known as Sailun Group Co., Ltd. (賽輪集團股份有限公司)).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xiang received an associate degree in accounting from YanTai University (煙臺大學) in China in June 2006. Mr. Xiang then obtained a bachelor’s degree in finance from the School of Continuing Education of Renmin University of China (中國人民大學繼續教育學院) (distance learning) in January 2016 and a postgraduate diploma in corporate finance and investment management from the University of Hong Kong in February 2018. Mr. Xiang obtained the Accounting Professional Qualification (intermediate) (會計專業技術資格(中級)) in China in September 2024.

Independent Non-executive Directors

Mr. WANG Lin (王林), aged 65, was appointed as an independent non-executive Director on February 7, 2025 effective from the [REDACTED]. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Wang has been working at the Affiliated Stomatology Hospital of Nanjing Medical University (南京醫科大學附屬口腔醫院) since December 1982, and is currently serving as a second-class professor and chief physician.

Mr. Wang obtained a bachelor’s degree in stomatological medicine from Nanjing Medical College (南京醫學院) (currently known as Nanjing Medical University (南京醫科大學)) in China in December 1982, a master’s degree in orthodontics from West China Medical University (華西醫科大學) (currently known as West China Medical Center, Sichuan University (四川大學華西醫學中心)) in China in December 1988, and a doctoral degree in medicine (clinical medicine) from Peking University (北京大學) in China in January 2005.

Mr. WONG Fatt Heng (黃柏興), aged 68, was appointed as an independent non-executive Director on February 7, 2025 effective from the [REDACTED]. He is primarily responsible for providing independent advice and judgment to our Board.

Mr. Wong was once the general manager of Roche Diagnostics Shanghai Limited (羅氏診斷產品(上海)有限公司). Mr. Wong joined Dian Diagnostics Group Co., Ltd. (迪安診斷技術集團股份有限公司) (“**Dian Diagnostics**”) in June 2019, a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300244), and was serving as the director and general manager from September 2020 to November 2023. Mr. Wong founded Shanghai IVD Information Consulting Co., Ltd. (上海愛威迪信息諮詢公司) and has been working there since August 2023. Currently, Mr. Wong also serves as a non-executive director at Spiritus Mundi PLC.

During Mr. Wong’s term of office at Dian Diagnostics, the board of directors of Dian Diagnostics approved on November 18, 2022 to use no more than RMB100 million idle IPO proceeds to temporarily supplement its working capital within a 12-month period, but was not able to fully return the funds to the designated account (or announce the delay in return) until November 30, 2023, which constituted a violation of the relevant rules of the Shenzhen Stock Exchange. A regulatory letter was issued to the board of directors of Dian Diagnostics by the Shenzhen Stock Exchange on December 18, 2023 to remind the board of directors of Dian Diagnostics of its disclosure obligations under the relevant rules. As advised by our PRC Legal Advisors, a regulatory letter is self-supervisory measure implemented by the Shenzhen Stock Exchange and does not constitute administrative penalty.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Wong obtained a bachelor’s degree in applied science from Curtin University (formerly known as the Western Australia Institute of Technology) in Australia in February 1980. Mr. Wong was honored with “Chinese Government Friendship Award (中國政府友誼獎)” by State Council and “Honorary Citizenship” by Shanghai Municipal People’s Government in 2016.

Mr. YI Shanbing (易善兵), aged 48, was appointed as an independent non-executive Director on February 7, 2025 effective from the [REDACTED]. Mr. Yi has also served as an independent director of Shandong Huga from September 2021 to July 2024. He is primarily responsible for providing independent advice and judgment to our Board.

Since June 2011, Mr. Yi has been successively serving as the deputy general manager and chief financial officer of Anhui Zhongding Sealing Parts Co., Ltd. (安徽中鼎密封件股份有限公司), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: 000887), and he has also been serving as its director since June 2017.

Mr. Yi obtained a bachelor’s degree in accounting from Anhui University of Finance and Trade (安徽財貿學院) (currently known as Anhui University of Finance and Economics (安徽財經大學)) in China in December 2003 and obtained a master’s degree in business administration from the University of Science and Technology of China (中國科學技術大學) in China in June 2016. Mr. Yi obtained an executive master’s degree in business administration from Shanghai Jiao Tong University (上海交通大學) in China in June 2018. He is also a certified senior accountant in the PRC. In November 2024, Mr. Yi was honored with “People’s Learning Star” (百姓學習之星) by the Department of Education of Anhui Province.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The following table sets forth the key information about our senior management as of the Latest Practicable Date.

<u>Name</u>	<u>Age</u>	<u>Positions</u>	<u>Roles and Responsibilities</u>	<u>Date of first joining our Group</u>	<u>Date of appointment as a senior management</u>
Mr. SONG Xin (宋欣)	52	Chairman of the Board, executive Director and chief executive officer	Responsible for overseeing the overall management and business operation, formulating strategies and operation plans and making major decisions of our Group	Founder of our Group	Founder of our Group

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Positions	Roles and Responsibilities	Date of first joining our Group	Date of appointment as a senior management
Mr. LIU Qin (劉欽) . . .	51	Executive Director and general manager	Responsible for the strategic planning, daily business operations and the management of domestic sales and marketing of our Group	November 24, 2006	January 8, 2014
Ms. ZHANG Yongjing (張永靜) .	41	Executive Director and deputy general manager	Responsible for the management of production, quality control, R&D and product registration of our Group	July 29, 2008	July 29, 2008
Mr. XIANG Longsheng (相龍升) .	40	Executive Director, chief financial officer and Board secretary	Responsible for managing financial affairs, investment and financing, Board-related matters, investor relations and corporate governance of our Group	March 9, 2018	April 19, 2017
Mr. BEN Jianwei (賁建維) .	43	Deputy general manager	Responsible for the management of overseas sales and marketing of our Group	September 1, 2019	September 1, 2019

Mr. SONG Xin (宋欣), aged 52, is our chief executive officer. For his biography, see “— Board of Directors — Executive Directors.”

Mr. LIU Qin (劉欽), aged 51, is our general manager. For his biography, see “— Board of Directors — Executive Directors.”

Ms. ZHANG Yongjing (張永靜), aged 41, is our deputy general manager. For her biography, see “— Board of Directors — Executive Directors.”

DIRECTORS AND SENIOR MANAGEMENT

Mr. XIANG Longsheng (相龍升), aged 40, is our chief financial officer and Board secretary. For his biography, see “— Board of Directors — Executive Directors.”

Mr. BEN Jianwei (賁建維), aged 43, is our deputy general manager. He is primarily responsible for the management of overseas sales and marketing of our Group.

Mr. Ben joined our Group in September 2019 as a general manager of the international business division of Qingdao Huge. Prior to joining our Group, Mr. Ben worked at Qingdao Haier Medical Co., Ltd. (青島海爾醫療股份有限公司) from June 2013 to August 2019.

Mr. Ben obtained a bachelor’s degree in sociology from Heilongjiang University (黑龍江大學) in China in June 2004 and a master’s degree in business administration from Nankai University (南開大學) in China in December 2017.

OTHER INFORMATION IN RELATION TO OUR DIRECTORS AND SENIOR MANAGEMENT

As of the Latest Practicable Date, save as disclosed in “Appendix IV — Statutory and General Information — D. Further Information about Our Directors, Chief Executive and Substantial Shareholders — 1. Disclosure of Interest,” each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable inquiries, there are no material matters relating to their appointment as a Director that need to be brought to the attention of our Shareholders and there is no other information in relation to his or her appointment which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Save as disclosed above, none of our Directors and senior management held any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document.

Save as disclosed above, none of our Directors and senior management is related to other Directors, senior management or substantial shareholders of our Company.

JOINT COMPANY SECRETARIES

Mr. XIANG Longsheng (相龍升), aged 40, is our chief financial officer and Board secretary and was appointed as one of our joint company secretaries with effect from February 7, 2025. He is primarily responsible for managing financial affairs, investment and financing, Board-related matters, investor relations and corporate governance of our Group. For his biography, see “— Board of Directors — Executive Directors.”

Mr. NG Tung Ching Raphael (吳東澄) has been appointed as one of our joint company secretaries with effect from February 7, 2025.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng is the assistant vice president of Entity Solutions of Computershare Hong Kong Investor Services Limited. He is a seasoned professional with over 14 years of extensive experience in the legal and company secretarial domains, specializing in corporate governance and compliance.

Mr. Ng obtained his bachelor's degree in law from Manchester Metropolitan University, a master's degree in Chinese business law from The Chinese University of Hong Kong and a master's degree in professional accounting and corporate governance from The City University of Hong Kong. Mr. Ng is an associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom. He also possesses the practitioner's endorsement from HKCGI.

BOARD COMMITTEES

Our Company has established three committees under the Board pursuant the corporate governance practice requirements under the Listing Rules, including the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and paragraphs D.3.3 and D.3.7 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to (i) review and supervise our financial reporting process and internal control system, risk management and internal audit of our Group; (ii) provide advice and comments to our Board in respect of financial risk, risk management and internal control matters; and (iii) perform other duties and responsibilities as may be assigned by the Board.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. YI Shanbing, Mr. WANG Lin and Mr. WONG Fatt Heng. Mr. YI Shanbing is the chairperson of the Audit Committee. He holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and code provision E.1.2 of Part 2 of the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee include (i) making recommendations to our Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management; and (iii) reviewing and approving matters relating to share schemes of our Company.

DIRECTORS AND SENIOR MANAGEMENT

The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely, Mr. Song, Mr. YI Shanbing and Mr. WANG Lin. Mr. YI Shanbing is the chairperson of the Remuneration Committee.

Nomination Committee

We have established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules and code provision of B.3.1 of Part 2 of the Corporate Governance Code. The primary duties of the Nomination Committee include (i) reviewing the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (ii) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorship, and ensuring the diversity of our Board members; (iii) performing review on the contributions made by our Directors (including our independent non-executive Directors) and the sufficiency of time devoted to perform their duties; (iv) assessing the independence of our independent non-executive Directors; and (v) making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors.

The Nomination Committee comprises two executive Directors and three independent non-executive Directors, namely, Mr. Song, Ms. ZHANG Yongjing, Mr. WONG Fatt Heng, Mr. WANG Lin and Mr. YI Shanbing. Mr. Song is the chairperson of the Nomination Committee.

REMUNERATION OF OUR DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Our Directors and senior management receive remuneration, including basic annual payments and performance-related annual payments, including fees, salaries, bonuses, allowances and benefits in kind, equity-settled share-based payment expenses, and pension scheme contributions and social welfare.

The aggregate amount of remuneration for our Directors for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 was approximately RMB5.8 million, RMB6.5 million and RMB6.8 million, respectively.

The five highest paid employees for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 included two, two and three Directors, respectively. The aggregate amount of remuneration for the remaining three, three and two highest paid individuals of our Group, who is neither a director nor chief executive of our Company, for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 was approximately RMB2.5 million, RMB3.0 million and RMB2.0 million, respectively.

According to existing effective arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ended December 31, 2025 is expected to be approximately RMB6.6 million.

DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, (i) no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining our Group, (ii) no compensation was paid to, or receivable by, our Directors or past Directors or the five highest paid individuals for the loss of office as director of any member of our Group or any other office in connection with the management of the affairs of any member of our Group, and (iii) none of our Directors waived any emoluments.

Our Board will review and determine the remuneration and compensation package of our Directors and senior management and will, following the [REDACTED], receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed above and in Appendix I to this document, no other payments have been made or are payable in respect of the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024 by our Group to the Directors and senior management.

COMPLIANCE ADVISOR

We have appointed Zhongtai International Capital Limited as our Compliance Advisor pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; and
- (c) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [REDACTED] or [REDACTED] of its [REDACTED] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

Pursuant to Rule 3A.24 of the Listing Rules, the Compliance Advisor will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. The Compliance Advisor will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the applicable requirements under the Listing Rules and laws and regulations.

DIRECTORS AND SENIOR MANAGEMENT

The term of appointment of our Compliance Advisor shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

CORPORATE GOVERNANCE

We recognize the importance of incorporating elements of good corporate governance in our management structure and internal control procedures so as to achieve effective accountability. We have adopted the code provisions stated in the Corporate Governance Code. We are committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board that can effectively exercise independent judgment.

To accomplish the high standards of corporate governance, our Company expects to comply with the Corporate Governance Code and the associated Listing Rules after the [REDACTED] save for the deviation as mentioned below. Any deviation from the Corporate Governance Code shall be carefully considered, and the reasons for any deviation and explanation of how good corporate governance was achieved by means other than strict compliance with the code provisions shall be given in the interim report and the annual report in respect of relevant period.

Under paragraph C.2.1 of part 2 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Song is the chairman of our Board and chief executive officer of our Company. In view of the fact that Mr. Song is the founder of the Group and has been assuming the responsibilities in overseeing the overall management and business operations, formulating strategies and operation plans and making major decisions of our Group since our establishment, despite the fact that the roles of the chairman of our Board and chief executive officer of our Company are both performed by Mr. Song which constitutes a deviation from paragraph C.2.1 of part 2 of the Corporate Governance Code, our Board considers that vesting the roles of both the chairman of the Board and chief executive officer all in Mr. Song has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of our Company. In addition, as all major decisions will be made in consultation with members of our Board and the relevant Board Committees, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board and senior management from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of our Company.

Saved as disclosed above, as of the Latest Practicable Date and to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, our Directors were not aware of any deviation from provisions in the Corporate Governance Code.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board features a balanced mix of knowledge, skills, and experience. Our Directors possess diverse educational backgrounds and professional expertise in various fields, including pharmacy, business administration, engineering, accounting and finance, among others. We have three independent non-executive Directors who have different industry backgrounds. Furthermore, our Directors are of a wide range of age, from 40 to 68 years old. Taking into account our business model and specific needs as well as the presence of one female Director out of a total of seven Board members, we consider that the composition of our Board satisfies our board diversity policy.

We recognize the particular importance of gender diversity on our Board. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Our board diversity policy provides that our Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim of increasing the proportion of female members over time after [REDACTED]. In particular, taking into account the business needs of our Group and changing circumstances that may affect our business plans, we will actively identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals who possess qualities to become our Board members, which will be periodically reviewed by our Nomination Committee in order to develop a pipeline of potential successors to our Board and promote gender diversity. We will also ensure that there is gender diversity when recruiting staff at the mid to senior levels so that we have a pipeline of female senior management and potential successors to our Board going forward. We plan to offer well-rounded trainings to female employees whom we consider have the requisite experience, skills and knowledge of our operation and business, on topics including but not limited to business operation, management, accounting and finance, and legal compliance. We are of the view that such strategies will provide our Board with ample opportunities to identify capable female employees to be nominated as Directors in the future, fulfilling our aim to develop a pipeline of female candidates to achieve greater gender diversity in our Board in the long run. We believe that such a merit-based selection process with reference to our diversity policy and the nature of our business will be in the best interests of

DIRECTORS AND SENIOR MANAGEMENT

our Company and our Shareholders as a whole. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectations and international and local recommended best practices.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [REDACTED], our Nomination Committee will review our board diversity policy and its implementation annually to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

CONFIRMATIONS FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on February 7, 2025, and (ii) understands his or her obligations as a director of a [REDACTED] issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

Rule 8.10 of the Listing Rules

Each of our Directors (other than our Independent Non-executive Directors) confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as is known to our Directors, immediately after the Share Subdivision and the [REDACTED], assuming the [REDACTED] is not exercised, the following persons are expected to have an interest and/or short positions in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company:

Name	Nature of interest	Shares held as of the Latest Practicable Date		Shares held immediately after the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised)	
		Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company
Huge Star ⁽²⁾	Beneficial owner	21,127,843	52.56%	[REDACTED]	[REDACTED]%
Huge Vanguard ⁽²⁾	Interest in controlled corporation	21,127,843	52.56%	[REDACTED]	[REDACTED]%
Mr. Song ⁽²⁾	Interest in controlled corporation	21,127,843	52.56%	[REDACTED]	[REDACTED]%
HDMC Aurora LJQ Ltd. ⁽³⁾	Beneficial owner	5,552,315	13.81%	[REDACTED]	[REDACTED]%
HDMC Sunshine LJQ Ltd. ⁽³⁾	Interest in controlled corporation	5,552,315	13.81%	[REDACTED]	[REDACTED]%
Future LJQYHD ⁽⁴⁾	Beneficial owner	3,757,832	9.35%	[REDACTED]	[REDACTED]%
Ms. QIN Lijuan ⁽³⁾⁽⁴⁾	Interest in controlled corporations	9,310,147	23.16%	[REDACTED]	[REDACTED]%
Mr. WU Jianxin ⁽⁴⁾	Interest in controlled corporation	3,757,832	9.35%	[REDACTED]	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) Huge Star is wholly owned by Huge Vanguard, which is in turn wholly owned by Mr. Song. Therefore, under the SFO, each of Mr. Song and Huge Vanguard is deemed to be interested in the Shares held by Huge Star.

SUBSTANTIAL SHAREHOLDERS

- (3) HDMC Aurora LJQ Ltd. is wholly owned by HDMC Sunshine LJQ Ltd., which is in turn wholly owned by Ms. QIN Lijuan. Therefore, under the SFO, each of Ms. QIN Lijuan and HDMC Sunshine LJQ Ltd. is deemed to be interested in the Shares held by HDMC Aurora LJQ Ltd.
- (4) Future LJQYHD is held as to 37.26% by Ms. QIN Lijuan and 35.47% by Mr. WU Jianxin, respectively. Therefore, under the SFO, each of Ms. QIN Lijuan and Mr. WU Jianxin is deemed to be interested in the Shares held by Future LJQYHD.

Save as otherwise disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the Share Subdivision and the [REDACTED] (assuming that the [REDACTED] is not exercised), have any interests and/or short positions in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The authorized share capital of our Company is as follows:

Authorized Share Capital	Nominal value
	<i>(US\$)</i>
100,000,000 Shares	100.00

The following is a description of the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid as of the Latest Practicable Date and immediately after the Share Subdivision and the [REDACTED].

Assuming the [REDACTED] is not exercised, the issued share capital of our Company immediately following the completion of the Share Subdivision and the [REDACTED] will be as follows.

Issued share capital	Aggregate nominal value of Shares	Approximate percentage of issued share capital
	<i>(US\$)</i>	
160,800,000 Shares in issue	40.20	[REDACTED]%
[REDACTED] Shares to be issued under the [REDACTED]	[REDACTED]	[REDACTED]%
[REDACTED] Total	[REDACTED]	100.00%

SHARE CAPITAL

Assuming the [REDACTED] is exercised in full, the issued share capital of our Company immediately following the completion of the Share Subdivision and the [REDACTED] will be as follows:

Issued share capital	Aggregate nominal value of Shares	Approximate percentage of issued share capital
	(US\$)	
160,800,000 Shares in issue	40.20	[REDACTED]%
[REDACTED] Shares to be issued under the [REDACTED] (excluding Shares that may be issued pursuant to the exercise of the [REDACTED])	[REDACTED]	[REDACTED]%
[REDACTED] Shares to be issued pursuant to the exercise of the [REDACTED]	[REDACTED]	[REDACTED]%
[REDACTED] Total	[REDACTED]	100.00%

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issuance of Shares pursuant to the Share Subdivision and the [REDACTED] is made as described herein. The above tables do not take into account any Shares which may be allotted, issued or repurchased by the Company under the general mandates granted to our Directors as referred to below.

RANKING

The [REDACTED] are Shares in the share capital of our Company and rank *pari passu* with all Shares currently in issue or to be issued and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING ARE REQUIRED

Upon completion of the [REDACTED], our Company has only one class of Shares, namely the ordinary Shares, and each ranks *pari passu* with the other Shares.

Our Company may, by an ordinary resolution of its members, if so authorized by Memorandum of Association and Articles of Association, alter the conditions of its memorandum of association to (a) increase its authorized share capital; (b) consolidate and divide all or any of its share capital into shares of larger amount; (c) convert all or any of its paid-up shares into stock, and reconvert that stock into paid-up shares of any denomination; (d) subdivide its shares into smaller amount; and (e) cancel shares which have not been taken. Subject to the provisions of the Companies Act and to confirmation by the Cayman Islands Court, a company limited by shares may, if so authorized by its articles of association, by special resolution, reduce its share capital in any way. For details, see "Appendix III — Summary of the Constitution of the Company and the Cayman Islands Company Law" to this document.

GENERAL MANDATE TO ISSUE SHARES AND SELL OR TRANSFER TREASURY SHARES

Subject to the [REDACTED] becoming unconditional, our Directors [have been granted] a general mandate to allot, issue and deal with any Shares or securities convertible into Shares (including the sale or transfer of Treasury Shares) of not more than the sum of:

- (a) 20% of the total number of Shares in issue (excluding Treasury Shares) immediately following completion of the Share Subdivision and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]); and
- (b) the total number of Shares repurchased by our Company pursuant to the authority referred to in "— General Mandate to Repurchase Shares".

The price at which such Shares may be issued pursuant to such mandate shall be in compliance with the requirements of the Listing Rules.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; or

SHARE CAPITAL

- (c) the passing of an ordinary resolution by Shareholders in a general meeting revoking or varying the authority.

See “Appendix IV — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Shareholders of Our Company Passed on [●]” to this document for further details of the general mandate to issue Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors [have been granted] a general mandate to [REDACTED] our own Shares up to 10% of the total number of Shares in issue (excluding Treasury Shares) immediately following completion of the Share Subdivision and the [REDACTED].

This repurchase mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time (which include the maximum price at which the Shares may be repurchased pursuant to such general mandate).

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of Association; or
- (c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See “Appendix IV — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions of Shareholders of Our Company Passed on [●]” to this document for further details of the general mandate to repurchase Shares.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information, including the notes thereto, included in the Accountant’s Report set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors. We discuss factors that we believe could cause or contribute to these differences below and elsewhere in this document, including those set forth in “Risk Factors” and “Forward-Looking Statements” in this document.

OVERVIEW

We are one of the leading dental material companies among domestic players in China, offering a wide range of dental clinical products, dental laboratory products and dental digital products in various application scenarios across key specialty areas in dentistry.

We have made significant advancements in product development and market presence. Our elastomeric impression materials and synthetic resin teeth ranked first in terms of sales revenue in China in 2023, according to Frost & Sullivan. Our elastomeric impression materials also ranked first among domestic brands in global market in terms of sales revenue in 2023, according to Frost & Sullivan. We plan to further develop our removable denture and implant restoration products to expand our product portfolio by leveraging digital technologies. Globally, our products have been certified in over 60 countries and regions worldwide, including 26 FDA-approved products, 28 products with the CE Mark and 15 NMPA-approved products, reflecting our strong domestic and international presence and strategically positions us within the competitive dental medical devices market.

We experienced robust growth during the Track Record Period. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue amounted to RMB280.1 million, RMB357.6 million, RMB267.2 million and RMB303.7 million, respectively, and our gross profit amounted to RMB153.7 million, RMB203.7 million, RMB152.9 million and RMB179.9 million, respectively. Our net profit amounted to RMB64.0 million, RMB88.4 million, RMB72.9 million and RMB77.7 million, respectively.

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KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe that the most significant factors affecting our results of operations and financial condition include the following.

Growths of the Dental Medical Devices Market

Our financial performance and future growth are closely tied to the growth of the global and China dental medical devices markets. According to Frost & Sullivan, the global dental medical devices market grew from US\$37.8 billion in 2019 to US\$44.3 billion in 2023 at a CAGR of 4.0%, and is expected to reach US\$83.7 billion in 2030 at a CAGR of 9.5% from 2023 to 2030. In China, the dental medical devices market expanded from RMB43.4 billion in 2019 to RMB60.7 billion in 2023 at a CAGR of 8.8%, and is expected to surge to RMB166.7 billion in 2030 at a CAGR of 15.5% from 2023 to 2030. The dental clinical materials subsegment, to which a substantial part of our operations belong, demonstrated similar growth momentum. The global dental clinical materials market surged from US\$19.1 billion in 2019 to US\$21.3 billion in 2023 at a CAGR of 2.7%, and is forecasted to reach US\$43.1 billion in 2030 at a CAGR of 10.6% from 2023 to 2030. The China dental clinical materials market grew from RMB15.5 billion in 2019 to RMB23.0 billion in 2023 at a CAGR of 10.3%, and is expected to reach RMB62.2 billion in 2030 at a CAGR of 15.3% from 2023 to 2030.

The significant growth of these markets have been, and is expected to continue to be, driven by favorable industry trends, such as growing awareness of dental care, domestic substitution and increasing applications of new technologies. For details of such industry trends, see “Industry Overview.” We view ourselves as well positioned to capitalize on these favorable trends, as we continue to strengthen the market-leading position of our major products, introduce new products of significant quality and value that cater to the needs of dental professionals and patients, setting solid foothold in overseas markets, as well as embrace digital technologies to further upgrade our product portfolio and improve operational efficiencies.

We are the largest manufacturer of dental impression taking materials and among the largest domestic manufacturers of dental clinical materials in China in terms of sales revenue in 2023. As our products have been certified in over 60 countries and regions, we believe that the favorable industry trends will further propel the sales of our products and continued growth of our business alongside the surging dental medical devices market in China and beyond.

Product Mix

We have a diverse product mix of products in three categories (i) dental clinical products, (ii) dental laboratory products, and (iii) dental digital products. The breadth and depth of our product mix enable us to offer our customers a variety of options to meet their various needs. During the Track Record Period, we generated revenue substantially from the sales of our dental clinical products and dental laboratory products.

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Our dental clinical products include a wide range of products such as impression taking materials, glass ionomer materials, and resin adhesive materials. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue generated from the sales of dental clinical products was RMB148.9 million, RMB194.6 million, RMB143.7 million and RMB172.8 million, respectively, accounting for 53.2%, 54.4%, 53.8% and 56.9% of the total revenue for the same years/periods, respectively.

Our dental laboratory products include removable denture restoration materials and fixed denture restoration materials. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue generated from the sales of dental laboratory products was RMB122.6 million, RMB152.6 million, RMB116.0 million and RMB123.0 million, respectively, accounting for 43.8%, 42.7%, 43.4% and 40.5% of the total revenue for the same years/periods, respectively.

We have also expanded our portfolio to include dental digital products. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our revenue generated from the sales of dental digital products was RMB0.4 million, RMB2.8 million, RMB1.9 million and RMB2.5 million, respectively, accounting for 0.1%, 0.8%, 0.7% and 0.8% of the total revenue for the same years/periods, respectively.

For details regarding gross profit margin of each product category, see “— Description of Certain Combined Statements of Profit or Loss Items — Gross Profit and Gross Profit Margin.” Our product mix may gradually change in the future as we launch new products with different pricing and margin profiles. For instance, we are exploring application of digital technologies to products used in implantology and orthodontics, and we also intend to further explore new 3D printing technologies and materials designed to replace traditional resin teeth, as well as develop related medical equipment, including intraoral scanners and other innovative tools. With different pricing and profit margin files across our evolving product portfolio due to different nature and applications, our future overall financial performance and profitability may continue being affected by the sales performance of different products, our product rollout, their respective market penetration, among other factors that are relevant to our product mix. The improvement and diversification of our product mix has resulted in more balanced growth of our business and revenue, as well as reduced the risk of our dependence on any individual product type.

Our Sales Channels

We engage distributors in selling our dental material products in China and overseas. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, approximately 76.1%, 76.7%, 77.0% and 78.3% of our revenue was generated from sales to our distributors. Our business performance is dependent on the strength and effectiveness of our distributor network, as we primarily rely on distributors to drive sales. A well-established and efficiently managed distributor network is critical to broadening market reach, enhancing penetration, and supporting sustainable growth. It is therefore critical for us to effectively manage our distributor and ensure the market coverage and sales performance. For additional information on our distributorship model, see “Business — Sales and Marketing — Distributor Sales.”

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While we are rooted in China, we have been gradually expanding to overseas markets. We generated revenue of RMB85.0 million, RMB109.3 million, RMB81.5 million and RMB95.5 million from overseas sales, which accounted for approximately 30.4%, 30.6%, 30.5% and 31.4% of our total revenue in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. During the Track Record Period, our overseas sales were primarily made to Europe, North America and other Asian countries. Going forward, we plan to expand our sales and increase our brand recognition in global markets, accelerate product registrations under our brand in more countries and regions, such as Southeast Asia. We believe that our efforts in expanding our international presence will enable us to increase sales and further enhance our results of operations.

Our Cost Structure

Our results of operations have been and will continue to be affected by our ability to control our cost of sales and operating expenses.

In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our cost of sales was RMB126.3 million, RMB153.9 million, RMB114.3 million and RMB123.9 million, respectively, representing 45.1%, 43.0%, 42.8% and 40.8% of our total revenue for the same years/periods, respectively. Our cost of sales primarily consisted of raw materials used for our own production and staff costs of our manufacturing and production personnel. It increased during the Track Record Period in line with the growth of our revenue and business.

In addition, our selling and distribution expenses represented a significant percentage of our total revenue. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our selling and distribution expenses were RMB50.1 million, RMB67.8 million, RMB50.0 million and RMB51.7 million, respectively, representing 17.9%, 19.0%, 18.7% and 17.0% of our total revenue for the same years/periods, respectively. The increase of our selling and distribution expenses from 2022 to 2023 was primarily attributable to the increase in staff costs, advertising and promotion expenses and traveling expenses, as a result of our business recovery and expansion in 2023.

Our administrative expenses also constituted a significant component of our cost and expense structure. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our administrative expenses amounted to RMB27.9 million, RMB29.9 million, RMB20.2 million and RMB25.7 million, respectively. The increase of our administrative expenses from the nine months ended September 30, 2023 to the nine months ended September 30, 2024 was primarily due to the increase in staff costs and share-based compensation, as well as the increase in professional service fees which was mainly attributable to the engagement of professional service providers for this [REDACTED] and legal services for the Reorganization activities.

In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our research and development expenses were RMB19.5 million, RMB23.8 million, RMB15.7 million and RMB21.1 million, respectively. The continuous increase of our research and development expenses was primarily because we recruited more talent to support our R&D activities.

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We expect our cost structure to evolve as our business expands, as we develop and launch new offerings in the future, as we adjust sales and R&D strategies based on market and regulatory dynamics, among other things. Moreover, we anticipate increasing legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company in Hong Kong.

BASIS OF PRESENTATION AND PREPARATION

Our historical financial information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by us in the preparation of our historical financial information throughout the Track Record Period. See note 2.2 to the Accountants’ Report set out in Appendix I to this document for details. Our historical financial information has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

MATERIAL AND SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of our combined financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our significant accounting policies, judgments and estimates are set forth in detail in note 2.4 and note 3 to the Accountants’ Report set out in Appendix I to this document. Set out below are the significant accounting policies which we believe are most important for an understanding of our financial condition and results of operations.

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Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is 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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of dental material products

We are principally involved in the manufacture and sale of dental material products in mainland China and other countries/jurisdictions.

Revenue from sales of products is recognized when we have delivered products to the location specified in the sales contract and the customer has confirmed the acceptance of the products.

Revenue from overseas sales of products is recognized when the products have been loaded on board and shipped out of the port or delivered products at the place agreed with the customer and confirmed acceptance in accordance with the sales contract.

Some contracts for the sale of dental material products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which we will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

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(b) Provision of invisible orthodontics aligner treatment solutions

Our invisible orthodontics aligner treatment solutions typically comprise deliverables including treatment design service and clear aligners products which are transferred to public hospitals and private dental clinics, our customers, in batches. The above deliverables as a whole in each solution service contract represent one performance obligation to our customers. Since our invisible orthodontics aligner treatment solutions do not create an asset with an alternative use for us and we have an enforceable right to payment for performance completed to date, revenue in respect of aligner treatment solutions is recognized over time during the period of the contract using an input method to measure progress towards complete satisfaction of the service. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the provision of aligner treatment solutions.

In addition to direct sales, our aligner treatment solutions are also distributed to public hospitals and private dental clinics through third-party distributors. These distributors possess the requisite business licenses and permits to sell medical devices and have established relationships with public hospitals and private dental clinics within their regions, and therefore, they are treated as the vendors of public hospitals and private dental clinics. We recognize our revenue from rendering clear aligner treatment solutions based on the wholesale prices as agreed with distributors using the input method.

Revenue from Other Sources

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.17% to 9.50%
Leasehold improvements	20.00%
Plant and machinery	6.33% to 33.33%
Tools, furniture and fixtures.	9.5% to 33.33%
Motor vehicles.	19.00% to 23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investments and Other Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue Recognition.”

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In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Our business model for managing financial assets refers to how we manage our financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, that is, the date that we commit to purchase or sell the asset.

Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments): Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss. This category includes derivative instruments.

Impairment of Financial Assets

We recognize an allowance for expected credit losses (“ECLs”) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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General Approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. We consider that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

We consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs;

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs;

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

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Simplified Approach

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. To measure the expected credit losses, trade receivables have been assessed on individual basis for debtors in severe financial difficulty, or collectively basis by using a provision matrix, estimated is based on the financial quality of debtors and historical credit loss experience, adjusted as appropriate to reflect current and forward-looking factors specific to the debtors and economic environment.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the moving weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF PROFIT OR LOSS ITEMS

The following table sets forth a summary of our combined statements of profit or loss and other comprehensive income/(loss) for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000 (except for percentages)</i>			
			<i>(Unaudited)</i>	
			<i>(Unaudited)</i>	
Revenue	280,072	100.0%	357,613	100.0%
Cost of sales	(126,336)	(45.1)%	(153,917)	(43.0)%
Gross profit.	153,736	54.9%	203,696	57.0%
Other income and gains	10,898	3.9%	22,309	6.2%
Selling and distribution expenses	(50,130)	(17.9)%	(67,786)	(19.0)%
Administrative expenses	(27,922)	(10.0)%	(29,904)	(8.4)%
Research and development expenses	(19,547)	(7.0)%	(23,823)	(6.7)%
impairment losses on financial assets, net	(163)	(0.1)%	(411)	(0.1)%
Other expenses	(416)	(0.1)%	(406)	(0.1)%
Finance costs	(517)	(0.2)%	(1,468)	(0.4)%
Exchange gains/(losses)	10,859	3.9%	3,598	1.0%
	<u>267,247</u>		<u>303,744</u>	

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	For the year ended December 31,				For the nine months ended September 30,			
	2022		2023		2023		2024	
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
PROFIT BEFORE TAX	76,798	27.4%	105,805	29.6%	86,855	32.5%	91,832	30.2%
Income tax expense	(12,765)	(4.6)%	(17,451)	(4.9)%	(13,945)	(5.2)%	(14,124)	(4.6)%
PROFIT FOR THE YEAR/PERIOD	64,033	22.9%	88,354	24.7%	72,910	27.3%	77,708	25.6%
Attributable to:								
Owners of the parent	69,296	24.7%	92,436	25.8%	76,003	28.4%	79,283	26.1%
Non-controlling interests	(5,263)	(1.9)%	(4,082)	(1.1)%	(3,093)	(1.2)%	(1,575)	(0.5)%
OTHER COMPREHENSIVE INCOME								
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:								
Exchange differences on translation of foreign operations	1,254	0.4%	33	0.0%	320	0.1%	(719)	(0.2)%
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	1,254	0.4%	33	0.0%	320	0.1%	(719)	(0.2)%
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	1,254	0.4%	33	0.0%	320	0.1%	(719)	(0.2)%
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	65,287	23.3%	88,387	24.7%	73,230	27.4%	76,989	25.3%
Attributable to:								
Owners of the parent	70,550	25.2%	92,469	25.9%	76,323	28.6%	78,564	25.9%
Non-controlling interests	(5,263)	(1.9)%	(4,082)	(1.1)%	(3,093)	(1.2)%	(1,575)	(0.5)%

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Non-IFRS Measure

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profits (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with IFRS. Non-IFRS adjusted net profit for the year/period was calculated by taking profit for the year/period and adding back (i) the [REDACTED] expenses in relation to the [REDACTED]; and (ii) share-based payment expenses paid to our employees. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company. We believe that these measures provide useful information to [REDACTED] and others in understanding and evaluating our results of operations in the same manner as they help our management. However, our presentation of adjusted net profit (non-IFRS measure) 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 them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. The following table sets forth a reconciliation of our adjusted net profits (non-IFRS measure) to the nearest measure prepared in accordance with IFRS for the years/periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i> <i>(Unaudited)</i>			
Profit for the year/period	64,033	88,354	72,910	77,708
<i>Add:</i>				
[REDACTED] expenses in connection with [REDACTED]	–	–	–	390
Share-based payment expenses	2,237	1,610	1,432	2,432
Non-IFRS adjusted net profit	66,270	89,964	74,342	80,530

Revenue

Revenue by Product Category

During the Track Record Period, we primarily generated revenue from sales of dental material products, including dental clinical products, dental laboratory products and dental digital products. To a lesser extent, we also generated revenue from other miscellaneous sources, mainly including sales of certain dental products procured from others and certain dental accessory supplies, freight income from CNF transactions, and rental income from certain of our properties. The following table sets forth the breakdown of our revenue by product category in absolute amounts and as percentages of our revenue for the periods indicated.

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	For the year ended December 31,				For the nine months ended September 30,			
	2022	2023		2023		2024		
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Dental clinical products	148,930	53.2%	194,642	54.4%	143,664	53.8%	172,837	56.9%
Dental laboratory products. . .	122,630	43.8%	152,552	42.7%	116,013	43.4%	122,979	40.5%
Dental digital products ⁽¹⁾ . . .	398	0.1%	2,760	0.8%	1,913	0.7%	2,485	0.8%
Others.	8,114	2.9%	7,659	2.1%	5,657	2.1%	5,443	1.8%
Total	<u>280,072</u>	<u>100.0%</u>	<u>357,613</u>	<u>100.0%</u>	<u>267,247</u>	<u>100.0%</u>	<u>303,744</u>	<u>100.0%</u>

Note:

- (1) Revenue from dental digital products during the Track Record Period was primarily generated through the sales of supplier-provided intraoral scanners branded under our name.

Dental Clinical Products

A significant portion of our revenue during the Track Record Period were from sales of our dental clinical products, consisting of impression taking materials, glass ionomer materials, resin adhesive materials, orthodontics products and solutions, and other dental clinical products. We generated revenue from sales of dental clinical products of RMB148.9 million, RMB194.6 million, RMB143.7 million and RMB172.8 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 53.2%, 54.4%, 53.8% and 56.9% of our total revenue for the same years/periods, respectively. Impression taking materials were the largest contributor to our revenue from sales of dental clinical products, representing 40.5%, 41.4%, 40.9% and 44.9% of our total revenue in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively. The following table sets forth the breakdown of our revenue from sales of dental clinical products by product type in absolute amount and as percentages of our revenue for the periods indicated.

	For the year ended December 31,				For the nine months ended September 30,			
	2022	2023		2023		2024		
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Impression taking materials ⁽¹⁾ .	113,244	40.5%	148,485	41.4%	108,922	40.9%	136,478	44.9%
Orthodontics ⁽²⁾	24,562	8.8%	27,746	7.8%	21,493	8.0%	20,848	6.9%
Glass ionomer materials ⁽³⁾ . . .	8,446	3.0%	12,613	3.5%	9,165	3.4%	10,741	3.5%
Resin adhesive materials ⁽⁴⁾ . .	2,324	0.8%	4,507	1.3%	3,044	1.1%	3,986	1.3%
Other dental clinical products ⁽⁵⁾	354	0.1%	1,291	0.4%	1,040	0.4%	784	0.3%
Total	<u>148,930</u>	<u>53.2%</u>	<u>194,642</u>	<u>54.4%</u>	<u>143,664</u>	<u>53.8%</u>	<u>172,837</u>	<u>56.9%</u>

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Notes:

- (1) Impression taking materials include our elastomeric impression material and other materials specialized for dental impression taking.
- (2) Orthodontics includes invisible orthodontics aligners offered as comprehensive full-cycle treatment packages (with aligner treatment solutions) or as individual units available for purchase in smaller quantities.
- (3) Glass ionomer materials include our glass ionomer cement and resin-modified glass ionomer cement.
- (4) Resin adhesive materials include our light cure dental adhesive and bonding resin cement (dual cure), as well as certain pretreatment materials for adhesion.
- (5) Other dental clinical products include our restorative resin materials, and materials for pediatric dental prevention.

Dental Laboratory Products

Our dental laboratory products were the second-largest revenue contributor during the Track Record Period. We generated revenue from sales of dental laboratory products of RMB122.6 million, RMB152.6 million, RMB116.0 million and RMB123.0 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 43.8%, 42.7%, 43.4% and 40.5% of our total revenue for the same years/periods, respectively. Our revenue from sales of dental laboratory products was derived from sales of dental materials for removable denture restoration, which amounted to RMB114.1 million, RMB140.2 million, RMB106.8 million and RMB112.6 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 40.7%, 39.2%, 39.9% and 37.1% of our total revenue for the same years/periods, respectively. The following table sets forth the breakdown of our revenue from sales of dental laboratory products by product type in absolute amount and as percentages of our revenue for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000 (except for percentages)</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Removable denture restoration				
materials	114,074	40.7%	140,225	39.2%
			106,763	39.9%
Fixed denture restoration				
materials	8,556	3.1%	12,327	3.5%
			9,250	3.5%
Total	<u>122,630</u>	<u>43.8%</u>	<u>152,552</u>	<u>42.7%</u>
			<u>116,013</u>	<u>43.4%</u>
			<u>122,979</u>	<u>40.5%</u>

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Dental Digital Products

Dental digital products generated revenue primarily from sales of intraoral scanners, amounting to RMB398 thousand, RMB2.8 million, RMB1.9 million and RMB2.5 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 0.1%, 0.8%, 0.7% and 0.8% of our total revenue for the same years/periods, respectively.

Others

We also generated revenue from other miscellaneous sources, mainly including sales of certain dental products procured from others and certain dental accessory supplies, freight income from CNF transactions, and rental income from certain of our properties, of RMB8.1 million, RMB7.7 million, RMB5.7 million and RMB5.4 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively, representing 2.9%, 2.1%, 2.1% and 1.8% of our total revenue for the same years/periods, respectively.

Revenue by Geographic Region

The following table sets forth the breakdown of our revenue by geographic region in absolute amounts and as percentages of our revenue for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023		2024			
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
China	195,068	69.6%	248,347	69.4%	185,699	69.5%	208,278	68.6%
Europe	30,252	10.8%	36,683	10.3%	27,494	10.3%	37,495	12.3%
North America	31,034	11.1%	36,514	10.2%	27,543	10.3%	29,420	9.7%
Other Asian countries/regions ⁽¹⁾ . .	13,514	4.8%	19,645	5.5%	14,216	5.3%	18,860	6.2%
Southeast Asia	7,259	2.6%	8,763	2.5%	6,692	2.5%	7,848	2.6%
Other countries/regions	2,945	1.1%	7,661	2.1%	5,603	2.1%	1,843	0.6%
Total	280,072	100.0%	357,613	100.0%	267,247	100.0%	303,744	100.0%

Note:

(1) Other Asia countries/regions include Asian countries or regions other than China and Southeast Asia such as Japan and Korea.

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Cost of Sales

During the Track Record Period, our cost of sales mainly consisted of (i) raw materials used for our own production; (ii) staff costs mainly representing salaries, bonuses, and other benefits and welfare of our manufacturing and production personnel; (iii) transportation costs in relation to the sales of our products and solutions to our customers; (iv) depreciation and amortization expenses mainly for our production facilities; and (v) others including product procurement costs, tax and surcharges and utility costs, among others. The following table sets forth the breakdown of our cost of revenue by nature in absolute amounts and as percentages of our total cost of sales for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,		For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2023	2023	2024	2023	2024
	<i>RMB'000 (except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Raw materials	78,824	62.4%	99,696	64.8%	73,497	64.3%	81,070	65.5%
Staff costs	26,800	21.2%	29,643	19.3%	22,646	19.8%	23,930	19.3%
Transportation costs	9,403	7.4%	9,661	6.3%	7,061	6.2%	8,095	6.5%
Depreciation and amortization	4,055	3.2%	5,607	3.6%	3,562	3.1%	4,488	3.6%
Others	7,254	5.8%	9,310	6.0%	7,544	6.6%	6,268	5.1%
Total	<u>126,336</u>	<u>100.0%</u>	<u>153,917</u>	<u>100.0%</u>	<u>114,310</u>	<u>100.0%</u>	<u>123,851</u>	<u>100.0%</u>

Gross Profit and Gross Profit Margin

In 2022 and 2023 and the nine months ended September 30, 2023 and 2024, our gross profit was RMB153.7 million, RMB203.7 million, RMB152.9 million and RMB179.9 million, respectively, representing a gross profit margin of 54.9%, 57.0%, 57.2% and 59.2%, respectively. The following table sets forth the breakdown of our gross profit and gross profit margin by product category for the periods indicated.

	For the year ended December 31,		For the year ended December 31,		For the nine months ended September 30,		For the nine months ended September 30,	
	2022	2023	2023	2023	2023	2024	2023	2024
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	<i>RMB'000 (except for percentages)</i>				<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Dental clinical products	74,788	50.2%	104,088	53.5%	76,055	52.9%	100,115	57.9%
Dental laboratory products	77,239	63.0%	96,894	63.5%	74,889	64.6%	78,442	63.8%
Dental digital products	112	28.1%	1,020	37.0%	585	30.6%	664	26.7%
Others	1,597	19.7%	1,694	22.1%	1,408	24.9%	672	12.3%
Total	<u>153,736</u>	<u>54.9%</u>	<u>203,696</u>	<u>57.0%</u>	<u>152,937</u>	<u>57.2%</u>	<u>179,893</u>	<u>59.2%</u>

FINANCIAL INFORMATION

Other Income and Gains

During the Track Record Period, our other income and gains primarily consisted of (i) government grants, primarily relating to subsidies received from the local governments for expenses arising from research and development activities and technological innovation projects, most of which were one-off in nature; (ii) bank interest income; (iii) gains on financial assets at fair value through profit or loss (“FVTPL”); (iv) fair value gains on derivative financial instruments; and (v) gain on disposal of a subsidiary. The following table sets forth the breakdown of our other income and gains for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Other income</i>				
Government grants	6,752	8,644	3,758	3,915
Bank Interest income	2,992	11,113	8,781	11,499
<i>Subtotal</i>	9,744	19,757	12,539	15,414
<i>Other gains</i>				
Gains on financial assets at FVTPL	57	–	–	693
Fair value gains on derivative financial instruments	852	1,269	2,478	326
Gain on disposal of a subsidiary	–	1,267	–	–
Others	245	16	14	62
<i>Subtotal</i>	1,154	2,552	2,492	1,081
Total	10,898	22,309	15,031	16,495

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Selling and Distribution Expenses

During the Track Record Period, our selling and distribution expenses primarily consisted of (i) staff costs, mainly representing salaries, bonuses, and other benefits and welfare of our sales and marketing personnel; (ii) advertising and promotion expenses; (iii) traveling expenses of our in-house sales and marketing personnel in relation to our sales and marketing activities; (iv) consulting service fees associated with our sales and marketing activities; (v) conference and meeting expenses relating to our sales and marketing activities; and (vi) other miscellaneous expenses, such as business development expenses, depreciation and amortization and package costs. The following table sets forth the breakdown of our selling and distribution expenses in absolute amounts and as percentages of our total selling and distribution expenses for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,					
	2022	2023	2023		2024			
	<i>RMB'000 (except for percentages)</i>		<i>(Unaudited)</i>		<i>(Unaudited)</i>			
Staff costs	39,723	79.2%	47,155	69.6%	35,869	71.8%	35,807	69.2%
Advertising and promotion expenses	3,197	6.4%	7,920	11.7%	5,441	10.9%	5,708	11.0%
Traveling expenses	2,230	4.4%	5,908	8.7%	4,296	8.6%	3,923	7.6%
Consulting service fees	1,117	2.2%	1,714	2.5%	1,129	2.3%	1,922	3.7%
Conference and meeting expenses	136	0.3%	821	1.2%	297	0.6%	926	1.8%
Others	<u>3,727</u>	<u>7.4%</u>	<u>4,268</u>	<u>6.3%</u>	<u>2,925</u>	<u>5.8%</u>	<u>3,422</u>	<u>6.6%</u>
Total	<u>50,130</u>	<u>100.0%</u>	<u>67,786</u>	<u>100.0%</u>	<u>49,957</u>	<u>100.0%</u>	<u>51,708</u>	<u>100.0%</u>

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Administrative Expenses

During the Track Record Period, our administrative expenses primarily consisted of (i) staff costs, mainly representing salaries, bonuses, and other benefits and welfare of our administrative personnel (excluding share-based compensation); (ii) depreciation and amortization relating to property and equipment for office and other administrative functions; (iii) professional services fees to auditors, legal counsels and other professional service providers; (iv) share-based payment expenses for our administrative personnel; (v) office expenses for administrative purposes; (vi) tax and surcharges; (vii) traveling expenses; (viii) business development expenses; (ix) inventory losses; and (x) other miscellaneous expenses, including bank charges and ESG-related expenses, among others. The following table sets forth the breakdown of our administrative expenses in absolute amounts and as percentages of our total administrative expenses for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,		2023		2024	
	2022	2023	2023	2024	2023	2024	2023	2024
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Staff costs	11,859	42.5%	13,515	45.2%	9,591	47.4%	12,324	48.0%
Depreciation and amortization	4,070	14.6%	3,801	12.7%	3,107	15.4%	2,838	11.0%
Professional service fees	3,161	11.3%	2,413	8.1%	909	4.5%	1,953	7.6%
Share-based payment expenses	2,237	8.0%	1,610	5.4%	1,432	7.1%	2,432	9.5%
Office expenses	2,512	9.0%	3,296	11.0%	2,170	10.7%	2,080	8.1%
Tax and surcharges	1,086	3.9%	1,237	4.1%	963	4.8%	928	3.6%
Traveling expenses	572	2.0%	848	2.8%	593	2.9%	713	2.8%
Business development expenses	513	1.8%	547	1.8%	403	2.0%	735	2.9%
Inventory losses	488	1.7%	537	1.8%	157	0.8%	264	1.0%
Others	1,424	5.1%	2,100	7.0%	891	4.4%	1,427	5.5%
Total	<u>27,922</u>	<u>100.0%</u>	<u>29,904</u>	<u>100.0%</u>	<u>20,216</u>	<u>100.0%</u>	<u>25,694</u>	<u>100.0%</u>

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Research and Development Expenses

During the Track Record Period, our research and development expenses primarily consisted of (i) staff costs mainly representing salaries, bonuses, and other benefits and welfare of our R&D personnel; (ii) consulting service fees associated with our R&D activities; (iii) depreciation and amortization mainly associated with our R&D facilities and intangible assets; (iv) registration fees for the purpose of our product registration; (v) testing fees; (vi) costs of raw materials and consumables used for our R&D activities; (vii) office expenses used for our R&D purposes; and (viii) other miscellaneous expenses, such as business development expenses, traveling expenses and other fees related to our R&D activities. The following table sets forth the breakdown of our research and development expenses in absolute amounts and as percentages of our total research and development expenses for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,		2023		2024	
	2022	2023	2023	2024	2023	2024	2023	2024
	<i>RMB'000 (except for percentages)</i>							
					<i>(Unaudited)</i>		<i>(Unaudited)</i>	
Staff costs	11,691	59.8%	15,097	63.4%	10,218	65.2%	15,489	73.4%
Consulting service fees	1,160	5.9%	1,160	4.9%	545	3.5%	20	0.1%
Depreciation and amortization.	1,418	7.3%	1,858	7.8%	1,482	9.5%	1,247	5.9%
Registration fees	1,706	8.7%	2,515	10.6%	1,792	11.4%	1,265	6.0%
Testing fees.	1,437	7.4%	183	0.8%	118	0.8%	416	2.0%
Costs of raw materials and consumables	855	4.4%	1,404	5.9%	639	4.1%	881	4.2%
Office expenses	427	2.2%	614	2.6%	342	2.2%	734	3.5%
Others.	853	4.3%	992	4.0%	540	3.3%	1,048	4.9%
Total	<u>19,547</u>	<u>100.0%</u>	<u>23,823</u>	<u>100.0%</u>	<u>15,676</u>	<u>100.0%</u>	<u>21,100</u>	<u>100.0%</u>

Impairment Losses on Financial Assets, Net

During the Track Record Period, we incurred net impairment losses on financial assets, primarily representing the expected credit losses on our trade receivables and other receivables. Our net impairment losses on financial assets were RMB0.2 million, RMB0.4 million, RMB0.7 million and RMB0.4 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Other Expenses

During the Track Record Period, our other expenses primarily consisted of (i) losses from fair value changes, (ii) losses on disposal of items of property, plant and equipment, (iii) donations we made to promote the development of medical and healthcare services, (iv) damages and late fees, and (v) others. We recorded other expenses of RMB0.4 million, RMB0.4 million, RMB81 thousand and RMB2.5 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

FINANCIAL INFORMATION

Finance Costs

During the Track Record Period, our finance costs primarily consisted of (i) interest on bank borrowings and (ii) interest on lease liabilities. In 2022, 2023 and the nine months ended September 30, 2023 and 2024, our finance costs amounted to RMB0.5 million, RMB1.5 million, RMB1.3 million and RMB1.4 million, respectively.

Exchange Gains (Losses)

We recorded foreign exchanges gains of RMB10.9 million, RMB3.6 million and RMB6.8 million in 2022, 2023 and the nine months ended September 30, 2023, and exchange losses of RMB1.6 million for the nine months ended September 30, 2024, respectively.

Income Tax Expense

During the Track Record Period, we incurred income tax expenses mainly consisting of current income tax. Our income tax expenses amounted to RMB12.8 million, RMB17.5 million, RMB13.9 million and RMB14.1 million in 2022, 2023 and the nine months ended September 30, 2023 and 2024, respectively.

Our principal applicable taxes and tax rates are set out below.

Cayman Islands

Under the current laws of the Cayman Islands, our Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by our Company to our shareholders, no withholding tax is imposed on our Company in the Cayman Islands.

PRC

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the EIT Law, the EIT rate for our subsidiaries is 25% unless they are subject to preferential tax as set out below.

Shandong Huge Dental Material Co., Ltd., was qualified as High and New Technology Enterprise in 2011 and the qualification was renewed in 2014, 2017, 2020 and 2023. Qingdao Da Vinci Technology Co., Ltd. was qualified as HNTE in 2019 and renewed in 2022. They were therefore entitled to a preferential income tax rate of 15% during the Track Record Period. Such qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Certain of our subsidiaries have applied for the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC’s State Administration of Taxation (“SAT”). Pursuant to the policy announced by the SAT, for the period from January 1, 2022 to December 31, 2024, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporation which exceeds RMB1.0 million but does not exceed RMB3.0 million shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

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Hong Kong

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Track Record Period, except for one of our subsidiaries which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2.0 million of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

During the Track Record Period and as of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

Profit for the Year/Period

As a result of the foregoing, we recorded net profit of RMB64.0 million, RMB88.4 million, RMB72.9 million and RMB77.7 million for the years ended December 31, 2022 and 2023 and the nine months ended September 30, 2023 and 2024, respectively.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Revenue

Our revenue increased by 13.7% from RMB267.2 million for the nine months ended September 30, 2023 to RMB303.7 million for the nine months ended September 30, 2024, primarily attributable to the increase in sales volume of our dental clinical products in the nine months ended September 30, 2024.

- *Dental clinical products.* Our revenue generated from sales of dental clinical products increased by 20.3% from RMB143.7 million for the nine months ended September 30, 2023 to RMB172.8 million for the nine months ended September 30, 2024, primarily attributable to an increase of RMB27.6 million in sales of impression taking materials, which was attributable to the increased sales volume in China. The increased volume was driven by our successful distribution network expansion and growing customer base, underpinned by our competitive product quality.
- *Dental laboratory products.* Our revenue generated from sales of dental laboratory products increased by 6.0% from RMB116.0 million for the nine months ended September 30, 2023 to RMB123.0 million for the nine months ended September 30, 2024, primarily attributable to an increased sales in Europe driven by our expanded portfolio of CE-certified products, which has strengthened adoption among local customers.

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- *Dental digital products.* Our revenue generated from sales of dental digital products increased by 29.9% from RMB1.9 million for the nine months ended September 30, 2023 to RMB2.5 million for the nine months ended September 30, 2024, driven by our enhanced marketing efforts.
- *Others.* Our revenue from other sources remained relatively stable at RMB5.7 million for the nine months ended September 30, 2023 and RMB5.4 million for the nine months ended September 30, 2024, respectively.

Cost of Sales

Our cost of sales increased by 8.3% from RMB114.3 million for the nine months ended September 30, 2023 to RMB123.9 million for the nine months ended September 30, 2024, primarily attributable to an increase of RMB7.6 million in raw materials for our sold products, which was generally in line with the increase of the sales revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 17.6% from RMB152.9 million for the nine months ended September 30, 2023 to RMB179.9 million for the nine months ended September 30, 2024, primarily reflecting an increase of RMB24.1 million in gross profit from sales of dental clinical products. Our overall gross profit margin remained relatively stable at 57.2% for the nine months ended September 30, 2023 and 59.2% for the nine months ended September 30, 2024, respectively.

- *Dental clinical products.* Our gross profit for sales of dental clinical products increased by 31.6% from RMB76.1 million for the nine months ended September 30, 2023 to RMB100.1 million for the nine months ended September 30, 2024, primarily due to the increased sales of impression taking materials in China. The gross profit margin for sales of dental clinical products increased from 52.9% for the nine months ended September 30, 2023 to 57.9% for the nine months ended September 30, 2024, primarily driven by the decrease of unit costs for producing our impression taking materials as a result of our continuous efforts to optimize the cost efficiency through engaging with suppliers who can provide more competitive price.
- *Dental laboratory products.* Our gross profit for sales of dental laboratory products increased by 4.7% from RMB74.9 million for the nine months ended September 30, 2023 to RMB78.4 million for the nine months ended September 30, 2024, primarily due to the increased sales in Europe. The gross profit margin for sales of dental laboratory products remained relatively stable at 64.6% for the nine months ended September 30, 2023 to 63.8% for the nine months ended September 30, 2024, respectively.

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- *Dental digital products.* Our gross profit for sales of dental digital products increased by 13.5% from RMB0.6 million for the nine months ended September 30, 2023 to RMB0.7 million for the nine months ended September 30, 2024, primarily in line with the increased sales of our dental digital products. The gross profit margin for sales of dental digital products slightly decreased from 30.6% for the nine months ended September 30, 2023 to 26.7% for the nine months ended September 30, 2024, as a result of the adjustment of average selling price to improve our competitiveness.
- *Others.* Our gross profit for others decreased from RMB1.4 million for the nine months ended September 30, 2023 to RMB0.7 million for the nine months ended September 30, 2024, primarily attributable to the decrease of rental income partly resulted from a decreased rental charge. The gross profit margin for others decreased from 24.9% for the nine months ended September 30, 2023 to 12.3% for the nine months ended September 30, 2024, primarily attributable to the decrease of gross profit from the rental income.

Other Income and Gains

Our other income and gains increased by 9.7% from RMB15.0 million for the nine months ended September 30, 2023 to RMB16.5 million for the nine months ended September 30, 2024, primarily due to an increase of RMB2.7 million in bank interest income, primarily driven by the increase in cash balance and bank deposits in accordance with our optimized deposit strategies across banks and currencies, partially offset by a decrease of RMB2.2 million in fair value gains on derivative financial instruments, primarily attributable to the decrease of our derivative financial instruments mainly resulting from the expiration and settlement of certain forward currency contracts, as well as the mark-to-market losses on outstanding forward currency contracts as a result of unfavorable exchange rate movements in the nine months ended September 30, 2024.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 3.5% from RMB50.0 million for the nine months ended September 30, 2023 to RMB51.7 million for the nine months ended September 30, 2024, primarily due to (i) an increase of RMB0.8 million in consulting service fees, primarily attributable to the engagement of consulting services for the business expansion in India; and (ii) an increase of RMB0.6 million in conference and meeting expenses associated with our increased marketing activities.

Administrative Expenses

Our administrative expenses increased by 27.1% from RMB20.2 million for the nine months ended September 30, 2023 to RMB25.7 million for the nine months ended September 30, 2024, primarily due to (i) an increase of RMB2.7 million in staff costs primarily attributable to the increase of our administrative personnel’s level of compensation to recognize their contribution to our Company; (ii) an increase of RMB1.0 million in share-based payment expenses to our administrative personnel; and (iii) an increase of RMB1.0 million in professional service fees which was mainly attributable to the engagement of professional service providers for this [REDACTED] and legal services for the Reorganization activities.

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Research and Development Expenses

Our research and development expenses increased by 34.6% from RMB15.7 million for the nine months ended September 30, 2023 to RMB21.1 million for the nine months ended September 30, 2024, primarily due to an increase of RMB5.3 million in staff costs as we recruited more talent to support our R&D activities.

Other Expenses

Our other expenses increased significantly from RMB81 thousand for the nine months ended September 30, 2023 to RMB2.5 million for the nine months ended September 30, 2024, primarily due to an increase of RMB1.7 million in losses from fair value changes on our derivative financial instruments, mainly resulting from the mark-to-market losses on the forward currency contracts in the nine months ended September 30, 2024.

Finance Costs

Our finance costs increased by 15.5% from RMB1.3 million for the nine months ended September 30, 2023 to RMB1.4 million for the nine months ended September 30, 2024, primarily due to an increase of RMB0.9 million in interest on bank borrowings, primarily as a result of the increase of bank borrowings to support our daily operations, partially offset by an increase of RMB0.6 million in interest capitalized associated with the construction in progress in Qingdao.

Exchange Gains (Losses)

We recorded foreign exchange gains of RMB6.8 million for the nine months ended September 30, 2023, and foreign exchange losses of RMB1.6 million for the nine months ended September 30, 2024, respectively, mainly attributable to the fluctuation in exchange rates of U.S. dollars against Renminbi.

Profit for the Period

For the foregoing reasons, our net profit increased by 6.6% from RMB72.9 million for the nine months ended September 30, 2023 to RMB77.7 million for the nine months ended September 30, 2024.

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Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 27.7% from RMB280.1 million for the year ended December 31, 2022 to RMB357.6 million for the year ended December 31, 2023, primarily reflecting the increased sales of dental clinical products and dental laboratory products.

- *Dental clinical products.* Our revenue generated from sales of dental clinical products increased by 30.7% from RMB148.9 million for the year ended December 31, 2022 to RMB194.6 million for the year ended December 31, 2023, primarily attributable to an increase of RMB35.2 million in sales of impression taking materials because of the increase of demand for our products brought by the recovered sales in China, as well as driven by our enhanced marketing efforts.
- *Dental laboratory products.* Our revenue generated from sales of dental laboratory products increased by 24.4% from RMB122.6 million for the year ended December 31, 2022 to RMB152.6 million for the year ended December 31, 2023, primarily as a result of the expansion into international markets and the recovered sales in China.
- *Dental digital products.* Our revenue generated from sales of dental digital products increased significantly from RMB398 thousand for the year ended December 31, 2022 to RMB2.8 million for the year ended December 31, 2023, mainly driven by new customer acquisition in previously untapped markets.
- *Others.* Our revenue generated from other resources remained relatively stable at RMB8.1 million for the year ended December 31, 2022 and RMB7.7 million for the year ended December 31, 2023, respectively.

Cost of Sales

Our cost of sales increased by 21.8% from RMB126.3 million in 2022 to RMB153.9 million in 2023, primarily attributable to an increase of RMB20.9 million in raw materials driven by higher production volumes across all product categories following our business recovery and expansion in 2023.

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Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 32.5% from RMB153.7 million in 2022 to RMB203.7 million in 2023, primarily reflecting an increase of RMB29.3 million in gross profit from sales of dental clinical products and an increase of RMB19.7 million in gross profit from sales of dental laboratory products. Our overall gross profit margin remained relatively stable at 54.9% for the year ended December 31, 2022 and 57.0% for the year ended December 31, 2023.

- *Dental clinical products.* Our gross profit from sales of dental clinical products increased by 39.2% from RMB74.8 million for the year ended December 31, 2022 to RMB104.1 million for the year ended December 31, 2023, primarily driven by their increased sales volume in 2023. The gross profit margin of sales of dental clinical products increased from 50.2% for the year ended December 31, 2022 to 53.5% for the year ended December 31, 2023, primarily driven by the decrease of unit costs for our impression taking materials, achieved through our efforts to collaborate with suppliers who can provide better cost effectiveness.
- *Dental laboratory products.* Our gross profit from sales of dental laboratory products increased by 25.4% from RMB77.2 million for the year ended December 31, 2022 to RMB96.9 million for the year ended December 31, 2023, primarily driven by their increased sales volume in 2023. The gross profit margin for sales of dental laboratory products remained relatively stable at 63.0% for the year ended December 31, 2022 and 63.5% for the year ended December 31, 2023, respectively.
- *Dental digital products.* Our gross profit from sales of dental digital products increased significantly from RMB0.1 million for the year ended December 31, 2022 to RMB1.0 million for the year ended December 31, 2023, mainly driven by its increased sales volume in 2023. The gross profit margin for sales of dental digital products increased from 28.1% for the year ended December 31, 2022 to 37.0% for the year ended December 31, 2023, primarily in line with its increased average selling price reflecting the then market condition.
- *Others.* Our gross profit of others remained relatively stable at RMB1.6 million for the year ended December 31, 2022 and RMB1.7 million for the year ended December 31, 2023, respectively. The gross profit margin of others remained relatively stable at 19.7% for the year ended December 31, 2022 and 22.1% for the year ended December 31, 2023, respectively.

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Other Income and Gains

Our other income and gains increased significantly from RMB10.9 million for the year ended December 31, 2022 to RMB22.3 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB8.1 million in bank interest income primarily driven by the increase in time deposits in accordance with our optimized deposit strategies across banks and currencies; (ii) an increase of RMB1.9 million in government grants; and (iii) an increase of RMB1.3 million in gain on disposal of a subsidiary because we disposed a subsidiary in 2023 as a part of our strategy whereas we did not conduct such action in 2022.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 35.2% from RMB50.1 million for the year ended December 31, 2022 to RMB67.8 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB7.4 million in staff costs as a result of the increased headcount and level of compensation to our sales and marketing personnel to support our sales and marketing activities in 2023; (ii) an increase of RMB4.7 million in advertising and promotion expenses driven by our enhanced efforts to increase our brand recognition and recover and expand our business in 2023; and (iii) an increase of RMB3.7 million in traveling expenses in line with the increase of sales and promotion activities in 2023.

Administrative Expenses

Our administrative expenses increased by 7.1% from RMB27.9 million for the year ended December 31, 2022 to RMB29.9 million for the year ended December 31, 2023, primarily due to an increase of RMB1.7 million in staff costs as a result of increased headcount and level of compensation to our administrative personnel associated with the increased administrative activities, which was in line with our business recovery and expansion in 2023.

Research and Development Expenses

Our research and development expenses increased by 21.9% from RMB19.5 million for the year ended December 31, 2022 to RMB23.8 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB3.4 million in staff costs as we recruited more talent to support our R&D activities; (ii) an increase of RMB0.8 million in registration fees mainly associated with the increased fees for product IP registration and maintenance in 2023; (iii) an increase of RMB0.5 million in costs of raw materials and consumables; and (iv) an increase of RMB0.4 million in depreciation and amortization for addition of right-of-use assets for research and development activities, partially offset by a decrease of RMB1.3 million in testing fees for our R&D projects as some product candidates advanced to product registration or later stages in 2023.

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Finance Costs

Our finance costs increased significantly from RMB0.5 million for the year ended December 31, 2022 to RMB1.5 million for the year ended December 31, 2023, primarily due to an increase of RMB1.1 million in interest on bank borrowings, as a result of the increase of bank borrowings to support our daily operations.

Exchange Gains (Losses)

We recorded foreign exchange gains of RMB10.9 million and RMB3.6 million for the years ended December 31, 2022 and 2023, respectively. Such decrease was primarily attributable to the fluctuation in exchange rates of U.S. dollars against Renminbi.

Income Tax Expense

Our income tax expense increased from RMB12.8 million in 2022 to RMB17.5 million in 2023, reflecting an increase in our profit for the year.

Profit for the Year

For the foregoing reasons, our profit increased by 38.0% from RMB64.0 million for the year ended December 31, 2022 to RMB88.4 million for the year ended December 31, 2023.

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DESCRIPTION OF CERTAIN COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth a summary of our combined statements of financial position as of the dates indicated.

	As of December 31,		As of
	2022	2023	September 30,
	<i>RMB'000</i>		<i>(Unaudited)</i>
Non-current assets			
Property, plant and equipment	111,789	139,516	165,541
Investment properties	17,188	16,367	–
Right-of-use assets	30,578	27,567	26,190
Other intangible assets	481	231	379
Deferred tax assets	4,082	5,690	5,791
Time deposits	–	14,366	52,376
Long-term prepayments	452	341	1,097
Financial assets at FVTPL	–	–	243
Total non-current assets	164,570	204,048	251,617
Current assets			
Inventories	40,324	45,452	54,177
Trade receivables	19,616	22,525	29,357
Prepayments, other receivables and other assets	14,346	8,695	13,685
Derivative financial instruments	–	3,040	1,614
Pledged deposits	–	–	21,022
Time deposits	150,981	179,558	152,270
Restricted cash	7,365	7,511	10,939
Cash and cash equivalents	56,109	91,116	115,571
Total current assets	288,741	357,897	398,635
Current liabilities			
Trade and bills payables	3,831	4,940	7,151
Other payables and accruals	45,264	55,818	46,970
Contract liabilities	38,303	41,845	35,870
Interest-bearing bank and other borrowings	13,200	47,221	82,146
Lease liabilities	2,522	1,532	712
Derivative financial instruments	–	–	166
Provision	1,607	1,405	938
Tax payable	5,525	5,136	5,194
Total current liabilities	110,252	157,897	179,147
Net current assets	178,489	200,000	219,488
Total assets less current liabilities	343,059	404,048	471,105
Non-current liabilities			
Provision	3,356	2,934	1,959
Interest-bearing bank borrowings	–	13,230	25,870
Lease liabilities	1,752	205	184
Deferred income	3,331	1,641	4,480
Deferred tax liabilities	–	13	–
Total non-current liabilities	8,439	18,023	32,493
Net assets	334,620	386,025	438,612

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Property, Plant and Equipment

During the Track Record Period, our property, plant and equipment consisted of buildings, leasehold improvements, plant and machinery, tools, furniture and fixtures, motor vehicles and construction in progress. The following table sets forth the components of our property, plant and equipment as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Buildings	80,273	79,421	93,731
Leasehold improvements	1,081	741	617
Plant and machinery	21,847	22,399	24,010
Tools, furniture and fixtures	1,919	1,639	1,945
Motor vehicles	452	819	389
Construction in progress	6,217	34,497	44,849
Total	111,789	139,516	165,541

Our property, plant and equipment increased from RMB111.8 million as of December 31, 2022 to RMB139.5 million as of December 31, 2023, and further to RMB165.5 million as of September 30, 2024. The increase in property, plant and equipment at the end of each year and period during the Track Record Period was primarily attributable to the construction of our manufacturing facilities in Qingdao.

Investment Properties

During the Track Record Period, our investment properties represented the carrying amount of our owned properties in Shanghai. As our operational needs did not require us to occupy the properties, we leased out such vacant properties to generate rental income. Our investment properties decreased from RMB17.2 million as of December 31, 2022 to RMB16.4 million as of December 31, 2023, primarily as a result of normal depreciation. We did not have any investment properties as of September 30, 2024, mainly due to the reclassification to property, plant and equipment following the conversion of these properties to owner-occupied use.

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Right-of-use Assets

During the Track Record Period, our right-of-use assets represented our leased properties. Our right-of-use assets decreased from RMB30.6 million as of December 31, 2022 to RMB27.6 million as of December 31, 2023, primarily attributable to the termination of certain leases in 2023. Our right-of-use assets decreased from RMB27.6 million as of December 31, 2023 to RMB26.2 million as of September 30, 2024, primarily as a result of normal depreciation.

Inventories

During the Track Record Period, our inventories primarily consisted of raw materials, work-in-progress and finished goods. The following table summarizes our inventories as of the date indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Raw materials	18,874	19,635	24,545
Work in progress	5,755	8,184	9,925
Finished goods	15,695	17,633	19,707
Total	<u>40,324</u>	<u>45,452</u>	<u>54,177</u>

Our inventories increased from RMB40.3 million as of December 31, 2022 to RMB45.5 million as of December 31, 2023, and further increased to RMB54.2 million as of September 30, 2024, primarily because we prepared more raw materials for production in response to the growing demand for our products.

The following table sets forth our inventory turnover days for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
Inventory turnover days ⁽¹⁾	<u>110</u>	<u>102</u>	<u>109</u>

Note:

(1) Calculated as the average of the beginning and ending balance of inventories for the year/period divided by the cost of sales for that year/period and multiplied by 365 days for a year or 270 days for a nine-month period.

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Our inventory turnover days were 110 days, 102 days and 109 days in 2022, 2023 and the nine months ended September 30, 2024, respectively. The decrease in our inventory turnover days from 2022 to 2023 was primarily due to our enhanced inventory management. The increase in our inventory turnover days from 2023 to the nine months ended September 30, 2024 was primarily due to the increase of our inventories in response to the anticipated volatility of raw material market.

The following table sets forth the aging analysis of our inventories as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
With 1 year	36,820	41,703	49,297
1-2 years	2,706	3,174	3,800
2-3 years	798	575	1,079
Total	40,324	45,452	54,177

As of January 31, 2025, 68.4%, or RMB37.1 million of our inventories as of September 30, 2024 had been subsequently utilized.

Trade Receivables

During the Track Record Period, our trade receivables represented outstanding amounts due from our customers. Our trading terms with our enterprise clients are mainly on credit, except for new customers where payment in advance before delivery is normally required. The credit period generally ranges from 30 days to 90 days. Trade receivables are generally settled in accordance with the terms of the respective contracts. The following table sets forth details of our trade receivables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		
	<i>(Unaudited)</i>		
Trade receivables	20,586	23,769	31,027
Impairment	(970)	(1,244)	(1,670)
Net carrying amount	19,616	22,525	29,357

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Our trade receivables increased from RMB19.6 million as of December 31, 2022 to RMB22.5 million as of December 31, 2023, and further increased to RMB29.4 million as of September 30, 2024, primarily because we offered longer credit terms to certain creditworthy customers to foster long-term partnerships.

The following table sets forth an aging analysis of our trade receivables as of the dates indicated based on the invoice date and net of loss allowance.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Within 1 year	19,444	22,432	29,097
1-2 years	166	80	249
2-3 years	6	13	11
Total	19,616	22,525	29,357

The following table sets forth our trade receivables turnover days for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
Trade receivables turnover days ⁽¹⁾	24	22	23

Note:

- (1) Calculated as the average of the beginning and ending balance of trade receivables for the year/period divided by the revenue for that year/period and multiplied by 365 days for a year or 270 days for a nine-month period.

Our trade receivables turnover days remained relatively stable at 24 days, 22 days and 23 days in 2022, 2023 and the nine months ended September 30, 2024, respectively. During the Track Record Period, our trade receivables turnover days were relatively low, primarily because we have implemented comprehensive and effective collection measures.

As of January 31, 2025, 97.4%, or RMB28.6 million of our trade receivables as of September 30, 2024 had been subsequently settled.

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Prepayments, Other Receivables and Other Assets

During the Track Record Period, our prepayments, other receivables and other assets primarily consisted of (i) prepayments to our suppliers; (ii) value-added tax recoverable, representing our value-added tax (“VAT”) input tax credit that can be refunded by the competent authority; (iii) prepaid income tax, representing the surplus tax amount at the end of the relevant taxable year; (iv) [REDACTED] expenses; and (v) other receivables, mainly including deposits. The following table sets forth the details of our prepayments, other receivables and other assets as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Prepayments	11,807	6,213	10,104
Value-added tax recoverable	410	1,637	2,271
Prepaid income tax	1,178	374	237
[REDACTED] expenses	–	–	95
Other receivables	1,000	496	1,033
Impairment	(49)	(25)	(55)
Total	14,346	8,695	13,685

Our prepayments, other receivables and other assets decreased from RMB14.3 million as of December 31, 2022 to RMB8.7 million as of December 31, 2023, which was primarily attributable to a decrease of RMB5.6 million in prepayments primarily because we utilized certain inventories in 2023, which were goods in transit at the end of 2022, resulting in the reclassification from prepayments to inventories category accordingly. Our prepayments, other receivables and other assets increased from RMB8.7 million as of December 31, 2023 to RMB13.7 million as of September 30, 2024, which was primarily due to an increase of RMB3.9 million in prepayments as a result of the increased procurement of raw materials in the nine months ended September 30, 2024.

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Derivative Financial Instruments

During the Track Record Period, our derivative financial instruments consisted of (i) foreign currency swaps; and (ii) forward currency contracts. The following table sets forth the details of derivative financial instruments as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
		<i>RMB'000</i>	<i>(Unaudited)</i>
Assets:			
Non-current:			
Foreign currency swaps	—	—	243
Current:			
Foreign currency swaps	—	—	83
Forward currency contracts	—	3,040	1,531
Total	—	3,040	1,857
Liabilities:			
Foreign currency swaps	—	—	166

We recorded derivative financial instruments as financial assets at FVTPL of RMB3.0 million and RMB1.9 million as of December 31, 2023 and September 30, 2024, respectively. Such decrease was primarily due to a decrease of RMB1.5 million in forward currency contracts, which was attributable to both the expiration and settlement of certain forward currency contract in February 2024 and unfavorable fair value changes of the newly acquired forward currency contracts resulting from the strengthening of RMB and lower market volatility, partially offset by an increase of RMB0.3 million in foreign currency swaps, which reflected the fair value movements of our three-year foreign currency swap products primarily attributable to favorable changes in currency interest rate differentials affecting our long-term swap positions. We did not record any derivative financial instruments as financial assets at FVTPL as of December 31, 2022. In addition, we recorded derivative financial instruments as financial liabilities at FVTPL of RMB0.2 million as of September 30, 2024, as a result of unfavorable changes in currency interest rate differentials affecting our certain swap.

We have promulgated internal guidance on hedging activities, under which our Board is the highest authority to supervise the operation involving our hedging activities. Our Board is primarily responsible for formulating and monitoring our hedging risk management procedures. Led by our chief financial officer, our finance department has implemented several measures to manage our hedge activities. Our finance department formulates capital preservation and appreciation strategies by analyzing cash flow liquidity positions derived from our production, procurement, and sales plans, while taking into monetary policy trends, with several measures including but not limited to (i) performing regular and ad hoc assessments of our hedging requirements, taking into account several key factors, including fluctuations in foreign exchange rates, variations in interest rates, exposure to foreign exchange risk due to overseas procurement and sales, cash balances, as well as loans and intercompany balances in our functional currencies; and (ii) acquiring valuable market insights, evaluating hedge instruments, and identifying suitable derivative instruments for reasonable decision-making through regular consultations with our partner banks.

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Pledged Deposits

During the Track Record Period, our pledged deposits mainly represented US dollar deposits used as collateral for RMB-denominated bank borrowings. Such arrangement allows us to efficiently utilize our US dollar holdings to secure working capital in RMB for our daily operations in China, while maintaining our foreign currency position and potentially benefiting from favorable financing terms. We did not have pledged deposits as of December 31, 2022 and 2023. We recorded pledged deposits of RMB21.0 million as of September 30, 2024.

Restricted Cash

During the Track Record Period, our restricted cash mainly represented restricted deposits held in designated bank accounts mainly as security deposits for future capital expenditure, issuance of bank acceptance notes and purchase of certain swaps. As of December 31, 2022 and 2023 and September 30, 2024, our restricted cash amounted to RMB7.4 million, RMB7.5 million and RMB10.9 million, respectively. The increase from December 31, 2023 to September 30, 2024 was primarily attributable to the increased issuance of bank acceptance notes to our suppliers and more foreign currency swaps we purchased in the nine months ended September 30, 2024.

Time Deposits

During the Track Record Period, our time deposits consisted non-current time deposits with the original maturities over one year and current time deposits with the original maturities over three months but less than one year. The following table sets forth the details of our time deposits as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Current:			
Time deposits with original maturities over three months	150,981	179,558	152,270
Non-current:			
Time deposits with original maturities over one year	—	14,336	52,376
Total	150,981	193,894	204,646

Our time deposits increased from RMB151.0 million as of December 31, 2022 to RMB193.9 million as of December 31, 2023, primarily due to (i) an increase of RMB28.6 million in time deposits with original maturities over three months, and (ii) an increase of RMB14.3 million in time deposits with original maturities over one year. Our time deposits

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increased from RMB193.9 million as of December 31, 2023 to RMB204.6 million as of September 30, 2024, primarily due to an increase of RMB38.0 million in time deposits with original maturities over one year, partially offset by a decrease of RMB27.3 million in time deposits with original maturities over three months. Such fluctuation was mainly because we reallocated funds from short-term to long-term deposits to maximize interest income.

Cash and Cash Equivalents

During the Track Record Period, our cash and cash equivalents represented cash on hand and at banks, net of restricted cash, time deposits and pledged deposits. As of December 31, 2022 and 2023 and September 30, 2024, our cash and cash equivalents amounted to RMB56.1 million, RMB91.1 million and RMB115.6 million, respectively. Such increases were primarily attributable to our cash flows generated from operating activities, which was in line with our business growth during the Track Record Period.

Trade and Bills Payables

During the Track Record Period, our trade and bills payables primarily represented the amount due to our suppliers. We typically make advance payments to our suppliers. Certain suppliers may grant credit terms to us, generally ranging from 30 to 90 days. Our trade and bills payables amounted to RMB3.8 million, RMB4.9 million and RMB7.2 million as of December 31, 2022 and 2023 and September 30, 2024, respectively. The increase in our trade and bills payables was mainly because we procured more raw materials for increased product manufacturing and sales.

The following table sets forth the breakdown of our trade and bills payables as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Trade payables	3,831	2,893	4,439
Bills payables	–	2,047	2,712
Total	3,831	4,940	7,151

The following table sets forth an aging analysis of trade and bills payables based on the invoice dates as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Within 1 year	3,611	4,714	6,925
1-2 years	48	22	3
2-3 years	87	33	10
Over 3 years	85	171	213
Total	3,831	4,940	7,151

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The following table sets forth our trade and bills payables turnover days for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
Trade and bills payables turnover days ⁽¹⁾	9	10	13

Note:

- (1) Calculated as the average of the beginning and ending balance of trade payables for the year/period divided by the cost of sales for that year/period and multiplied by 365 days for a year or 270 days for a nine-month period.

Our trade and bills payables turnover days were nine days, 10 days and 13 days in 2022, 2023 and the nine months ended September 30, 2024, respectively. The slight increases were primarily associated with the increase of our inventories as a result of our expansion.

As of January 31, 2025, 80.9%, or RMB5.8 million of our trade and bills payables as of September 30, 2024 had been subsequently settled.

Other Payables and Accruals

During the Track Record Period, our other payables and accruals primarily consisted of (i) deferred income, mainly representing certain of our government grants; (ii) payables for purchase of property, plant and equipment, mainly representing payables for construction in progress; (iii) other tax payable, mainly representing taxes payable other than income tax payable, such as value-added tax and surcharges payables; (iv) volume rebate, mainly representing rebates we granted to our distributors relating to sales of our products; (v) payroll and welfare payables; and (vi) other expense payables. The following table sets forth the details of our other payables and accruals as of the dates indicated.

	As of December 31,		As of September 30,
	2022	2023	2024
	<i>RMB'000</i>		<i>(Unaudited)</i>
Deferred income	1,933	1,690	2,320
Payables for purchase of property, plant and equipment	13,109	15,432	9,895
Other tax payable	7,053	6,909	6,154
Volume rebate	1,897	4,436	2,378
Payroll and welfare payables	16,146	21,980	20,507
Other payables	5,126	5,371	5,716
Total	45,264	55,818	46,970

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Our other payables and accruals increased from RMB45.3 million as of December 31, 2022 to RMB55.8 million as of December 31, 2023, primarily due to (i) an increase of RMB5.8 million in payroll and welfare payables mainly represented by payables relating to our social insurance and housing fund contribution; (ii) an increase of RMB2.5 million in volume rebate as a result of the increased sales volumes of our products in 2023; and (iii) an increase of RMB2.3 million in payables for purchase of property, plant and equipment, primarily associated with the progress of our construction projects.

Our other payables and accruals decreased from RMB55.8 million as of December 31, 2023 to RMB47.0 million as of September 30, 2024, primarily due to (i) a decrease of RMB5.5 million in payables for purchase of property, plant and equipment, primarily associated with the progress of our construction projects; (ii) a decrease of RMB2.1 million in volume rebate as a result of the lower sales volumes achieved by our customers in the nine months ended September 30, 2024; and (iii) a decrease of RMB1.5 million in payroll and welfare payables primarily attributable to the decrease in accruals for our employees’ year-end bonus.

As of January 31, 2025, 37.1%, or RMB17.4 million of our other payables and accruals as of September 30, 2024 had been subsequently settled.

Contract Liabilities

During the Track Record Period, our contract liabilities primarily consisted of short-term advances received from customers before the delivery of underlying products and services. Our contract liabilities increased from RMB38.3 million as of December 31, 2022 to RMB41.8 million as of December 31, 2023 which was generally in line with our business growth in 2023. Our contract liabilities decreased from RMB41.8 million as of December 31, 2023 to RMB35.9 million as of September 30, 2024, primarily attributable to recognition of revenue from sales of our products in the nine months ended September 30, 2024.

As of January 31, 2025, 22.1%, or RMB7.9 million of our contract liabilities as of September 30, 2024 had been subsequently recognized as revenue.

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LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash during the Track Record Period were to fund the construction of our manufacturing facilities, research, development and manufacturing of our products, as well as other working capital needs. Historically, we have financed our operations and other capital requirements primarily through cash generated from our operations and bank borrowings.

Our anticipated cash needs primarily include costs associated with the research and development of our products, production expansion and business operations. We expect to fund our future working capital and other cash requirements with cash generated from our operations, the net [REDACTED] from [REDACTED] and, when necessary, bank and other borrowings. As of January 31, 2025, the latest practicable date for determining our indebtedness, we had cash and cash equivalents of RMB145.2 million. Taking into account our internal resources, our cash flow from operations and the estimated net [REDACTED] from the [REDACTED], our Directors confirm that the working capital available to us is sufficient at present and for at least the next 12 months from the date of this document.

Net Current Assets

The following table sets forth a summary of our current assets and liabilities as of the dates indicated.

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>RMB'000</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current assets				
Inventories	40,324	45,452	54,177	49,291
Trade receivables	19,616	22,525	29,357	36,939
Prepayments, other receivables and other assets	14,346	8,695	13,685	16,522
Derivative financial instruments	–	3,040	1,614	7,169
Pledged deposits	–	–	21,022	21,509
Time deposits	150,981	179,558	152,270	35,849
Restricted cash	7,365	7,511	10,939	11,957
Cash and cash equivalents . .	<u>56,109</u>	<u>9,116</u>	<u>115,571</u>	<u>145,221</u>
Total current assets	<u>288,741</u>	<u>357,897</u>	<u>398,635</u>	<u>324,457</u>

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	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>RMB'000</i>		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current liabilities				
Trade and bills payables . . .	3,831	4,940	7,151	3,379
Other payables and accruals	45,264	55,818	46,970	40,580
Contract liabilities	38,303	41,845	35,870	39,659
Interest-bearing bank and other borrowings	13,200	47,221	82,146	152,396
Lease liabilities	2,522	1,532	712	720
Derivative financial instruments	–	–	166	149
Provision	1,607	1,405	938	844
Tax payable	5,525	5,136	5,194	1,910
Total current liabilities . . .	110,252	157,897	179,147	239,638
Net current assets	178,489	200,000	219,488	84,819

Our net current assets increased from RMB178.5 million as of December 31, 2022 to RMB200.0 million as of December 31, 2023, primarily attributable to an increase of RMB69.2 million in our current assets, mainly reflecting (i) an increase of RMB35.0 million in cash and cash equivalents attributable to our cash flows generated from operating activities, which was in line with our business growth in 2023; and (ii) an increase of RMB28.6 million in current time deposits. The increase in our current assets was partially offset by an increase of RMB47.6 million in our current liabilities, mainly attributable to an increase of RMB34.0 million in interest-bearing bank and other borrowings to secure the raw materials we needed for our expanded operations.

Our net current assets increased from RMB200.0 million as of December 31, 2023 to RMB219.5 million as of September 30, 2024, primarily attributable to an increase of RMB40.7 million in our current assets, mainly reflecting (i) an increase of RMB24.5 million in cash and cash equivalents attributable to our cash flows generated from operating activities, which was in line with our business growth in the nine months ended September 30, 2024; (ii) an increase of RMB21.0 million in pledged deposits used as collateral for RMB-denominated bank borrowings; (iii) an increase of RMB8.7 million in inventories, because we prepared more inventories in response to the growing demand for our products; and (iv) an increase of RMB6.8 million in trade receivables primarily because we offered longer credit terms to certain creditworthy customers to foster long-term partnerships, which was partially offset by a decrease of RMB27.3 million in current time deposits mainly because we reallocated funds from short-term to long-term deposits to maximize interest income. The increase in our current assets was partially offset by an increase of RMB21.3 million in our current liabilities, mainly attributable to an increase of RMB34.9 million in interest-bearing bank borrowings to support our daily operations.

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Our net current assets decreased from RMB219.5 million as of September 30, 2024 to RMB84.8 million as of January 31, 2025, primarily due to (i) the decrease of RMB116.4 million in current time deposits as a result of the maturity of certain short-term time deposits; and (ii) an increase of RMB70.3 million in interest-bearing bank and other borrowings to support our daily operation, partially offset by an increase of RMB29.7 million in cash and cash equivalents primarily attributable to our cash flows generated from operating activities.

Cash Flows

The following table sets forth a summary of our combined cash flow statements for the periods indicated.

	For the year ended December 31,		For the nine months ended September 30,	
	2022	2023	2023	2024
	<i>RMB'000</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Operating cash flows before movements in working capital . .	79,274	107,199	82,883	98,713
Changes in working capital	<u>11,137</u>	<u>5,782</u>	<u>125</u>	<u>(38,566)</u>
Cash generated from operations . . .	<u>90,411</u>	<u>112,981</u>	<u>83,008</u>	<u>60,147</u>
Interest received	537	837	586	3,624
Tax paid	<u>(9,294)</u>	<u>(19,024)</u>	<u>(14,631)</u>	<u>(14,180)</u>
Net cash flows from operating activities	81,654	94,794	68,963	49,591
Net cash flows used in investing activities	(139,387)	(66,143)	(69,361)	(21,298)
Net cash flows (used in)/from financing activities	<u>(7,682)</u>	<u>4,803</u>	<u>319</u>	<u>(3,071)</u>
Net (decrease)/increase in cash and cash equivalents	(65,415)	33,454	(79)	25,222
Cash and cash equivalents at beginning of the year/period . . .	113,605	56,109	56,109	91,116
Effect of foreign exchange changes, net	<u>7,919</u>	<u>1,553</u>	<u>2,429</u>	<u>(767)</u>
Cash and cash equivalents at the end of the year/period	<u><u>56,109</u></u>	<u><u>91,116</u></u>	<u><u>58,459</u></u>	<u><u>115,571</u></u>

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Operating Activities

For the nine months ended September 30, 2024, we had net cash flows from operating activities of RMB49.6 million, primarily attributable to our profit before tax of RMB91.8 million minus income tax paid of RMB14.2 million, as adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included depreciation of property, plant and equipment of RMB9.0 million; and (ii) negative adjustments, which primarily included interest income of RMB11.5 million, a decrease of RMB9.0 million in other payables and accruals, an increase of RMB8.8 million in inventories, and an increase of RMB7.3 million in trade receivables.

For the year ended December 31, 2023, we had net cash flows from operating activities of RMB94.8 million, primarily attributable to our profit before tax of RMB105.8 million minus income tax paid of RMB19.0 million, as adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included depreciation of property, plant and equipment of RMB9.6 million, an increase of RMB6.3 million in other payables and accruals, and a decrease of RMB5.8 million in prepayments, other receivables and other assets; and (ii) negative adjustments, which primarily included interest income of RMB11.1 million and an increase of RMB5.2 million in inventories.

For the year ended December 31, 2022, we had net cash flows from operating activities of RMB81.7 million, primarily attributable to our profit before tax of RMB76.8 million minus income tax paid of RMB9.3 million, as adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included depreciation of property, plant and equipment of RMB8.2 million and a decrease of RMB14.3 million in restricted cash; and (ii) negative adjustments, which primarily included net foreign exchange differences of RMB8.7 million and an increase of RMB5.4 million in inventories.

Investing Activities

For the nine months ended September 30, 2024, our net cash used in investing activities was RMB21.3 million, primarily attributable to investment in placement of deposits with original maturity of more than three months when acquired of RMB118.7 million, partially offset by proceeds from maturity of deposits with original maturity of more than three months when acquired of RMB108.4 million.

For the year ended December 31, 2023, our net cash used in investing activities was RMB66.1 million, primarily attributable to (i) investment in placement of deposits with original maturity of more than three months when acquired of RMB188.8 million; and (ii) purchase of items of property, plant and equipment of RMB33.7 million, partially offset by proceeds from maturity of deposits with original maturity of more than three months when acquired of RMB151.0 million.

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For the year ended December 31, 2022, our net cash used in investing activities was RMB139.4 million, primarily attributable to (i) investment in placement of deposits with original maturity of more than three months when acquired of RMB292.9 million; and (ii) purchase of items of property, plant and equipment of RMB26.8 million, partially offset by (i) proceeds from maturity of deposits with original maturity of more than three months when acquired of RMB167.6 million, and (ii) proceeds from disposal of right-of-use assets of RMB10.8 million.

Financing Activities

For the nine months ended September 30, 2024, our net cash used in financing activities was RMB3.1 million, primarily attributable to (i) repayment of interest-bearing bank borrowings of RMB47.2 million; (ii) dividends paid of RMB26.9 million; and (iii) placement of pledged time deposits of RMB21.0 million, partially offset by new interest-bearing bank borrowings of RMB94.6 million.

For the year ended December 31, 2023, our net cash from financing activities was RMB4.8 million, primarily attributable to new interest-bearing bank borrowings of RMB75.3 million, partially offset by (i) dividends paid of RMB38.6 million and (ii) repayment of interest-bearing bank borrowings of RMB28.1 million.

For the year ended December 31, 2022, our net cash used in financing activities was RMB7.7 million, primarily attributable to (i) dividends paid of RMB14.5 million and (ii) repayment of interest-bearing bank borrowings of RMB5.0 million, partially offset by new interest-bearing bank borrowings of RMB13.2 million.

INDEBTEDNESS

As of December 31, 2022, and 2023 and September 30, 2024 and January 31, 2025, the most recent practicable date for determining our indebtedness, except as disclosed in the table below, we did not have any material indebtedness.

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>RMB'000</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current				
Interest-bearing bank and other borrowings	13,200	47,221	82,146	152,396
Lease liabilities	2,522	1,532	712	720
	<u>15,722</u>	<u>48,753</u>	<u>82,858</u>	<u>153,116</u>
Non-current				
Interest-bearing bank borrowings	–	13,230	25,870	31,670
Lease liabilities	1,752	205	184	3,286
	<u>1,752</u>	<u>13,435</u>	<u>26,054</u>	<u>34,956</u>
Total	<u>17,474</u>	<u>62,188</u>	<u>108,912</u>	<u>188,072</u>

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Interest-bearing Bank and Other Borrowings

As of December 31 2022 and 2023, September 30, 2024, and January 31, 2025, we had interest-bearing bank and other borrowings of RMB13.2 million, RMB60.5 million, RMB108.0 million and RMB184.1 million, respectively. Our borrowings were primarily used for funding our procurement and construction projects, as well as supporting our other working capital requirements during our daily operations. The following table sets forth the details of our interest-bearing bank borrowings as of the dates indicated:

	As of December 31,				As of September 30,				As of January 31,			
	2022		2023		2024		2024		2025		2025	
	Effective interest rate	Maturity	Effective interest rate	Maturity	Effective interest rate	Maturity	Effective interest rate	Maturity	Effective interest rate	Maturity	Effective interest rate	Maturity
	<i>RMB'000 (except for percentages)</i>											
Current												
Bank loans – Secured	3.25%- 4.05%	2023	13,000	3.00%- 3.25%	2024	29,531	2.70%- 3.15%	2025	62,149	2.85%- 3.40%	2025	131,396
Bank loans – Unsecured	3.90%	2023	200	3.00%- 3.15%	2024	4,690	3.00%	2025	19,997	2.75%	2026	21,000
Other borrowings – unsecured	-	-	-	2.5%- 2.79%	2024	13,000	-	-	-	-	-	-
			<u>13,200</u>			<u>47,221</u>			<u>82,146</u>			<u>152,396</u>
Non-current												
Bank loans – Secured	-	-	-	3.65%	2026- 2030	13,230	3.05%- 3.40%	2026- 2030	25,870	3.05%- 3.40%	2030	31,670
Total			<u>13,200</u>			<u>60,451</u>			<u>108,016</u>			<u>184,066</u>

Notes:

- (1) As of December 31, 2022 and 2023 and September 30, 2024, our bank loans amounting to RMB13,000,000 RMB42,730,000 and RMB66,870,000, respectively, were guaranteed by Mr. SONG Xin, the Controlling Shareholder of our Group.
- (2) As of December 31, 2022 and 2023 and September 30, 2024, certain of our buildings with aggregate carrying amounts of approximately RMB79,071,000, RMB79,421,000, and RMB67,783,000, respectively, were mortgaged to secure interest-bearing bank borrowings granted to our Group.
- (3) As of December 31, 2022 and 2023 and September 30, 2024, certain of our Group’s construction in progress with aggregate carrying amounts of nil, approximately RMB34,497,000 and RMB44,758,000, respectively, were mortgaged to secure interest-bearing bank borrowings granted to our Group.
- (4) As of December 31, 2022 and 2023 and September 30, 2024, certain of our Group’s right-of-use assets with aggregate carrying amounts of approximately RMB2,398,000, RMB25,759,000 and RMB25,317,000, respectively, were mortgaged to secure interest-bearing bank borrowings granted to our Group.
- (5) As of September 30, 2024, our time deposits with carrying amount of RMB21,022,000 were pledged to secure interest-bearing bank borrowings granted to our Group. See “— Description of Certain Combined Statements of Financial Position Items — Pledged Deposits.”

As of January 31, 2025, we had unutilized bank facilities of RMB177.0 million. Our Directors confirm that there has not been any material default on our part in the payment of borrowings, or breaches of covenants during the Track Record Period and up to the date of this document.

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Lease Liabilities

During the Track Record Period, our lease liabilities were primarily in relation to our lease of offices. The following table sets forth the details of our lease liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of January 31,
	2022	2023	2024	2025
	<i>RMB'000</i>			
			<i>(Unaudited)</i>	<i>(Unaudited)</i>
Current	2,522	1,532	712	720
Non-current	1,752	205	184	3,286
Total	<u>4,274</u>	<u>1,737</u>	<u>896</u>	<u>4,006</u>

Save as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date.

During the Track Record Period and as of the Latest Practicable Date, none of our creditors of the indebtedness described above have claimed default against us to the best of our knowledge. Our Directors also confirm that we did not experience difficulty in obtaining borrowings, material default in payment on borrowings, payables to related parties, lessors, financial institutions or investors during the Track Record Period and up to the Latest Practicable Date.

CAPITAL EXPENDITURE

In 2022 and 2023 and the nine months ended September 30, 2024, we incurred capital expenditures of RMB26.9 million, RMB33.7 million and RMB20.8 million, respectively, primarily in connection with the intangible assets and purchase of property, plant and equipment. These purchases were primarily for our business operation. The following table sets forth the details of our capital expenditure for the periods indicated:

	For the year ended December 31,		For the nine months ended September 30,
	2022	2023	2024
	<i>RMB'000</i>		
			<i>(Unaudited)</i>
Purchases of items of property, plant and equipment	26,752	33,701	20,460
Additions to other intangible assets	98	—	335
Total	<u>26,850</u>	<u>33,701</u>	<u>20,795</u>

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CONTINGENT LIABILITIES

As of December 31, 2022 and 2023 and September 30, 2024, we did not have any contingent liabilities. Our Directors confirm that there has been no material change in our contingent liabilities since September 30, 2024 to the date of this document.

CAPITAL COMMITMENTS

Our capital commitments at the end of each year/period during the Track Record Period primarily related to contracted but not provided commitments on construction in progress. As of December 31, 2022 and 2023 and September 30, 2024, our capital commitments amounted to RMB67.2 million, RMB38.9 million and RMB29.2 million, respectively.

RELATED PARTY TRANSACTIONS

We did not have any material related party transactions during the Track Record Period. See note 38 in the Accountants’ Report set out in Appendix I of this document for details on our transactions with related parties during the Track Record Period.

KEY FINANCIAL RATIOS

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

	As of/for the year ended December 31,		As of/for the nine months ended September 30,
	2022	2023	2024
Gross profit margin (%) ⁽¹⁾	54.9%	57.0%	59.2%
Net profit margin (%) ⁽²⁾	22.9%	24.7%	25.6%
Current ratio ⁽³⁾	2.62	2.27	2.23
Quick ratio ⁽⁴⁾	2.25	1.98	1.92

Notes:

- (1) Gross profit margin equals gross profit divided by revenue for the year/period and multiplied by 100%.
- (2) Net profit margin equals profit for the year/period divided by revenue for the year/period and multiplied by 100%.
- (3) Current ratio is calculated as total current assets divided by total current liabilities at the end of the year/period.
- (4) Quick ratio is calculated as current assets less inventories divided by current liabilities at the end of the year/period.

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to a variety of market risks, including credit risk, foreign currency risk, interest rate risk and liquidity risk as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see note 41 to the Accountants' Report set out in Appendix I to this document.

Credit Risk

We trade only with recognized and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant. Concentrations of credit risk are managed by customer and by geographical region. There are no significant concentrations of credit risk within us as the customer bases of our trade receivables are widely dispersed in different customers. For further details and an analysis of the credit quality based on our credit policy and the maximum exposure to credit risk at the end of each year/period during the Track Record Period, see note 41 to the Accountants' Report set out in Appendix I to this document.

Interest rate risk

Our exposure to the risk of changes in fair value relates primarily to our interest-bearing bank borrowings with a floating interest rate. For further details and an analysis of sensitivity at the end of each year/period during the Track Record Period to a reasonably possible change in interest rates, with all other variables held constant, of our profit after tax through the impact on floating rate borrowings and our equity, see note 41 to the Accountants' Report set out in Appendix I to this document.

Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from overseas sales of products and purchases of dental materials with payments to overseas suppliers. We currently take certain foreign currency hedging measures and we did not experience any material impact on our operations resulting from fluctuation in exchange rates during the Track Record Period. However, our management monitors our foreign currency risk exposure and will review and adjust our hedging measures in accordance with our needs. For further details and an analysis of the sensitivity at the end of each year/period during the Track Record Period to a reasonably possible change in the USD and EUR exchange rates, with all other variables held constant, of our profit before tax (arising from USD and EUR denominated financial instruments), see note 41 to the Accountants' Report set out in Appendix I to this document.

Liquidity Risk

We monitor our exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities. Our objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans. Our policy is that all the borrowings should be approved by our chief financial officer. For further details and an analysis of the maturity profile of our financial liabilities at the end of each year/period during the Track Record Period based on contractual undiscounted payments, see note 41 to the Accountants' Report set out in Appendix I to this document.

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DIVIDENDS

During the Track Record Period, dividends of RMB79,998,000 were declared and paid by Shandong Huge Dental Material Co., Ltd. to its then shareholders.

Currently, we do not have a formal dividend policy or a fixed dividend payout ratio. Any future declarations and payments of dividends will be at the discretion of our Directors, subject to certain restrictions under Cayman Islands law, and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which our Directors consider relevant. In addition, our Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. As advised by our legal advisor as to Cayman Islands law, notwithstanding that the Company may have accumulated losses, the Company may declare dividend (a) out of profits of the Company if the Company has sufficient profits, realized or unrealized, unless such is contrary to the accounting principles adopted by the Company or (b) out of the share premium of the Company if following the date on which the dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business. In determining whether to declare a dividend, our Board will need to be satisfied that the declaration of dividend is in the best interest of the Company and may make provision for losses. [REDACTED] should not purchase our Shares with the expectation of receiving cash dividends.

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. The PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits as the statutory common reserve fund until the cumulative amount of the statutory common reserve fund reaches 50% or more of such enterprises' registered capital, if any, to fund its statutory common reserves, which are not available for distribution as cash dividends.

DISTRIBUTABLE RESERVES

As of September 30, 2024, we did not have any distributable reserves.

[REDACTED] EXPENSES

[REDACTED] expenses to be borne by us are estimated to be approximately HK\$[REDACTED] million (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] to HK\$[REDACTED] per Share), representing approximately [REDACTED]% of the estimated net [REDACTED] from the [REDACTED] assuming no Shares are issued pursuant to the [REDACTED]. The [REDACTED] expenses consist of (i) [REDACTED]-related expenses, including [REDACTED] commission, of approximately HK\$[REDACTED] million, and (ii) non-[REDACTED]-related expenses of approximately HK\$[REDACTED] million, comprising (a) fees and expenses of our legal advisors and reporting accountants of approximately HK\$[REDACTED] million, and (b) other fees and expenses of approximately

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HK\$[REDACTED] million. During the Track Record Period, the [REDACTED] expenses charged to our consolidated statements of profit or loss were RMB[REDACTED] thousand (HK\$[REDACTED] thousand), and the [REDACTED] which were recognized as prepayments, other receivables and other assets and are expected to be deducted from equity upon the [REDACTED], were RMB[REDACTED] thousand (HK\$[REDACTED] thousand). After the Track Record Period, approximately HK\$[REDACTED] million is expected to be charged to our consolidated statements of profit or loss, and approximately HK\$[REDACTED] million is expected to be accounted for as a deduction from equity upon the [REDACTED]. We do not believe any of the above fees or expenses are material or are unusually high for our Group. The [REDACTED] expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited [REDACTED] statement of adjusted combined net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effects of the [REDACTED] on the unaudited combined net tangible assets attributable to owners of our Company as of September 30, 2024 as if the [REDACTED] had taken place on that date.

The unaudited [REDACTED] statement of adjusted combined net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the unaudited combined net tangible assets attributable to owners of our Company had the [REDACTED] been completed as of September 30, 2024 or at any future date. The unaudited [REDACTED] statement of adjusted combined net tangible assets is prepared based on the unaudited combined net tangible assets attributable to owners of our Company as of September 30, 2024 as set out in the Accountant’s Report in Appendix I to this document and is adjusted for the effects described below.

[REDACTED]

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[REDACTED]

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Recent Development

On January 6, 2025, our subsidiary, Huge Holding, declared a dividend in the amount of RMB160,800,000 to its shareholder Huge Dental Hong Kong Limited, a wholly-owned subsidiary of our Company. Withholding tax of RMB16,080,000 with tax rate of 10% was paid as such dividend was from the earnings generated from our subsidiaries established in China in respect of retained earnings. On January 16, 2025, our Company declared and paid in full a dividend in the amount of RMB144,720,000 to our then shareholders, subsequently.

On December 27, 2024, 4,459,347 Shares were allotted and issued by our Company. All the issued Shares of 40,200,000 had been paid up as of the date of this document.

Our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in our business, financial condition and results of operations since September 30, 2024, which is the end date of the years/period reported on in the Accountants’ Report in Appendix I to this document, and there is no event since September 30, 2024 which would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF [REDACTED]

FUTURE PLANS AND PROSPECTS

See “Business — Our Strategies” for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] million, after deducting [REDACTED] commissions, fees and estimated expenses payable by us in connection with the [REDACTED], and assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range stated in this document. If the [REDACTED] is set at HK\$[REDACTED] per Share, being the high end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will increase by approximately HK\$[REDACTED] million. If the [REDACTED] is set at HK\$[REDACTED] per Share, being the low end of the indicative [REDACTED] range, the net [REDACTED] from the [REDACTED] will decrease by approximately HK\$[REDACTED] million.

Assuming an [REDACTED] at the mid-point of the indicative [REDACTED] range and that the [REDACTED] is not exercised, we currently intend to apply these net [REDACTED] for the following purposes:

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the upgrading and expansion of production lines in the Rizhao manufacturing facility. The rationale behind our strategic choice to expand our capacity rests on the following factors: (i) the growth potential of the dental medical devices market in China, (ii) the anticipated constraints of our existing production capability and introduction of new products, and (iii) the optimization of production costs. In particular, we anticipate substantial market potential for our dental products in China, as supported by the historical growth of the dental medical devices market from RMB43.1 billion to RMB60.7 million in China from 2019 to 2023 at a CAGR of 8.8% and the anticipated continuing increase in the market size to RMB166.7 million in 2030 at a CAGR of 15.5%. In addition, during the Track Record Period, we had gradually reached the limit of our existing production capacity, with nearly 90% of overall production capacity utilized for the nine months ended September 30, 2024. See “Business — Manufacturing” for details. More specifically, we plan to apply:
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for upgrading our production lines with more advanced automation, which we expect to expand our production capacity at the Rizhao manufacturing facility, including installing production lines of dental clinical products, dental laboratory products (zirconia and 3D printing resin), and dental digital product (intraoral scanner), over the next five years.
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the construction of Rizhao manufacturing facility’s workshops.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the establishment of the Indonesia manufacturing facility. As of the Latest Practicable Date, we had leased a facility with pilot production expected to take place in the second half of 2025 following the installation and calibration of equipment. In addition, we plan to purchase land in Indonesia to construct a manufacturing facility with larger scale within the next three years.

We have chosen to establish the Indonesia manufacturing facility due to the following factors: (i) the global market demand is vast and continuously growing; (ii) we already have a broad presence in the global market and have gained a notable market share in the Indonesian and Singaporean markets; (iii) establishing a factory in Indonesia facilitates delivery of our overseas orders; and (iv) the potential to mitigate the impact of uncertainties in trade policies and relationships in certain regions.

We anticipate our Indonesia manufacturing facility to be a solid foothold undergirding our aspiration to tap into the vast international market for dental medical devices and growth the size and sources of our revenue. In particular, we expect the Indonesia factory will serve as a strategic base for our global expansion in the future, establishing closer ties with customers in Southeast Asia and the rest of the world. Our goal is to take advantage of Indonesia's competitive labor costs, well-established production facilities, mature production processes and sound management system to achieve production with the same quality and efficiency as our China factory. Local production in Indonesia will give our products priority consideration in public medical device procurement under the policies of the Indonesian Ministry of Health, potentially boosting our sales. In addition, the ability to export products from Indonesia to markets in Europe and the Americas will facilitate faster and more efficient distribution, thereby enhancing our competitive edge in the international market. More specifically, we plan to apply:

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for purchasing land;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the construction of workshops, laboratories, warehouses and office buildings;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the procuring and installment of production lines covering the production of dental materials;
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the recruitment and establishment of the local manufacturing team in Indonesia.

FUTURE PLANS AND USE OF [REDACTED]

- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the upgrading of dental products and technologies, as well as the enhancement of overall R&D capabilities:
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the recruitment and training of R&D personnel, as well as for collaboration with domestic and international research institutions, universities and professionals to drive technological innovation and product upgrades. We plan to grow our team R&D team to a size of around 150 members in five years, and intend to recruit additional R&D team members with experience and qualifications in dental materials, dental digital products, digital technology and 3D printing;
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the R&D of dental digital products and AI technologies. See “Business — Research and Development — Exploration of Next-Generation Technologies”;
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the R&D of next-generation dental clinical materials, including specialized silicones, next-generation high-performance ceramic composite resins, next-generation advanced bonding materials and next-generation filling materials;
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the construction of offices and laboratories for R&D purpose.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the development of global logistic network, global sales network and global operations center in Europe, U.S., and Southeast Asia:
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the development of global logistic network. We plan to establish warehousing centers, expand global logistic supplier network and implement a global logistics management system. We believe the establishment of such a global logistic network and various warehousing centers in selected regions can significantly expedite the delivery of goods to overseas customers and increase our overseas sales;
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the development of global sales network. We plan to recruit local sales personnel with experience in sales and distribution of medical products and further develop these markets;
 - approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for the development of global operations center. We anticipate such a center to coordinate overseas sales, support, and operations, and we plan to carry out professional training for overseas sales network personnel, conduct various marketing and promotional activities, and enhance digital management of overseas customers and suppliers, among others, through this global operations center.

FUTURE PLANS AND USE OF [REDACTED]

- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for recruiting additional sales personnel during the next five years to further strengthen our sales in China to solidify our domestic market position.
- approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for enhancing our level of digitalization in operation. For example, we plan to optimize the marketing management system by upgrading our existing ERP system to further enhance intelligent customer service, sales data analysis, automated reporting, customer business support, as well as online and offline meeting and training management functions.
- Approximately [REDACTED]%, or HK\$[REDACTED] million, will be used for working capital and other general corporate purposes.

The above allocation of the net [REDACTED] from the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-point of the indicative [REDACTED] range stated in this document.

If the [REDACTED] is exercised in full, the net [REDACTED] that we will receive will be approximately HK\$[REDACTED] million, assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range). In the event that the [REDACTED] is exercised in full, we intend to apply the additional net [REDACTED] to the above purposes in the proportions stated above.

To the extent that the net [REDACTED] from the [REDACTED] are not immediately used for the purposes described above and to the extent permitted by the relevant laws and regulations, they will be placed in short-term demand deposits with authorized and licensed commercial banks or financial institutions.

We will issue an appropriate announcement if there is any material change to the above-proposed use of [REDACTED].

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

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STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

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ACCOUNTANTS’ REPORT

The following is the text of a report received from our Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document.

[To insert the firm’s letterhead with official address upon final stage]

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HUGE DENTAL LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND DBS ASIA CAPITAL LIMITED

Introduction

We report on the historical financial information of Huge Dental Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [●] to [●], which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022 and 2023 (the “Relevant Periods”), and the combined statements of financial position of the Group as at 31 December 2022 and 2023, and material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [●] to [●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2022 and 2023 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim and interim comparative financial information

We have reviewed the interim financial information of the Group which comprises the combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the nine months ended 30 September 2023 and 2024, and the combined statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2024 and other explanatory information (the “Interim Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes

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ACCOUNTANTS' REPORT

us to believe that the Interim Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [●] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

Certified Public Accountants

Hong Kong

[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”).

The Historical Financial Information and the unaudited Interim Financial Information are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF PROFIT OR LOSS

	<i>Notes</i>	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
REVENUE	5	280,072	357,613	267,247	303,744
Cost of sales		(126,336)	(153,917)	(114,310)	(123,851)
Gross profit		153,736	203,696	152,937	179,893
Other income and gains	5	10,898	22,309	15,031	16,495
Selling and distribution expenses		(50,130)	(67,786)	(49,957)	(51,708)
Administrative expenses		(27,922)	(29,904)	(20,216)	(25,694)
Research and development expenses		(19,547)	(23,823)	(15,676)	(21,100)
Impairment losses on financial assets, net		(163)	(411)	(683)	(448)
Other expenses		(416)	(406)	(81)	(2,521)
Finance costs	7	(517)	(1,468)	(1,254)	(1,448)
Exchange gains/(losses)		10,859	3,598	6,754	(1,637)
PROFIT BEFORE TAX	6	76,798	105,805	86,855	91,832
Income tax expense	10	(12,765)	(17,451)	(13,945)	(14,124)
PROFIT FOR THE YEAR/PERIOD		<u>64,033</u>	<u>88,354</u>	<u>72,910</u>	<u>77,708</u>
Attributable to:					
Owners of the parent		69,296	92,436	76,003	79,283
Non-controlling interests		(5,263)	(4,082)	(3,093)	(1,575)
		<u>64,033</u>	<u>88,354</u>	<u>72,910</u>	<u>77,708</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT					
Basic and diluted	12	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
PROFIT FOR THE YEAR/PERIOD	<u>64,033</u>	<u>88,354</u>	<u>72,910</u>	<u>77,708</u>
OTHER COMPREHENSIVE INCOME				
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on				
translation of foreign operations	<u>1,254</u>	<u>33</u>	<u>320</u>	<u>(719)</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods . . .	<u>1,254</u>	<u>33</u>	<u>320</u>	<u>(719)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX .	<u>1,254</u>	<u>33</u>	<u>320</u>	<u>(719)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	<u><u>65,287</u></u>	<u><u>88,387</u></u>	<u><u>73,230</u></u>	<u><u>76,989</u></u>
Attributable to:				
Owners of the parent	70,550	92,469	76,323	78,564
Non-controlling interests	<u>(5,263)</u>	<u>(4,082)</u>	<u>(3,093)</u>	<u>(1,575)</u>
	<u><u>65,287</u></u>	<u><u>88,387</u></u>	<u><u>73,230</u></u>	<u><u>76,989</u></u>

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	31 December		30 September
		2022	2023	2024
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
NON-CURRENT ASSETS				
Property, plant and equipment	13	111,789	139,516	165,541
Investment properties	14	17,188	16,367	–
Right-of-use assets	15(a)	30,578	27,567	26,190
Other intangible assets	16	481	231	379
Deferred tax assets	28	4,082	5,690	5,791
Time deposits	21	–	14,336	52,376
Long-term prepayments		452	341	1,097
Derivative financial instruments	20	–	–	243
Total non-current assets		164,570	204,048	251,617
CURRENT ASSETS				
Inventories	17	40,324	45,452	54,177
Trade receivables	18	19,616	22,525	29,357
Prepayments, other receivables and other assets	19	14,346	8,695	13,685
Derivative financial instruments	20	–	3,040	1,614
Pledged deposits	21	–	–	21,022
Time deposits	21	150,981	179,558	152,270
Restricted cash	21	7,365	7,511	10,939
Cash and cash equivalents	21	56,109	91,116	115,571
Total current assets		288,741	357,897	398,635
CURRENT LIABILITIES				
Trade and bills payables	22	3,831	4,940	7,151
Other payables and accruals	23	45,264	55,818	46,970
Contract liabilities	24	38,303	41,845	35,870
Interest-bearing bank and other borrowings	25	13,200	47,221	82,146
Lease liabilities	15(b)	2,522	1,532	712
Derivative financial instruments	20	–	–	166
Provision	26	1,607	1,405	938
Tax payable		5,525	5,136	5,194
Total current liabilities		110,252	157,897	179,147
NET CURRENT ASSETS		178,489	200,000	219,488
TOTAL ASSETS LESS CURRENT LIABILITIES		343,059	404,048	471,105

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	31 December		30 September
		2022	2023	2024
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
TOTAL ASSETS LESS CURRENT				
LIABILITIES		<u>343,059</u>	<u>404,048</u>	<u>471,105</u>
NON-CURRENT LIABILITIES				
Provision	26	3,356	2,934	1,959
Interest-bearing bank and other borrowings	25	–	13,230	25,870
Lease liabilities	15(b)	1,752	205	184
Deferred income	27	3,331	1,641	4,480
Deferred tax liabilities	28	–	13	–
Total non-current liabilities		<u>8,439</u>	<u>18,023</u>	<u>32,493</u>
Net assets		<u>334,620</u>	<u>386,025</u>	<u>438,612</u>
EQUITY				
Equity attributable to owners of the parent				
Share capital	29	N/A	N/A	–
Reserves	31	<u>358,323</u>	<u>413,810</u>	<u>468,702</u>
		358,323	413,810	468,702
Non-controlling interests		<u>(23,703)</u>	<u>(27,785)</u>	<u>(30,090)</u>
Total equity		<u>334,620</u>	<u>386,025</u>	<u>438,612</u>

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share awarded reserve*	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	–	113,847	2,476	(6,502)	20,104	(1,631)	171,714	300,008	(19,640)	280,368
Profit for the year	–	–	–	–	–	–	69,296	69,296	(5,263)	64,033
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	1,254	–	1,254	–	1,254
Total comprehensive income for the year	–	–	–	–	–	1,254	69,296	70,550	(5,263)	65,287
Dividends paid to the then shareholders	–	–	–	–	–	–	(14,472)	(14,472)	–	(14,472)
Share-based payment expenses (note 30)	–	–	2,237	–	–	–	–	2,237	–	2,237
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	1,200	1,200
At 31 December 2022	–	113,847	4,713	(6,502)	20,104	(377)	226,538	358,323	(23,703)	334,620

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ACCOUNTANTS’ REPORT

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share awarded reserve*	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	113,847	4,713	(6,502)	20,104	(377)	226,538	358,323	(23,703)	334,620
Profit for the year	–	–	–	–	–	–	92,436	92,436	(4,082)	88,354
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	33	–	33	–	33
Total comprehensive income for the year	–	–	–	–	–	33	92,436	92,469	(4,082)	88,387
Dividends paid to the then shareholders	–	–	–	–	–	–	(38,592)	(38,592)	–	(38,592)
Share-based payment expenses (note 30)	–	–	1,610	–	–	–	–	1,610	–	1,610
At 31 December 2023	–	113,847	6,323	(6,502)	20,104	(344)	280,382	413,810	(27,785)	386,025

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ACCOUNTANTS’ REPORT

Nine months ended 30 September 2023 (unaudited)

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share awarded reserve*	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	—	113,847	4,713	(6,502)	20,104	(377)	226,538	358,323	(23,703)	334,620
Profit for the period (unaudited) ..	—	—	—	—	—	—	76,003	76,003	(3,093)	72,910
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations (unaudited)	—	—	—	—	—	320	—	320	—	320
Total comprehensive income for the period (unaudited)	—	—	—	—	—	320	76,003	76,323	(3,093)	73,230
Dividends paid to the then shareholders (unaudited).....	—	—	—	—	—	—	(38,592)	(38,592)	—	(38,592)
Share-based payment expenses (note 30) (unaudited)	—	—	1,432	—	—	—	—	1,432	—	1,432
At 30 September 2023 (unaudited)	—	113,847	6,145	(6,502)	20,104	(57)	263,949	397,486	(26,796)	370,690

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ACCOUNTANTS’ REPORT

Nine months ended 30 September 2024 (unaudited)

	Attributable to owners of the parent									
	Share capital	Capital reserve*	Share awarded reserve*	Other reserves*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained earnings*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2024	–	113,847	6,323	(6,502)	20,104	(344)	280,382	413,810	(27,785)	386,025
Profit for the period (unaudited)	–	–	–	–	–	–	79,283	79,283	(1,575)	77,708
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations (unaudited)	–	–	–	–	–	(719)	–	(719)	–	(719)
Total comprehensive income for the period (unaudited)	–	–	–	–	–	(719)	79,283	78,564	(1,575)	76,989
Dividends paid to the then shareholders (unaudited)	–	–	–	–	–	–	(26,934)	(26,934)	–	(26,934)
Share-based payment expenses (note 30) (unaudited)	–	–	2,432	–	–	–	–	2,432	–	2,432
Capital contribution by a non-controlling shareholder of a subsidiary (unaudited)	–	–	–	830	–	–	–	830	(730)	100
At 30 September 2024 (unaudited)	–	113,847	8,755	(5,672)	20,104	(1,063)	332,731	468,702	(30,090)	438,612

* These reserve accounts comprise the combined reserves of RMB358,323,000, RMB413,810,000 and RMB468,702,000 (unaudited) in the combined statements of financial position as at 31 December 2022, 31 December 2023 and 30 September 2024, respectively.

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ACCOUNTANTS’ REPORT

COMBINED STATEMENTS OF CASH FLOWS

	<i>Notes</i>	<u>Year ended 31 December</u>		<u>Nine months ended 30 September</u>	
		<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		76,798	105,805	86,855	91,832
Adjustments for:					
Finance costs	7	517	1,468	1,254	1,448
Interest income	5	(2,992)	(11,113)	(8,781)	(11,499)
Losses on disposal of items of property, plant and equipment	6	8	47	32	671
Losses on disposal of right-of-use assets	6	110	21	21	–
Gain on disposal of a subsidiary	33	–	(1,267)	–	–
Gains on disposal of derivative financial instruments	6	(57)	–	–	(693)
Fair value (gains)/losses on derivative financial instruments	6	(852)	(952)	(2,478)	1,325
Write-down of inventories to net realisable value	6	799	114	499	56
Impairment of trade receivables, net	18	134	435	692	418
Impairment of other receivables, net	19	29	(24)	(9)	30
Depreciation of property, plant and equipment	13	8,229	9,554	6,089	8,983
Depreciation of investment properties	14	595	595	446	417
Depreciation of right-of-use assets	6	2,348	2,358	1,921	1,524
Amortisation of other intangible assets	16	244	250	184	187
Assets-related government grants released		(147)	(206)	(154)	(156)
Foreign exchange differences, net		(8,726)	(1,496)	(5,120)	1,738
Share-based payments expense	30	2,237	1,610	1,432	2,432
		<u>79,274</u>	<u>107,199</u>	<u>82,883</u>	<u>98,713</u>

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	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Increase in inventories	(5,406)	(5,242)	(6,313)	(8,781)
Increase in trade receivables	(2,352)	(3,522)	(6,782)	(7,250)
(Increase)/decrease in				
prepayments, other receivables				
and other assets	(3,742)	5,807	6,538	(4,925)
Increase in trade and bills				
payables	1,086	1,114	6,392	2,211
Increase/(decrease) in other				
payables and accruals	3,466	6,337	(3,858)	(8,971)
Increase/(decrease) in contract				
liabilities	2,120	3,542	6,478	(5,975)
Changes in provision	405	(624)	(417)	(1,442)
Increase/(decrease) in deferred				
income	1,233	(1,484)	(1,490)	(5)
Decrease/(increase) in restricted				
cash	14,327	(146)	(423)	(3,428)
Cash generated from operations . . .	90,411	112,981	83,008	60,147
Interest received	537	837	586	3,624
Income tax paid	(9,294)	(19,024)	(14,631)	(14,180)
Net cash flows from operating				
activities	81,654	94,794	68,963	49,591

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	<i>Notes</i>	<u>Year ended 31 December</u>		<u>Nine months ended 30 September</u>	
		<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Net cash flows from operating activities		<u>81,654</u>	<u>94,794</u>	<u>68,963</u>	<u>49,591</u>
CASH FLOWS FROM					
INVESTING ACTIVITIES					
Interest received		1,292	5,114	779	5,773
Purchases of items of property, plant and equipment		(26,752)	(33,701)	(22,823)	(20,460)
Proceeds from disposal of items of property, plant and equipment		–	19	–	350
Receipt of government grants for property, plant and equipment		758	–	–	3,000
Additions to other intangible assets		(98)	–	–	(335)
Disposal of a subsidiary, net of cash	33	–	2,697	–	–
Mainland China corporate income tax paid on investing activities		–	(411)	–	–
Proceeds from disposal of right of use assets		10,776	–	–	–
Purchases of derivative financial instruments		–	(2,088)	(1,548)	–
Proceeds from disposal of derivative financial instruments		–	–	–	717
Investment in placement of deposits with original maturity of more than three months when acquired		(292,918)	(188,754)	(98,004)	(118,732)
Proceeds from maturity of deposits with original maturity of more than three months when acquired		<u>167,555</u>	<u>150,981</u>	<u>52,235</u>	<u>108,389</u>
Net cash flows used in investing activities		<u>(139,387)</u>	<u>(66,143)</u>	<u>(69,361)</u>	<u>(21,298)</u>

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	<i>Notes</i>	<u>Year ended 31 December</u>		<u>Nine months ended 30 September</u>	
		<u>2022</u>	<u>2023</u>	<u>2023</u>	<u>2024</u>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
CASH FLOWS FROM					
FINANCING ACTIVITIES					
Capital contribution by a					
non-controlling shareholder . . .		1,200	–	–	100
Payment of issuance cost		–	–	–	(95)
Placement of pledged time					
deposits		–	–	–	(21,022)
New interest-bearing bank					
and other borrowings		13,200	75,290	64,093	94,637
Repayment of interest-bearing					
bank and other borrowings . . .		(5,000)	(28,070)	(22,670)	(47,190)
Interest paid for interest-bearing					
bank borrowings		(200)	(1,130)	(293)	(1,163)
Principal portion of lease					
payments	<i>15(b)</i>	(2,187)	(2,539)	(2,089)	(1,360)
Interest portion of lease					
payments	<i>15(b)</i>	(223)	(156)	(130)	(44)
Dividends paid		(14,472)	(38,592)	(38,592)	(26,934)
Net cash flows (used in)/from					
financing activities		<u>(7,682)</u>	<u>4,803</u>	<u>319</u>	<u>(3,071)</u>
NET (DECREASE)/INCREASE					
IN CASH AND CASH					
EQUIVALENTS					
		(65,415)	33,454	(79)	25,222
Cash and cash equivalents at					
beginning of year/period		113,605	56,109	56,109	91,116
Effect of foreign exchange rate					
changes, net		<u>7,919</u>	<u>1,553</u>	<u>2,429</u>	<u>(767)</u>
CASH AND CASH					
EQUIVALENTS AT END OF					
YEAR/PERIOD					
	<i>21</i>	<u>56,109</u>	<u>91,116</u>	<u>58,459</u>	<u>115,571</u>
ANALYSIS OF BALANCES OF					
CASH AND CASH					
EQUIVALENTS					
Cash and bank balances		63,474	90,836	66,247	136,320
Time deposits		150,981	201,685	207,189	215,858

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	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
<i>Notes</i>				
Less:				
Pledged deposit	–	–	–	21,022
Time deposits with maturity of over three months	150,981	193,894	207,189	204,646
Restricted cash	<u>7,365</u>	<u>7,511</u>	<u>7,788</u>	<u>10,939</u>
Cash and cash equivalents as stated in the statement of financial position and cash flows	<u>56,109</u>	<u>91,116</u>	<u>58,459</u>	<u>115,571</u>

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STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	30 September
	2024
	<i>RMB'000</i>
	<i>(unaudited)</i>
CURRENT ASSETS	
Prepayments, other receivables and other assets	_*
Total current assets	_*
NET CURRENT ASSETS	_*
TOTAL ASSETS LESS CURRENT LIABILITIES	_*
NET ASSETS	_*
EQUITY	
Equity attributable to owners of the parent	
Share capital	_*
Total equity	_*

The Company was incorporated in the Cayman Islands on 7 August 2024. On its date of incorporation, 100,000,000 shares of US\$0.000001 each was allotted (note 29).

* The amount is less than RMB1,000.

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II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 7 August 2024. The registered office address of the Company is PO Box 31119, Grand Pavilion, Hibiscus Way, Seven Mile Beach, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the nine months ended 30 September 2024, the Company’s subsidiaries were principally engaged in developing and manufacturing dental material products.

The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Document. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

In the opinion of the directors of the Company, since the completion date of the Reorganization, Mr. SONG Xin (宋欣) is the ultimate controlling shareholder of the Company.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries. The particulars of principal subsidiaries are set out below:

Entity name [#]	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
山東滬鵠口腔醫療集團有限公司 (“Shandong Huge Dental Material Co., Ltd.”)	(a)	the People’s Republic of China (the “PRC”)/Mainland China 24 November 2006	RMB39,888,500	–	100%	Research, development, manufacture and sales of dental material products
上海滬鵠醫療器械有限公司 (“Shanghai Huge Medical Equipment Co., Ltd.”)	(c)	PRC/Mainland China 28 August 2013	RMB1,000,000	–	100%	Sales of dental material products in domestic market
北京因卓越生物科技股份有限公司 (“Beijing Yinzhuoyue Biotechnology Co., Ltd.”)	(c)	PRC/Mainland China 23 November 2012	RMB2,000,000	–	100%	Research and development
日照滬鵠生物材料有限公司 (“Rizhao Huge Biological Materials Co., Ltd.”)	(b)	PRC/Mainland China 22 April 2016	RMB2,400,000	–	75%	Research, development and manufacture of dental material products
Vincismile Group, LLC	(c)	United States of America (“US”) 11 April 2017	United States dollars (“USD”) 5,000,000	–	100%	Sales of dental material products
青島達芬奇科技有限公司 (“Qingdao Da Vinci Technology Co., Ltd.”)	(c)	PRC/Mainland China 21 July 2015	RMB11,100,000	–	75%	Research and development of material products
青島達芬奇口腔醫療有限公司 (“Qingdao Da Vinci Dental Medical Co., Ltd.”)	(c)	PRC/Mainland China 28 January 2019	RMB5,000,000	–	100%	Sales of dental material products

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Entity name [#]	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interest attributable to the Company		Principal activities
				Direct	Indirect	
上海欣康澤實業有限公司 (“Shanghai Xinkangze Industrial Co., Ltd.”)	(c)	PRC/Mainland China 11 September 2012	RMB32,510,000	–	100%	Property holding
青島滬鵠口腔醫療科技有限公司 (“Qingdao Huge Dental Medical Technology Co., Ltd.”)	(c)	PRC/Mainland China 05 June 2019	RMB100,000,000	–	100%	Research and development of dental material products
上海滬鵠科技有限公司 (“Shanghai Huge Technology Co., Ltd.”)	(c)	PRC/Mainland China 10 June 2021	RMB1,000,000	–	100%	Property holding
Huge Dental International (Singapore) Limited	(c)	Singapore 26 April 2023	USD3,800,000	–	100%	Sales of dental material products
蘇州滬鵠數字科技有限公司 (“Suzhou Huge Digital Technology Co., Ltd.”)	(c)	PRC/Mainland China 27 May 2024	RMB5,000,000	–	100%	Research and development of dental material products
歐蘭香港有限公司 (“Vincismile Hong Kong Limited”)	(c)	Hong Kong 16 August 2023	USD100,000	–	100%	Research and development of dental material products
Huge Dental International Limited	(c)	British Virgin Islands (“BVI”) 20 August 2024	USD50,000	100%	–	Investment holding
PT HUGE DENTAL INDONESIA	(c)	Republic of Indonesia 25 April 2024	IDR12,500,000,000	–	100%	Manufacture and sales of dental material products
Huge Dental Hong Kong Limited	(c)	Hong Kong 5 September 2024	USD1	–	100%	Investment holding
Huge Dental International (Hong Kong) Limited	(c)	Hong Kong 16 August 2023	USD100,000	–	100%	Sales of dental material products

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

Notes:

- (a) The statutory financial statements of Shandong Huge Dental Material Co., Ltd. for the years ended 31 December 2022 and 2023 prepared in accordance with the Accounting Standards for Business Enterprises (“ASBEs”) were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)).
- (b) The statutory financial statements of Rizhao Huge Biological Materials Co., Ltd. for the year ended 31 December 2022 prepared in accordance with ASBEs were audited by Shandong Ruixing United Certified Public Accountants LLP (山東瑞星聯合會計師事務所(特殊普通合夥)). The statutory financial statements of Rizhao Huge Biological Materials Co., Ltd. for the year ended 31 December 2023 prepared in accordance with ASBEs were audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)).
- (c) No audited financial statements have been prepared for these entities for the years ended 31 December 2022 and 2023, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

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ACCOUNTANTS’ REPORT

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group subsequent to the end of the Relevant Periods on 12 December 2024. As the Reorganization only involved inserting new holding entities, including a wholly foreign-owned enterprise (WFOE), at the top of the PRC operating entity, the then holding company of the Group, and has not resulted in a change of respective voting and beneficial interests, the transaction did not result in any change of economic substance. Accordingly, for the purpose of this report, the Historical Financial Information and the unaudited Interim Financial Information have been prepared on a combined basis by applying the principles of merger accounting as if the Reorganization had been completed at the beginning of the Relevant Periods.

The combined statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the nine months ended 30 September 2023 and 2024 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses were established, whichever is the shorter period. The combined statements of financial position of the Group as at 31 December 2022 and 2023 and 30 September 2024 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholder’s perspective. No adjustments have been made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders, and changes therein, prior to the Reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on combination.

2.2 BASIS OF PREPARATION

The Historical Financial Information and the unaudited Interim Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“IASB”). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information and the unaudited Interim Financial Information throughout the Relevant Periods and the nine months ended 30 September 2023 and 2024.

The Historical Financial Information and the unaudited Interim Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

Basis of combination

The Historical Financial Information and the unaudited Interim Financial Information includes the financial statements of the Group for the Relevant Periods and the nine months ended 30 September 2023 and 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are combined from the date on which the Group obtains control, and continue to be combined until the date that such control ceases.

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Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information and unaudited Interim Financial Information. The Group intends to apply these new and revised IFRSs, if applicable, when they become effective.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	<i>Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7</i> ²

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual periods/reporting beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRSs. IFRS 18 and the consequential amendments to other IFRSs are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and additional disclosure will be included in the financial statements.

So far, the Group has concluded that the adoption of those IFRSs will not have a material impact on the Group’s financial position and financial performance.

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2.4 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures certain of its financial assets and financial liabilities at fair value at the end of each of the Relevant Periods and the nine months ended 30 September 2024. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information and the unaudited Interim Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.17% to 9.50%
Leasehold improvements	20.00%
Plant and machinery	6.33% to 33.33%
Tools, furniture and fixtures	9.5% to 33.33%
Motor vehicles	19.00% to 23.75%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, the Group measures its investment property at cost less depreciation and any impairment losses. Depreciation is calculated using the straight-line method over the estimated useful lives of 30 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment properties and owner-occupied properties do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Patents

Purchased patents are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 5 years.

Software

Purchased software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life of 3 to 5 years.

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Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1 to 5 years
Land use rights	50 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of the lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

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Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s combined statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. To measure the expected credit losses, trade receivables have been assessed on individual basis for debtors in severe financial difficulty, or collectively basis by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience, adjusted as appropriate to reflect current and forward-looking factors specific to the debtors and economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as derivative financial instruments at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

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Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the combined statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Initial recognition and subsequent measurement

The derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Change in fair value of the derivative financial instruments are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the moving weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group’s cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

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When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the combined statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of dental material products

The Group are principally involved in the manufacture and sale of dental material products in Mainland China and other countries/jurisdictions.

Revenue from sales of products is recognised when the Group has delivered products to the location specified in the sales contract and the customer has confirmed the acceptance of the products.

Revenue from overseas sales of products is recognised when the products have been loaded on board and shipped out of the port or delivered products at the place agreed with the customer and confirmed acceptance in accordance with the sales contract.

Some contracts for the sale of dental material products provide customers with rights of return and volume rebates, giving rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognised.

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(b) Provision of invisible orthodontics aligner treatment solutions

The Group's invisible orthodontics aligner treatment solutions typically comprise deliverables including treatment design service and clear aligners products which are transferred to public hospitals and private dental clinics, the Group's customers, in batches. The above deliverables as a whole in each solution service contract represent one performance obligation to the Group's customers. Since the Group's invisible orthodontics aligner treatment solutions do not create an asset with an alternative use for the Group and the Group has an enforceable right to payment for performance completed to date, revenue in respect of aligner treatment solutions is recognised over time during the period of the contract using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for the provision of aligner treatment solutions.

In addition to direct sales, the Group's aligner treatment solutions are also distributed to public hospitals and private dental clinics through third-party distributors. These distributors possess the requisite business licenses and permits to sell medical devices and have established relationships with public hospitals and private dental clinics within their regions, and therefore, they are treated as the vendors of public hospitals and private dental clinics. The Group recognises its revenue from rendering clear aligner treatment solutions based on the wholesale prices as agreed with distributors using the input method.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Share-based payments

The Group operates employee share plans for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. Further details are given in note 30 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

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For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Other employee benefits

Pension scheme

The employees of the Group which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance injury, insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group’s liability in respect of these funds is limited to the contributions payable in each period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Determining the method to estimate variable consideration and assessing the constraint for the sale of dental material products

Certain contracts for the sale of dental material products include a right of volume rebates that give rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

In estimating the variable consideration for the sale of dental material products with volume rebates, the Group determined that using a combination of the most likely amount method and the expected value method is appropriate. The selected method that better predicts the amount of variable consideration related to volume rebates is primarily driven by the number of volume thresholds contained in the contract. The most likely amount method is used for those contracts with a single volume threshold, while the expected value method is used for contracts with more than one volume threshold.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for volume rebates

The Group estimates variable consideration to be included in the transaction price for the sale of dental material products with volume rebates.

The Group's expected volume rebates are analysed on a per customer basis for contracts that are subject to a single volume threshold. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and accumulated purchases to date.

The Group has applied a statistical model for estimating expected volume rebates for contracts with more than one volume threshold. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

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The Group updates its assessment of expected volume rebates monthly and the volume rebate accruals and payables are adjusted accordingly. The liabilities for the volume rebates at the end of each reporting period are recorded as “other payables and accruals-volume rebates” in note 23 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade receivables

Except for certain trade receivables and other receivables that the ECLs are individually assessed based on estimated cash flows, considering historical and forward-looking information, the Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on ageing of trade receivables for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables and other receivables are disclosed in note 18 and note 19 to the Historical Financial Information and the unaudited Interim Financial Information, respectively.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each reporting period based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group manages its businesses as a whole by the most senior executive management for the purposes of resource allocation and performance assessment. The Group’s chief operating decision maker is the chief executive officer of the Group, who reviews the Group’s consolidated results of operations for the purpose of making decisions about resource allocation and performance assessment. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions. Accordingly, no reportable segment information is presented.

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Geographical information

(a) Revenue from external customers

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Mainland China	195,068	248,347	185,699	208,278
Europe	30,252	36,683	27,494	37,495
North America	31,034	36,514	27,543	29,420
Asia, other than Mainland China and Southeast Asia	13,514	19,645	14,216	18,860
Southeast Asia	7,259	8,763	6,692	7,848
Other countries/regions	2,945	7,661	5,603	1,843
Total revenue	<u>280,072</u>	<u>357,613</u>	<u>267,247</u>	<u>303,744</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

Approximately all of the Group’s non-current assets as at the end of each of the Relevant Periods and 30 September 2023 and 2024 were located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

No revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group’s revenue for each of the Relevant Periods and the nine months ended 30 September 2023 and 2024.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Revenue from contracts with customers	<u>277,999</u>	<u>355,671</u>	<u>265,758</u>	<u>303,004</u>
Revenue from other sources				
Gross rental income from investment property operating leases	<u>2,073</u>	<u>1,942</u>	<u>1,489</u>	<u>740</u>
Total	<u>280,072</u>	<u>357,613</u>	<u>267,247</u>	<u>303,744</u>

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ACCOUNTANTS’ REPORT

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Types of goods or services				
Dental clinical products	148,930	194,642	143,664	172,837
Dental laboratory products	122,630	152,552	116,013	122,979
Dental digital products	398	2,760	1,913	2,485
Others	6,041	5,717	4,168	4,703
Total	<u>277,999</u>	<u>355,671</u>	<u>265,758</u>	<u>303,004</u>
Geographical markets				
Mainland China	192,995	246,405	184,210	207,538
Europe	30,252	36,683	27,494	37,495
North America	31,034	36,514	27,543	29,420
Asia, other than Mainland China and Southeast Asia	13,514	19,645	14,216	18,860
Southeast Asia	7,259	8,763	6,692	7,848
Other countries/regions	2,945	7,661	5,603	1,843
Total	<u>277,999</u>	<u>355,671</u>	<u>265,758</u>	<u>303,004</u>
Timing of revenue recognition				
Products or services transferred at a point in time				
Dental clinical products	125,018	168,477	123,509	154,217
Dental laboratory products	122,630	152,552	116,013	122,979
Dental digital products	398	2,760	1,913	2,485
Others	2,302	2,037	1,428	1,645
Products or services transferred over time				
Dental clinical products (note)	23,912	26,165	20,155	18,620
Others	3,739	3,680	2,740	3,058
Total	<u>277,999</u>	<u>355,671</u>	<u>265,758</u>	<u>303,004</u>

Note:

Invisible orthodontics aligners offered as comprehensive full-cycle treatment packages (with aligner treatment solutions) is included in dental clinical products.

The following table shows the amounts of revenue recognised in each of the Relevant Periods and the nine months ended 30 September 2023 and 2024 that were included in the contract liabilities at the beginning of the Relevant Periods and the nine months ended 30 September 2023 and 2024:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Sales of dental material products	<u>32,782</u>	<u>31,951</u>	<u>25,940</u>	<u>25,106</u>

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(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Sale of dental material products

The performance obligation of domestic sale is satisfied upon acceptance of the products. Revenue from overseas sales of products is recognised when the products have been loaded on board and shipped out of the port or delivered products at the place agreed with the customer and confirmed acceptance in accordance with the sales contract. Payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

Provision of invisible orthodontics aligners treatment solutions

The performance obligation is satisfied over time as services and goods are rendered and payment in advance is normally required.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2023 and 30 September 2023 and 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Amounts expected to be recognised as revenue:				
Within one year	14,267	15,154	13,856	12,893
After one year	24,036	26,691	27,573	22,977
Total	<u>38,303</u>	<u>41,845</u>	<u>41,429</u>	<u>35,870</u>

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
<u>Other income</u>				
Government grants	6,752	8,644	3,758	3,915
Bank interest income	2,992	11,113	8,781	11,499
Total other income	<u>9,744</u>	<u>19,757</u>	<u>12,539</u>	<u>15,414</u>
<u>Gains</u>				
Gains on financial assets at fair value through profit or loss	57	–	–	693
Fair value gains on derivative financial instruments	852	1,269	2,478	326
Gain on disposal of a subsidiary	–	1,267	–	–
Others	245	16	14	62
Total gains	<u>1,154</u>	<u>2,552</u>	<u>2,492</u>	<u>1,081</u>
Total other income and gains	<u>10,898</u>	<u>22,309</u>	<u>15,031</u>	<u>16,495</u>

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ACCOUNTANTS’ REPORT

6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Cost of inventories sold and services provided*		126,336	153,917	114,310	123,851
Depreciation of property, plant and equipment	13	8,229	9,554	6,089	8,983
Depreciation of investment properties	14	595	595	446	417
Depreciation of right-of-use assets	15(a)	2,848	2,858	2,296	1,899
Less: Amount capitalised		500	500	375	375
Total		2,348	2,358	1,921	1,524
Amortisation of other intangible assets	16	244	250	184	187
Research and development expenses*		19,547	23,823	15,676	21,100
Lease payments not included in the measurement of lease liabilities	15(c)	159	19	14	32
[REDACTED] expenses		–	–	–	390
Auditor’s remuneration		815	780	11	232
Employee benefit expenses (excluding directors’ and chief executive’s remuneration) (note 8)*:					
Wages, salaries and other allowances		83,981	96,785	72,043	81,074
Pension scheme contributions		5,708	6,730	5,044	5,846
Share-based payments expenses		2,237	1,610	1,432	2,432
Total		91,926	105,125	78,519	89,352
Foreign exchange differences, net		10,859	3,598	6,754	(1,637)
Impairment on financial assets, net:					
Impairment of trade receivables, net	18	134	435	692	418
Impairment of financial assets included in prepayments, other receivables and other assets	19	29	(24)	(9)	30
Total		163	411	683	448
Write-down of inventories to net realisable value		799	114	499	56
Interest income	5	(2,992)	(11,113)	(8,781)	(11,499)
Losses on disposal of items of property, plant and equipment		8	47	32	671
Gains on disposal of derivative financial instruments		(57)	–	–	(693)
Fair value (gains)/losses on derivative financial instruments		(852)	(952)	(2,478)	1,325
Gain on disposal of a subsidiary		–	(1,267)	–	–
Losses on disposal of right-of-use assets		110	21	21	–

* Cost of inventories sold and services provided and research and development expenses include impairment of inventories, expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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ACCOUNTANTS’ REPORT

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Interest on bank and other borrowings	294	1,419	1,135	2,034
Interest on lease liabilities	223	156	130	44
Subtotal	517	1,575	1,265	2,078
Less: Interest capitalised	–	107	11	630
	<u>517</u>	<u>1,468</u>	<u>1,254</u>	<u>1,448</u>

8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

On 7 August 2024, Mr. SONG Xin was appointed as the director and chief executive and a director of the Company.

Subsequent to 30 September 2024, Mr. LIU Qin, Ms. ZHANG Yongjing and Mr. XIANG Longsheng were appointed as executive directors of the Company on 27 January 2025. Mr. YI Shanbing, Mr. WONG Fatt Heng and Mr. WANG Lin were appointed as independent non-executive directors of the Company on 7 February 2025 effective from the [REDACTED].

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointments as directors of these subsidiaries. Details of the remuneration received or receivable by the directors from the Group are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Fees:	60	60	45	45
Other emoluments:				
Salaries, allowances and benefits in kind	2,293	2,073	1,548	2,926
Performance related bonuses*	983	2,495	899	1,416
Pension scheme contributions	188	221	160	190
Equity-settled share-based payments**	2,237	1,610	1,432	2,222
Subtotal.	5,701	6,399	4,039	6,754
Total	<u>5,761</u>	<u>6,459</u>	<u>4,084</u>	<u>6,799</u>

* Executive directors of the Company are entitled to bonus payments which are determined according to their performance.

** During the Relevant Periods and the nine months ended September 30, 2023 and 2024, incentives were granted to one of the directors of the Company in respect of his service to the Group, further details of which are set out in note 30 to the Historical Financial Information. The fair value of such share incentive awards, which has been recognized in profit or loss, was determined as at the date of grant and the amounts included in the Historical Financial Information for the Relevant Periods and the nine months ended September 30, 2023 and 2024 are included in the above directors’ and chief executive’s remuneration disclosures.

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(a) Independent non-executive directors

The fees paid to independent non-executive directors who were appointed subsequent to the end of the Relevant Periods and September 30, 2024 were as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Mr. YI Shanbing	60	60	45	45
Mr. WONG Fatt Heng	–	–	–	–
Mr. WANG Lin	–	–	–	–
Total	<u>60</u>	<u>60</u>	<u>45</u>	<u>45</u>

(b) Executive directors and the chief executive

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2022					
Executive director and chief executive:					
Mr. SONG Xin	<u>912</u>	<u>263</u>	<u>63</u>	<u>2,237</u>	<u>3,475</u>
Executive directors:					
Mr. LIU Qin	557	380	63	–	1,000
Ms. ZHANG Yongjing	466	200	31	–	697
Mr. XIANG Longsheng	<u>358</u>	<u>140</u>	<u>31</u>	<u>–</u>	<u>529</u>
Subtotal	<u>1,381</u>	<u>720</u>	<u>125</u>	<u>–</u>	<u>2,226</u>
Total	<u>2,293</u>	<u>983</u>	<u>188</u>	<u>2,237</u>	<u>5,701</u>

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Year ended 31 December 2023					
Executive director and chief executive:					
Mr. SONG Xin	<u>533</u>	<u>1,295</u>	<u>68</u>	<u>1,610</u>	<u>3,506</u>
Executive directors:					
Mr. LIU Qin	568	867	68	–	1,503
Ms. ZHANG Yongjing	468	200	31	–	699
Mr. XIANG Longsheng	<u>504</u>	<u>133</u>	<u>54</u>	<u>–</u>	<u>691</u>
Subtotal	<u>1,540</u>	<u>1,200</u>	<u>153</u>	<u>–</u>	<u>2,893</u>
Total	<u>2,073</u>	<u>2,495</u>	<u>221</u>	<u>1,610</u>	<u>6,399</u>

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	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Nine months ended					
30 September 2023					
(unaudited)					
Executive director and chief executive:					
Mr. SONG Xin	399	338	50	1,432	2,219
Executive directors:					
Mr. LIU Qin	427	311	50	–	788
Ms. ZHANG Yongjing	351	150	24	–	525
Mr. XIANG Longsheng	371	100	36	–	507
Subtotal	<u>1,149</u>	<u>561</u>	<u>110</u>	<u>–</u>	<u>1,820</u>
Total	<u>1,548</u>	<u>899</u>	<u>160</u>	<u>1,432</u>	<u>4,039</u>

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Nine months ended					
30 September 2024					
(unaudited)					
Executive director and chief executive:					
Mr. SONG Xin	1,308	338	53	2,222	3,921
Executive directors:					
Mr. LIU Qin	769	722	60	–	1,551
Ms. ZHANG Yongjing	422	266	24	–	712
Mr. XIANG Longsheng	427	90	53	–	570
Subtotal	<u>1,618</u>	<u>1,078</u>	<u>137</u>	<u>–</u>	<u>2,833</u>
Total	<u>2,926</u>	<u>1,416</u>	<u>190</u>	<u>2,222</u>	<u>6,754</u>

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the nine months ended 30 September 2023 and 2024 included two, two, two and three directors. Details of the director’s remuneration are set out in note 8 above.

Details of the remuneration of the remaining three, three, three and two highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Salaries, bonuses, allowances and benefits in kind	1,449	1,558	1,205	1,097
Performance related bonuses*.	977	1,321	991	599
Pension scheme contributions	100	109	43	80
Equity-settled share-based payments.	–	–	–	210
Total	<u>2,526</u>	<u>2,988</u>	<u>2,239</u>	<u>1,986</u>

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The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following band are as follows:

	Number of employees			
	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
		(unaudited)	(unaudited)	
Nil to Hong Kong Dollars (“HKD”) 1,000,000	2	1	3	1
HKD1,000,001 to HKD1,500,000	1	2	–	1
Total	3	3	3	2
	=	=	=	=

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC corporate income tax

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the EIT rate for the Group’s PRC subsidiaries is 25% unless they are subject to preferential tax rates as set out below.

The Company’s subsidiaries, Shandong Huge Dental Material Co., Ltd., was qualified as a High and New Technology Enterprise (“HNTE”) in 2011 and the qualification was renewed in 2014, 2017, 2020 and 2023, Qingdao Da Vinci Technology Co., Ltd. was qualified as HNTE in 2019 and renewed in 2022. They were therefore entitled to a preferential income tax rate of 15% during the Relevant Periods and the nine months ended 30 September 2023 and 2024. Such qualifications are subject to review by the relevant tax authority in the PRC for every three years.

Certain subsidiaries of the Group have applied for the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC’s State Administration of Taxation. Pursuant to the policy announced by the PRC’s State Administration of Taxation, for the period from 1 January 2022 to 31 December 2024, the portion of annual taxable income amount of a Small-Scaled Minimal Profit Corporation which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

Hong Kong profit tax

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods and the nine months ended 30 September 2024, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HKD2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no withholding tax is imposed on the Company in the Cayman Islands.

Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the respective jurisdictions in which the Group operates.

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000	RMB’000
		(unaudited)	(unaudited)	
Current tax:				
Mainland China	13,549	19,046	14,047	13,535
Hong Kong	–	–	–	707
Deferred tax (note 28)	(784)	(1,595)	(102)	(118)
Total	12,765	17,451	13,945	14,124
	=	=	=	=

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A reconciliation of the income tax expense applicable to profit before tax at using the statutory tax rate for the country or jurisdiction in which the majority of the Company’s subsidiaries are domiciled and/or operate to the income tax expense at the effective tax rate is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Profit before tax	76,798	105,805	86,855	91,832
Tax at the statutory tax rate	19,200	26,451	21,713	22,958
Effect of different tax rates	(6,597)	(9,901)	(7,946)	(9,855)
Adjustments in respect of current tax of previous periods	18	12	–	4
Expenses not deductible for tax	395	312	268	438
Tax losses and deductible temporary differences not recognised	2,885	3,418	2,237	3,030
Tax losses utilised from previous periods	(17)	(54)	(280)	–
Additional deductible allowance for research and development costs (a)	(2,282)	(2,787)	(2,047)	(2,451)
Additional deduction of cost of property, plant and equipment	(837)	–	–	–
Tax charge at the Group’s effective rate	<u>12,765</u>	<u>17,451</u>	<u>13,945</u>	<u>14,124</u>

Notes:

- (a) According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim additional deduction for their research and development costs.

11. DIVIDEND

No dividends have been paid or declared by the Company since its date of incorporation.

The Group made distributions to the then shareholder before the completion of the Reorganization in the amounts of RMB14,472,000, RMB38,592,000 and RMB26,934,000 (unaudited) for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the basis of presentation the result of the Group for the Relevant Periods and the nine months ended September 30, 2023 and 2024 as disclosed in note 2.1 to the Historical Financial Information.

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13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Plant and machinery	Tools, furniture and fixtures	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2022							
At 1 January 2022:							
Cost	88,741	1,387	28,061	6,127	1,494	1,143	126,953
Accumulated depreciation	(24,832)	(1,054)	(11,210)	(4,147)	(907)	–	(42,150)
Net carrying amount	<u>63,909</u>	<u>333</u>	<u>16,851</u>	<u>1,980</u>	<u>587</u>	<u>1,143</u>	<u>84,803</u>
At 1 January 2022, net of accumulated depreciation							
	63,909	333	16,851	1,980	587	1,143	84,803
Additions	199	951	5,763	859	–	27,450	35,222
Disposals	–	–	(3)	(4)	–	–	(7)
Depreciation provided during the year	(4,532)	(203)	(2,443)	(916)	(135)	–	(8,229)
Transfers	<u>20,697</u>	<u>–</u>	<u>1,679</u>	<u>–</u>	<u>–</u>	<u>(22,376)</u>	<u>–</u>
At 31 December 2022, net of accumulated depreciation	<u>80,273</u>	<u>1,081</u>	<u>21,847</u>	<u>1,919</u>	<u>452</u>	<u>6,217</u>	<u>111,789</u>
At 31 December 2022:							
Cost	109,637	2,338	35,500	6,982	1,494	6,217	162,168
Accumulated depreciation	(29,364)	(1,257)	(13,653)	(5,063)	(1,042)	–	(50,379)
Net carrying amount	<u>80,273</u>	<u>1,081</u>	<u>21,847</u>	<u>1,919</u>	<u>452</u>	<u>6,217</u>	<u>111,789</u>
31 December 2023							
At 1 January 2023:							
Cost	109,637	2,338	35,500	6,982	1,494	6,217	162,168
Accumulated depreciation	(29,364)	(1,257)	(13,653)	(5,063)	(1,042)	–	(50,379)
Net carrying amount	<u>80,273</u>	<u>1,081</u>	<u>21,847</u>	<u>1,919</u>	<u>452</u>	<u>6,217</u>	<u>111,789</u>
At 1 January 2023, net of accumulated depreciation							
	80,273	1,081	21,847	1,919	452	6,217	111,789
Additions	1,728	–	2,846	468	551	32,864	38,457
Disposals	–	–	(49)	(17)	–	–	(66)
Depreciation provided during the year	(5,308)	(340)	(2,931)	(791)	(184)	–	(9,554)
Disposal of a subsidiary	(1,110)	–	–	–	–	–	(1,110)
Transfers	<u>3,838</u>	<u>–</u>	<u>686</u>	<u>60</u>	<u>–</u>	<u>(4,584)</u>	<u>–</u>
At 31 December 2023, net of accumulated depreciation	<u>79,421</u>	<u>741</u>	<u>22,399</u>	<u>1,639</u>	<u>819</u>	<u>34,497</u>	<u>139,516</u>
At 31 December 2023:							
Cost	114,093	2,338	38,983	7,493	2,045	34,497	199,449
Accumulated depreciation	(34,672)	(1,597)	(16,584)	(5,854)	(1,226)	–	(59,933)
Net carrying amount	<u>79,421</u>	<u>741</u>	<u>22,399</u>	<u>1,639</u>	<u>819</u>	<u>34,497</u>	<u>139,516</u>

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	Buildings	Leasehold improvements	Plant and machinery	Tools, furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
30 September 2024 (unaudited)							
At 1 January 2024:							
Cost	114,093	2,338	38,983	7,493	2,045	34,497	199,449
Accumulated depreciation	(34,672)	(1,597)	(16,584)	(5,854)	(1,226)	–	(59,933)
Net carrying amount	<u>79,421</u>	<u>741</u>	<u>22,399</u>	<u>1,639</u>	<u>819</u>	<u>34,497</u>	<u>139,516</u>
At 1 January 2024, net of accumulated depreciation	79,421	741	22,399	1,639	819	34,497	139,516
Additions (unaudited)	63	70	3,030	842	–	14,451	18,456
Transfers from investment property (unaudited).	17,573	–	–	–	–	–	17,573
Disposals (unaudited)	–	–	(775)	(17)	(229)	–	(1,021)
Depreciation provided during the period (unaudited)	(5,751)	(194)	(2,309)	(528)	(201)	–	(8,983)
Transfers (unaudited)	<u>2,425</u>	<u>–</u>	<u>1,665</u>	<u>9</u>	<u>–</u>	<u>(4,099)</u>	<u>–</u>
At 30 September 2024, net of accumulated depreciation (unaudited)	<u>93,731</u>	<u>617</u>	<u>24,010</u>	<u>1,945</u>	<u>389</u>	<u>44,849</u>	<u>165,541</u>
At 30 September 2024:							
Cost (unaudited)	134,154	2,408	42,903	8,327	1,816	44,849	234,457
Accumulated depreciation (unaudited)	(40,423)	(1,791)	(18,893)	(6,382)	(1,427)	–	(68,916)
Net carrying amount (unaudited)	<u>93,731</u>	<u>617</u>	<u>24,010</u>	<u>1,945</u>	<u>389</u>	<u>44,849</u>	<u>165,541</u>

Certain of the Group’s buildings with net carrying amounts of RMB79,071,000, RMB79,421,000 and RMB67,783,000 (unaudited) as at 31 December 2022, 31 December 2023 and 30 September 2024, respectively, were pledged to secure certain bank loans granted to a subsidiary of the Group (note 25).

Certain of the Group’s buildings with net carrying amounts of RMB25,948,000 (unaudited) as at 30 September 2024 were pledged to secure unused bank facilities granted to a subsidiary of the Group (note 25).

Certain of the Group’s construction in progress with a net carrying amount of Nil, RMB34,497,000 and RMB44,758,000 (unaudited) as at 31 December 2022, 31 December 2023 and 30 September 2024 were pledged to secure bank loans granted to a subsidiary of the Group (note 25).

14. INVESTMENT PROPERTIES

	Year ended 31 December		Nine months ended
	2022	2023	30 September
	RMB'000	RMB'000	RMB'000 (unaudited)
Carrying amount at the beginning of the year/period	17,783	17,188	16,367
Disposal of a subsidiary (note 33)	–	(226)	–
Transfer to owner-occupied property	–	–	(15,950)
Depreciation	(595)	(595)	(417)
Carrying amount at the end of the year/period	<u>17,188</u>	<u>16,367</u>	<u>–</u>

The Group’s investment properties are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The Group’s investment properties are located on the land in the PRC with a land use right period of 50 years for self-owned properties.

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Fair values of the investment properties as at the end of each of the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Investment properties in the PRC	18,251	17,936	–

The fair value estimations for the self-owned properties were classified as Level 3 of the fair value hierarchy.

15. LEASES

The Group as a lessee

The Group has lease contracts for buildings and land. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during each of the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	Buildings	Land use right	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2022	3,862	37,904	41,766
Additions	2,559	–	2,559
Depreciation charge	(2,176)	(672)	(2,848)
Exchange realignment	(13)	–	(13)
Termination	–*	(10,886)	(10,886)
As at 31 December 2022 and 1 January 2023 . . .	4,232	26,346	30,578
Depreciation charge	(2,271)	(587)	(2,858)
Exchange realignment	6	–	6
Termination	(159)	–	(159)
As at 31 December 2023 and 1 January 2024 . . .	1,808	25,759	27,567
Additions (unaudited)	522	–	522
Depreciation charge (unaudited)	(1,457)	(442)	(1,899)
Exchange realignment (unaudited)	–*	–	–*
As at 30 September 2024 (unaudited)	873	25,317	26,190

* The amount is less than RMB1,000.

Certain of the Group’s right-of-use assets with a net carrying amount of RMB2,398,000, RMB25,759,000 and RMB25,317,000 (unaudited) as at 31 December 2022 and 31 December 2023 and 30 September 2024 were pledged to secure bank loans granted to a subsidiary of the Group (note 25).

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(b) Lease liabilities

The carrying amount of lease liabilities and the movements during each of the Relevant Periods and the nine months ended 30 September 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Carrying amount at the beginning of the year/period	3,915	4,274	1,737
New leases	2,559	–	522
Accretion of interest recognised during the year/period	223	156	44
Payments	(2,410)	(2,695)	(1,404)
Exchange realignment	(13)	9	(3)
Termination	–	(7)	–
Carrying amount at the end of year/period	<u>4,274</u>	<u>1,737</u>	<u>896</u>
Analysed into:			
Current portion	2,522	1,532	712
Non-current portion	<u>1,752</u>	<u>205</u>	<u>184</u>

The maturity analysis of lease liabilities is disclosed in note 41 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000 (unaudited)
Interest on lease liabilities	223	156	130	44
Depreciation charge of right-of-use assets	2,848	2,858	1,899	1,899
Loss on early termination of leases	–	21	21	–
Loss on disposal of right-of-use assets	110	–	–	–
Expense relating to leases of low-value assets (included in administrative expenses)	<u>159</u>	<u>19</u>	<u>14</u>	<u>32</u>
Total amount recognised in profit or loss	<u>3,340</u>	<u>3,054</u>	<u>2,064</u>	<u>1,975</u>

(d) The total cash outflow for leases is disclosed in note 34(b) to the Historical Financial Information.

The Group as a lessor

The Group leases its investment properties (note 14) consisting of office buildings and part of its property, plant and equipment (note 13) consisting of buildings for rental in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Details of rental income recognised by the Group during the Relevant Periods and the nine months ended 30 September 2023 and 2024 are included in note 5 to the Historical Financial Information.

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At the end of each of the Relevant Periods and the nine months ended 30 September 2023 and 2024, the undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within one year	1,563	1,115	1,480	97
After one year but within two years	1,385	123	451	–
After two years but within three years	163	–	–	–
Total	<u>3,111</u>	<u>1,238</u>	<u>1,931</u>	<u>97</u>

16. OTHER INTANGIBLE ASSETS

	Patents	Software	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2022			
At 1 January 2022:			
Cost	300	783	1,083
Accumulated amortisation	(65)	(391)	(456)
Net carrying amount	<u>235</u>	<u>392</u>	<u>627</u>
At 1 January 2022, net of accumulated			
amortisation	235	392	627
Additions	–	98	98
Amortisation provided during the year	(60)	(184)	(244)
At 31 December 2022, net of accumulated			
amortisation	<u>175</u>	<u>306</u>	<u>481</u>
At 31 December 2022:			
Cost	300	881	1,181
Accumulated amortisation	(125)	(575)	(700)
Net carrying amount	<u>175</u>	<u>306</u>	<u>481</u>
	<u>Patents</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
31 December 2023			
At 1 January 2023:			
Cost	300	881	1,181
Accumulated amortisation	(125)	(575)	(700)
Net carrying amount	<u>175</u>	<u>306</u>	<u>481</u>
Cost at 1 January 2023, net of accumulated			
amortisation	175	306	481
Amortisation provided during the year	(60)	(190)	(250)
At 31 December 2023, net of accumulated			
amortisation	<u>115</u>	<u>116</u>	<u>231</u>
At 31 December 2023:			
Cost	300	881	1,181
Accumulated amortisation	(185)	(765)	(950)
Net carrying amount	<u>115</u>	<u>116</u>	<u>231</u>

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	<u>Patents</u>	<u>Software</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
30 September 2024 (unaudited)			
At 1 January 2024			
Cost	300	881	1,181
Accumulated amortisation.	(185)	(765)	(950)
Net carrying amount	<u>115</u>	<u>116</u>	<u>231</u>
At 1 January 2024, net of accumulated			
amortisation	115	116	231
Additions (unaudited)	–	335	335
Amortisation provided during the period			
(unaudited)	(45)	(142)	(187)
At 30 September 2024, net of accumulated			
amortisation (unaudited).	<u>70</u>	<u>309</u>	<u>379</u>
At 30 September 2024			
Cost (unaudited)	300	1,216	1,516
Accumulated amortisation (unaudited)	(230)	(907)	(1,137)
Net carrying amount (unaudited).	<u>70</u>	<u>309</u>	<u>379</u>

17. INVENTORIES

	<u>31 December</u>		<u>30 September</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Raw materials	18,874	19,635	24,545
Work in progress	5,755	8,184	9,925
Finished goods	<u>15,695</u>	<u>17,633</u>	<u>19,707</u>
Total	<u>40,324</u>	<u>45,452</u>	<u>54,177</u>

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18. TRADE RECEIVABLES

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Trade receivables	20,586	23,769	31,027
Impairment	(970)	(1,244)	(1,670)
Net carrying amount	<u>19,616</u>	<u>22,525</u>	<u>29,357</u>

The Group’s trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group’s trade receivables are amounts due from companies controlled by controlling shareholder of RMB3,000, Nil and RMB64,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables of the Group as at the end of each of the Relevant Periods and the nine months end 30 September 2024, based on the invoice date and net of loss allowance, is as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Within 1 year.	19,444	22,432	29,097
1 to 2 years.	166	80	249
2 to 3 years.	6	13	11
	<u>19,616</u>	<u>22,525</u>	<u>29,357</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
At beginning of year/period	836	970	1,244
Impairment losses recognised, net (<i>note 6</i>).	134	435	418
Amount written off as uncollectible	–	(161)	9
Exchange realignment	–*	–*	(1)
At end of the year/period	<u>970</u>	<u>1,244</u>	<u>1,670</u>

* The amount is less than RMB1,000.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on invoice date for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

As at 31 December 2022

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Aged within 1 year	3.64%	20,179	735	19,444
Aged 1 to 2 years	16.58%	199	33	166
Aged 2 to 3 years	57.14%	14	8	6
Aged 3 to 4 years	100.00%	57	57	–
Aged 4 to 5 years	100.00%	2	2	–
Aged over 5 years	100.00%	135	135	–
		<u>20,586</u>	<u>970</u>	<u>19,616</u>

As at 31 December 2023

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Aged within 1 year	3.82%	23,034	879	22,155
Aged 1 to 2 years	14.89%	94	14	80
Aged 2 to 3 years	53.57%	28	15	13
Aged 3 to 4 years	100.00%	–	–	–
Aged 4 to 5 years	100.00%	57	57	–
Aged over 5 years	100.00%	2	2	–
Provision on an individual basis . . .	50.00%	554	277	277
		<u>23,769</u>	<u>1,244</u>	<u>22,525</u>

As at 30 September 2024 (unaudited)

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Provision on a collective basis:				
Aged within 1 year	3.76%	29,957	1,126	28,831
Aged 1 to 2 years	17.89%	95	17	78
Aged 2 to 3 years	60.71%	28	17	11
Aged 3 to 4 years	100.00%	15	15	–
Aged 4 to 5 years	100.00%	–	–	–
Aged over 5 years	100.00%	57	57	–
Provision on an individual basis . . .	50.00%	875	438	437
		<u>31,027</u>	<u>1,670</u>	<u>29,357</u>

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19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Prepayments	11,807	6,213	10,104
Value-added tax recoverable	410	1,637	2,271
Prepaid tax	1,178	374	237
[REDACTED] expenses	–	–	95
Other receivables	1,000	496	1,033
Impairment	(49)	(25)	(55)
	<u>14,346</u>	<u>8,695</u>	<u>13,685</u>

The movements in the loss allowance for impairment of other receivables and other assets are as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
At beginning of year/period	20	49	25
Impairment losses recognised, net (<i>note 6</i>)	29	(24)	30
At end of year/period	<u>49</u>	<u>25</u>	<u>55</u>

An impairment analysis is performed at each reporting date. As at 31 December 2022 and 2023 and 30 September 2024, the Group estimated that the expected loss rate and the loss allowance for these receivables were minimal under the 12-month expected loss method.

20. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current assets:			
Foreign currency swaps	–	–	243
Current assets:			
Foreign currency swaps	–	–	83
Forward currency contracts	–	3,040	1,531
Total	<u>–</u>	<u>3,040</u>	<u>1,614</u>
Liabilities:			
Foreign currency swaps	–	–	166

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21. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED CASH AND TIME DEPOSITS

	31 December		30 September
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Current			
Cash and bank balances	63,474	90,836	136,320
Time deposits	150,981	201,685	215,858
Subtotal	214,455	292,521	352,178
Less:			
Pledged deposits	–	–	21,022
Time deposits with original maturities of over three months	150,981	193,894	204,646
Current portion	150,981	179,558	152,270
Non-current portion	–	14,336	52,376
Restricted cash	7,365	7,511	10,939
Cash and cash equivalents	56,109	91,116	115,571

	31 December		30 September
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Cash and cash equivalents, pledged deposits and time deposits			
Denominated in			
– RMB	17,277	30,491	47,819
– USD	192,349	260,125	270,158
– Euro (“EUR”)	4,706	1,905	34,164
– Others	124	–	37
Total	214,455	292,521	352,178

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

As at 31 December 2022, restricted cash amounting to RMB158,000 was restricted by banks for specified use.

As at 31 December 2023 and 30 September 2024, restricted cash amounting to RMB200,000 and RMB2,340,000 (unaudited), respectively, was restricted by banks as collateral for the issuance of bank acceptance notes.

As at 30 September 2024, restricted cash amounting to RMB1,230,000 (unaudited) was restricted by banks as collateral for the swap transaction.

As at 31 December 2022 and 2023 and 30 September 2024, restricted cash included amounts of RMB7,207,000, RMB7,311,000 and RMB7,369,000 (unaudited), respectively, which were restricted by the government due to future capital expenditure.

As at 30 September 2024, pledged deposits amounting to RMB21,022,000 (unaudited) were pledged to secure bank borrowings (note 25).

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22. TRADE AND BILLS PAYABLES

	31 December		30 September
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Trade payables	3,831	2,893	4,439
Bills payable	–	2,047	2,712
Total	<u>3,831</u>	<u>4,940</u>	<u>7,151</u>

An ageing analysis of the trade payables as at the end of each of the Relevant Periods and the nine months ended 30 September 2024, based on the invoice date, is as follows:

	31 December		30 September
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within 1 year.	3,611	4,714	6,925
1 to 2 years.	48	22	3
2 to 3 years.	87	33	10
Over 3 years	85	171	213
Total	<u>3,831</u>	<u>4,940</u>	<u>7,151</u>

The trade payables are non-interest-bearing and are normally settled on 30-90 day terms.

23. OTHER PAYABLES AND ACCRUALS

	31 December		30 September
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Deferred income	1,933	1,690	2,320
Payables for purchase of property, plant and equipment	13,109	15,432	9,895
Other tax payable	7,053	6,909	6,154
Volume rebates	1,897	4,436	2,378
Payroll and welfare payables	16,146	21,980	20,507
Other payables	5,126	5,371	5,716
	<u>45,264</u>	<u>55,818</u>	<u>46,970</u>

Other payables are unsecured and repayable on demand.

24. CONTRACT LIABILITIES

	31 December		30 September
	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Short-term advances received from customers			
Sale of dental material products	<u>38,303</u>	<u>41,845</u>	<u>35,870</u>

Contract liabilities include advances received to deliver dental material products and aligner treatment solutions.

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Included in the Group’s contract liabilities are amounts due to companies controlled by controlling shareholder of RMB728,000, RMB563,000 and RMB402,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024, respectively.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2022			31 December 2023			30 September 2024		
	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000	Effective interest rate	Maturity	RMB'000
	(%)			(%)			(%)		
Current									
Bank loans – secured . . .	3.25%- 4.05%	2023	13,000	3.00%- 3.25%	2024	29,531	2.70%- 3.15%	2025	62,149
Bank loans – unsecured . . .	3.90%	2023	200	3.00%- 3.15%	2024	4,690	3.00%	2025	19,997
Other borrowings				2.5%- 2.79%	2024	13,000			
– unsecured	–	–	–				–	–	–
			<u>13,200</u>			<u>47,221</u>			<u>82,146</u>
Non-current									
Bank loans – secured . . .	–	–	–	2026- 3.65%	2030	13,230	3.05%- 3.40%	2026- 2030	25,870
Total			<u>13,200</u>			<u>60,451</u>			<u>108,016</u>

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)

Analysed into:

Bank and other borrowings repayable:	31 December 2022	31 December 2023	30 September 2024
Within one year	13,200	47,221	82,146
In the second year	–	–	5,821
In the third to fifth years, inclusive.	–	7,938	12,935
Beyond five years	–	5,292	7,114
	<u>13,200</u>	<u>60,451</u>	<u>108,016</u>

The Group’s borrowings are all denominated in RMB.

As at 31 December 2022 and 2023 and 30 September 2024, certain of the Group’s bank loans amounting to RMB13,000,000, RMB42,730,000 and RMB66,870,000 respectively, were guaranteed by Mr. SONG Xin, controlling shareholder of the Group.

As at 31 December 2022 and 2023 and 30 September 2024, certain of the Group’s buildings with aggregate carrying amounts of approximately RMB79,071,000, RMB79,421,000 and RMB67,783,000 (unaudited), respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 13).

As at 31 December 2022 and 2023 and 30 September 2024, certain of the Group’s construction in progress with aggregate carrying amounts of approximately Nil, RMB34,497,000 and RMB44,758,000 (unaudited), respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 13).

As at 31 December 2022 and 2023 and 30 September 2024, certain of the Group’s right-of-use assets with aggregate carrying amounts of approximately RMB2,398,000, RMB25,759,000 and RMB25,317,000 (unaudited), respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 15).

As at 30 September 2024, certain time deposits with a carrying amount of RMB21,022,000 (unaudited) were pledged to secure interest-bearing bank borrowings granted to the Group (note 21).

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An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Fixed interest rate	13,200	47,221	82,146
Variable interest rate	–	13,230	25,870
	<u>13,200</u>	<u>60,451</u>	<u>108,016</u>

26. PROVISION

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Onerous contracts (<i>note</i>)	3,356	2,934	1,959
At beginning of year/period	4,409	4,963	4,339
Additional provision	1,429	874	194
Amounts utilised during the year/period	(875)	(1,498)	(1,636)
At end of year/period	4,963	4,339	2,897
Portion classified as current liabilities	(1,607)	(1,405)	(938)
Non-current portion	<u>3,356</u>	<u>2,934</u>	<u>1,959</u>

Note: Onerous Contracts represent contracts in which the inevitable cost of fulfilling the obligations of rendering aligner treatment solutions exceeds the expected economic benefits.

27. DEFERRED INCOME

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current:			
Government grants			
Asset-related grants (<i>a</i>)	1,835	1,641	4,480
Reimbursement of future expenses (<i>b</i>)	1,496	–	–
Subtotal	<u>3,331</u>	<u>1,641</u>	<u>4,480</u>
Current:			
Government grants			
Asset-related grants (<i>a</i>)	206	207	211
Reimbursement of future expenses (<i>b</i>)	1,727	1,483	2,109
Subtotal	<u>1,933</u>	<u>1,690</u>	<u>2,320</u>
Government grants	<u>5,264</u>	<u>3,331</u>	<u>6,800</u>

Notes:

- (a) The asset-related grants were the subsidies received from the government in relation to the Group’s property, plant and equipment.
- (b) Government grants, as reimbursement of future expenses, were subsidies received in relation to the Group’s future research and development activities.

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28. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods and the nine months ended 30 September 2024 are as follows:

Deferred tax assets

	Impairment of assets RMB'000	Lease liabilities RMB'000	Volume rebate RMB'000	Deferred income RMB'000	Unrealised profits from intercompany transactions RMB'000	Unused tax losses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	313	408	443	215	1,476	255	807	3,917
Deferred tax (charged)/credited to profit or loss during the year	139	(149)	(83)	575	475	509	(14)	1,452
Gross deferred tax assets at 31 December 2022	452	259	360	790	1,951	764	793	5,369
At 1 January 2023	452	259	360	790	1,951	764	793	5,369
Deferred tax (charged)/credited to profit or loss during the year	72	(259)	520	290	180	142	575	1,520
Gross deferred tax assets at 31 December 2023	524	-	880	1,080	2,131	906	1,368	6,889
At 1 January 2024	524	-	880	1,080	2,131	906	1,368	6,889
Deferred tax (charged)/credited to profit or loss during the period (unaudited)	93	37	(404)	(60)	(591)	859	103	37
Gross deferred tax assets at 30 September 2024 (unaudited)	617	37	476	1,020	1,540	1,765	1,471	6,926

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Deferred tax liabilities

	<u>Right-of-use assets</u>	<u>Super deduction of fixed assets</u>	<u>Others</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022.	366	253	–	619
Deferred tax charged/(credited) to the combined statements of profit or loss during the year	<u>(119)</u>	<u>787</u>	<u>–</u>	<u>668</u>
Gross deferred tax liabilities at 31 December 2022	<u>247</u>	<u>1,040</u>	<u>–</u>	<u>1,287</u>
At 1 January 2023.	247	1,040	–	1,287
Deferred tax charged/(credited) to the combined statements of profit or loss during the year.	<u>(139)</u>	<u>(126)</u>	<u>190</u>	<u>(75)</u>
Gross deferred tax liabilities at 31 December 2023	<u>108</u>	<u>914</u>	<u>190</u>	<u>1,212</u>
At 1 January 2024.	108	914	190	1,212
Deferred tax charged/(credited) to the combined statements of profit or loss during the period (unaudited)	<u>(33)</u>	<u>(93)</u>	<u>49</u>	<u>(77)</u>
Gross deferred tax liabilities at 30 September 2024 (unaudited)	<u>75</u>	<u>821</u>	<u>239</u>	<u>1,135</u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<u>31 December</u>		<u>30 September</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Net deferred tax assets recognised in the combined statements of financial position	4,082	5,690	5,791
Net deferred tax liabilities recognised in the combined statements of financial position	<u>–</u>	<u>13</u>	<u>–</u>

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Deferred tax assets have not been recognised in respect of the following items:

	31 December		30 September
	2022	2023	2024
	RMB'000	RMB'000	RMB'000 (unaudited)
Tax losses not recognised	118,251	144,066	155,813
Deductible temporary differences	875	2,103	482
Total	<u>119,126</u>	<u>146,169</u>	<u>156,295</u>

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group had tax losses arising in Mainland China of RMB116,318,000, RMB138,457,000 and RMB147,357,000 (unaudited) for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively, that will expire in one to ten years for offsetting against future taxable profits.

The Group also had tax losses arising in the United States of America of RMB1,933,000, RMB4,305,000 and RMB6,223,000 (unaudited) for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

29. SHARE CAPITAL

	As at 30 September 2024 (unaudited)
Number of ordinary shares:	
Authorised:	
Ordinary shares of USD0.000001 each	<u>100,000,000</u>
Issued but not fully paid:	
Ordinary shares of USD0.000001 each	<u>35,740,653</u>

On 7 August 2024, the Company was incorporated in the Cayman Islands as an exempted company. As of the date of incorporation, the authorised share capital of the Company was USD100, divided into 100,000,000 ordinary shares of a par value of USD0.000001 each.

30. SHARE BASED PAYMENTS

For the purpose of awarding employees, directors the Group (the “Eligible Participants”) to secure their services and incentivize their maximum efforts towards the Group’s success, four companies namely, Rizhao Jianzhi Economic & Trade Co., Ltd. (日照健智經貿有限公司), Shanghai Ubi Industrial Co., Ltd. (上海優比實業有限公司), Ningbo Meishan Free Trade Port Zone Huizhi Enterprise Management Partnership (Limited Partnership) (寧波梅山保稅港區惠智企業管理合夥企業(有限合夥)) and Rizhao Hengxin Equity Investment Center (Limited Partnership) (日照市恒鑫股權投資中心(有限合夥)) were used by the principal operating entity Shandong Huge Dental Material Co., Ltd. as onshore shareholding platforms, and invited the Eligible Participants to subscribe for certain equity interest in these shareholding platforms for the purpose of better administration of such equity interest.

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In 2016, 2019 and 2023, total 3,110,800 shares, 222,200 shares, 590,000 shares, 243,500 shares and 50,000 shares were granted to certain Eligible Participants with subscription price per share of RMB3.46, RMB3.46, RMB6.00, RMB8.00 and RMB16.00 through the onshore shareholding platforms, the units of which were held by the grantees.

The above shares shall be vested 5 years after grant or at the later of (i) 1 to 3 years after the date of completion of [REDACTED] of the Company’s shares and (ii) 5 years after the date of Grant.

The fair value of services received in return for shares granted was measured by reference to the fair value of shares granted less the subscription price paid by the eligible participants. The fair value of the shares granted is measured as the market value at the grant date, which is determined by the most recent transaction price of the shares, taking into account the terms and conditions upon which the restricted shares were the granted.

During the years ended 31 December 2022 and 2023 and the nine months ended September 30, 2023 and 2024, the Group recognised equity-settled share-based compensation expense of Nil, Nil, Nil (unaudited) and RMB210,000 (unaudited), respectively, as the purchase price was lower than the fair value of the shares.

In 2022, 2023 and 2024, 65,000 shares, 45,000 shares and 76,000 shares for a consideration of RMB493,000, RMB509,000, RMB912,000 were transferred by the other shareholders of the onshore shareholding platforms to the controlling shareholder Mr. SONG Xin. All the award shares have been vested and settled without subject to further conditions. As the consideration paid by Mr. SONG Xin to subscribe the shares was lower than the fair value of the shares, the Group deemed this transaction as equity-settled share-based compensation and recognised compensation charges of RMB2,237,000, RMB1,610,000, RMB1,432,000 (unaudited) and RMB2,222,000 (unaudited) for years ended 31 December 2022 and 2023 and the nine months ended September 30, 2023 and 2024, accordingly.

31. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods and the nine months ended 30 September 2023 and 2024 are presented in the combined statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group represents the issued capital of the then holding company of the companies now comprising the Group and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganization.

(b) Exchange fluctuation reserve

Exchange fluctuation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the Group’s presentation currency.

(c) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the subsidiaries, the statutory surplus reserve may be used either to offset losses, or to be converted to increase paid-in capital, provided that the balance after such conversion is not less than 25% of the registered capital of the respective entities. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Other reserves

Other reserves mainly represent reserves arising from acquisition of non-controlling interests of subsidiaries.

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32. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group’s subsidiaries that have material non-controlling interests are set out below:

	<u>31 December</u>	<u>31 December</u>	<u>30 September</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>
Percentage of equity interest held by non-controlling interests:			
Rizhao Huge Biological Materials Co., Ltd.	25.0%	25.0%	25.0%
Qingdao Da Vinci Technology Co., Ltd.	<u>24.0%</u>	<u>24.0%</u>	<u>24.7%</u>
	<u>31 December</u>	<u>31 December</u>	<u>30 September</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
Profit/(loss) for the year or period allocated to non-controlling interests			
Rizhao Huge Biological Materials Co., Ltd.	(662)	504	(113)
Qingdao Da Vinci Technology Co., Ltd.	<u>(4,601)</u>	<u>(4,586)</u>	<u>(1,462)</u>
Accumulated balances of non-controlling interests			
Rizhao Huge Biological Materials Co., Ltd.	(2,404)	(1,900)	(2,013)
Qingdao Da Vinci Technology Co., Ltd.	<u>(21,299)</u>	<u>(25,885)</u>	<u>(28,077)</u>

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

31 December 2022

	<u>Rizhao Huge Biological Materials Co., Ltd.</u>	<u>Qingdao Da Vinci Technology Co., Ltd.</u>
	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	1,970	20,772
Total expenses	4,616	39,944
Profit for the year	(2,646)	(19,172)
Total comprehensive income for the year	<u>(2,646)</u>	<u>(19,172)</u>
Current assets	2,936	1,240
Non-current assets	987	2,866
Current liabilities	13,538	90,342
Non-current liabilities	<u>–</u>	<u>2,512</u>
Net cash flows used in operating activities	(2,389)	(4,799)
Net cash flows used in investing activities	(8)	(4,376)
Net cash flows from financing activities	<u>2,558</u>	<u>8,502</u>
Effect of foreign exchange rate changes	(2)	–
Net increase/(decrease) in cash and cash equivalents	<u>159</u>	<u>(673)</u>

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31 December 2023

	Rizhao Huge Biological Materials Co., Ltd	Qingdao Da Vinci Technology Co., Ltd
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	13,279	20,453
Total expenses	11,265	39,559
Profit for the year	2,014	(19,106)
Total comprehensive income for the year	<u>2,014</u>	<u>(19,106)</u>
Current assets	2,282	1,287
Non-current assets	567	1,547
Current liabilities	10,451	108,890
Non-current liabilities	–	1,798
Net cash flows from/(used in) operating activities	2,351	(4,008)
Net cash flows used in investing activities	–	(2,598)
Net cash flows (used in)/from financing activities	<u>(2,446)</u>	<u>6,402</u>
Effect of foreign exchange rate changes	(5)	–
Net decrease in cash and cash equivalents	<u>(100)</u>	<u>(204)</u>

30 September 2024 (unaudited)

	Rizhao Huge Biological Materials Co., Ltd	Qingdao Da Vinci Technology Co., Ltd
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4,086	10,742
Total expenses	4,537	16,730
Profit for the year	(451)	(5,988)
Total comprehensive income for the year	<u>(451)</u>	<u>(5,988)</u>
Current assets	2,528	1,427
Non-current assets	661	2,056
Current liabilities	11,241	116,085
Non-current liabilities	–	1,141
Net cash flows used in operating activities	(526)	(6,895)
Net cash flows used in investing activities	(30)	(3,445)
Net cash flows from financing activities	<u>181</u>	<u>10,673</u>
Effect of foreign exchange rate changes	(9)	–
Net (decrease)/increase in cash and cash equivalents	<u>(384)</u>	<u>333</u>

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33. DISPOSAL OF A SUBSIDIARY

On 13 November 2023, the Group disposed of a 100% equity interest in Huge Dental Material Co., Ltd. to Shanghai Chengsheng Medical Technology Co., Ltd. at a consideration of RMB2,739,000.

	<i>Notes</i>	<u>31 December</u>
		<u>2023</u>
		<i>RMB'000</i>
Net assets disposed of:		
Property, plant and equipment		1,110
Investment properties		226
Trade receivables		178
Cash and cash equivalents		42
Other payables and accruals		(79)
Tax payable		<u>(5)</u>
Subtotal.		1,472
Gain on disposal of a subsidiary	6	<u>1,267</u>
Total consideration		<u>2,739</u>
Satisfied by:		
Cash.		<u>2,739</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>RMB'000</i>
Cash consideration	2,739
Cash and bank balances disposed of.	<u>(42)</u>
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>2,697</u>

34. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods and the nine months ended 30 September 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,559,000, nil, and RMB522,000 (unaudited), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2022

	<u>Interest-bearing bank and other borrowings</u>	<u>Lease liabilities</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022.	5,000	3,915	8,915
Changes from financing cash flows	8,000	(2,410)	5,590
New leases	–	2,559	2,559
Foreign exchange movement	–	(13)	(13)
Interest expense	<u>200</u>	<u>223</u>	<u>423</u>
At 31 December 2022	<u>13,200</u>	<u>4,274</u>	<u>17,474</u>

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Year ended 31 December 2023

	Interest-bearing bank and other borrowings	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023.	13,200	4,274	17,474
Changes from financing cash flows	46,090	(2,695)	43,395
Foreign exchange movement	–	9	9
Termination.	–	(7)	(7)
Accrual of interest	1,161	156	1,317
At 31 December 2023	<u>60,451</u>	<u>1,737</u>	<u>62,188</u>

Nine months ended 30 September 2023 (unaudited)

	Interest-bearing bank and other borrowings	Lease liabilities	Total
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
At 1 January 2023.	13,200	4,274	17,474
Changes from financing cash flows	41,130	(2,219)	38,911
Foreign exchange movement	–	12	12
Termination.	–	(6)	(6)
Accrual of interest	1,010	130	1,140
At 30 September 2023	<u>55,340</u>	<u>2,191</u>	<u>57,531</u>

Nine months ended 30 September 2024 (unaudited)

	Interest-bearing bank and other borrowings	Lease liabilities	Other Payables	Total
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
At 1 January 2024.	60,451	1,737	–	62,188
Changes from financing cash flows	46,284	(1,404)	119	44,880
New leases	–	522	–	522
Foreign exchange movement	–	(3)	–	(3)
Accrual of interest	1,281	44	–	1,325
At 30 September 2024	<u>108,016</u>	<u>896</u>	<u>119</u>	<u>108,912</u>

(c) Total cash outflow for leases

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(unaudited)</i>
Within operating activities.	159	19	14	32
Within financing activities.	2,410	2,695	2,219	1,404
	<u>2,569</u>	<u>2,714</u>	<u>2,233</u>	<u>1,436</u>

35. CONTINGENT LIABILITIES

As at the end of the Relevant Periods and the nine months ended 30 September 2024, neither the Group nor the Company had any significant contingent liabilities.

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36. PLEDGE OF ASSETS

Details of the Group’s assets pledged are included in notes 13, 15 and 21 to the Historical Financial Information.

37. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods and the nine months ended 30 September 2024:

	31 December		30 September
	2022	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)
Construction in progress	67,181	38,897	29,173

38. RELATED PARTY TRANSACTIONS

(a) Names of related parties and relationships with the Group

Name	Relationship
SONG Xin (“宋欣”)	Controlling shareholder, director
LIU Qin (“劉欽”)	Director
ZHANG Yongjing (“張永靜”)	Director
XIANG Longsheng (“相龍升”)	Director
Qingdao Lanxin Dental Hospital Management Co., Ltd. (“青島蘭信口腔醫院管理有限公司”)	Company controlled by controlling shareholder
Qingdao Chunci Xindu Stomatological Hospital (“青島春慈新都口腔醫院有限公司”)	Company controlled by controlling shareholder
Rizhao Dental Hospital (“日照口腔醫院”)	Company controlled by controlling shareholder
Rizhao Dental Hospital Dongcheng Co., Ltd. (“日照口腔醫院東城有限公司”)	Company controlled by controlling shareholder
Yantai Laishan Stomatological Hospital (“煙台萊山口腔醫院”)	Company controlled by controlling shareholder
Rizhao Cardiology Hospital (“日照心臟病醫院”)	Company controlled by controlling shareholder
Rizhao Cardiology Hospital Management Co., Ltd. (“日照心臟病醫院管理有限公司”)	Company controlled by controlling shareholder

(b) In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the nine months ended 30 September 2024:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000 (unaudited)
Sales of goods and services				
Companies controlled by controlling shareholder	554	501	400	351
Rental income				
Companies controlled by controlling shareholder	442	420	317	231

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(c) Outstanding balances with related parties

	31 December		30 September
	2022	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>
Amounts due from related companies:			
Trade nature			
Companies controlled by controlling shareholder .	3	–	64
	<u>3</u>	<u>–</u>	<u>64</u>
Amounts due to related companies:			
Trade nature			
Companies controlled by controlling shareholder .	728	563	402
	<u>728</u>	<u>563</u>	<u>402</u>

(d) Compensation of key management personnel of the Group:

	31 December		30 September	
	2022	2023	2023	2024
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i> <i>(unaudited)</i>	<i>RMB’000</i> <i>(unaudited)</i>
Salaries, allowances and benefits				
in kind	2,813	2,662	2,006	3,419
Performance related bonuses	1,393	2,905	1,207	1,925
Pension scheme contributions and social welfare	224	262	174	221
Equity-settled share-based payments.	2,237	1,610	1,432	2,432
	<u>2,237</u>	<u>1,610</u>	<u>1,432</u>	<u>2,432</u>
Total compensation paid to key management personnel.	6,667	7,439	4,819	7,997
	<u>6,667</u>	<u>7,439</u>	<u>4,819</u>	<u>7,997</u>

Further details of directors’ and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.

(e) Bank loan guarantee

Certain of the Group’s bank loans were secured by SONG Xin, controlling shareholder of the Group. Further details are included in note 25 to the Historical Financial Information.

(f) Disposal of a subsidiary

On 13 November 2023, the Group disposed of a 100% equity interest in Huge Dental Material Co., Ltd. to Shanghai Chengsheng Medical Technology Co., Ltd. at a consideration of RMB2,739,000.

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ACCOUNTANTS’ REPORT

39. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods and the nine months ended 30 September 2024 were as follows:

As at 31 December 2022

Financial assets

	Financial assets at amortised cost
	<i>RMB'000</i>
Trade receivables	19,616
Financial assets included in prepayments, other receivables and other assets	951
Time deposits	150,981
Restricted cash	7,365
Cash and cash equivalents	56,109
Total	<u>235,022</u>

Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB'000</i>
Trade and bills payables	3,831
Financial liabilities included in other payables and accruals	18,235
Interest-bearing bank and other borrowings	13,200
Total	<u>35,266</u>

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	22,525	22,525
Financial assets included in prepayments, other receivables and other assets	–	471	471
Derivative financial instruments	3,040	–	3,040
Time deposits	–	193,894	193,894
Restricted cash	–	7,511	7,511
Cash and cash equivalents	–	91,116	91,116
	<u>3,040</u>	<u>315,517</u>	<u>318,557</u>

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Financial liabilities

	Financial liabilities at amortised cost
	<i>RMB’000</i>
Trade and bills payables	4,940
Financial liabilities included in other payables and accruals	20,803
Interest-bearing bank and other borrowings	<u>60,451</u>
Total	<u><u>86,194</u></u>

As at 30 September 2024 (unaudited)

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables	–	29,357	29,357
Financial assets included in prepayments, other receivables and other assets	–	978	978
Derivative financial instruments	1,857	–	1,857
Pledged deposits	–	21,022	21,022
Time deposits	–	204,646	204,646
Restricted cash	–	10,939	10,939
Cash and cash equivalents	–	<u>115,571</u>	<u>115,571</u>
	<u>1,857</u>	<u>382,513</u>	<u>384,370</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and bills payables	–	7,151	7,151
Financial liabilities included in other payables and accruals	–	15,611	15,611
Derivative financial instruments	166	–	166
Interest-bearing bank and other borrowings	–	<u>108,016</u>	<u>108,016</u>
	<u>166</u>	<u>130,778</u>	<u>130,944</u>

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40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, pledged deposits, financial assets included in prepayments, other receivables and other assets, trade receivables, trade and bills payables, financial liabilities included in other payables and accruals, and current-portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Derivative financial instruments, including forward currency contracts and foreign currency swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts and foreign currency swaps are the same as their fair values.

The fair values of the non-current portion of time deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value:

As at 31 December 2023

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	RMB’000	RMB’000	RMB’000	
Financial assets				
Derivative financial instruments . . .	–	3,040	–	3,040
	–	–	–	–

As at 30 September 2024 (unaudited)

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
	RMB’000	RMB’000	RMB’000	
Financial assets				
Derivative financial instruments . . .	–	1,857	–	1,857
	–	–	–	–

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As at 31 December 2022, no financial asset was measured at fair value.

Liabilities measured at fair value:

As at 30 September 2024 (unaudited)

	Fair value measurement using			Total
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Financial liabilities				
Derivative financial instruments . . .	–	166	–	166
	=	=	=	=

As at 31 December 2022 and 2023, no financial liability was measured at fair value.

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments, other than derivatives, comprise cash and cash equivalents, restricted cash, time deposits, pledged deposits and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The Group also enters into derivative transactions, including forward currency and foreign currency swaps. The purpose is to manage the currency risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are credit risk, foreign currency risk and liquidity risk. The directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables are widely dispersed in different customers.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods and the nine months ended 30 September 2024.

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The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	20,586	20,586
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,000	–	–	–	1,000
Time deposits	150,981	–	–	–	150,981
Restricted cash	7,365	–	–	–	7,365
Cash and cash equivalents .	56,109	–	–	–	56,109
	<u>215,455</u>	<u>–</u>	<u>–</u>	<u>20,586</u>	<u>236,041</u>

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	23,769	23,769
Financial assets included in prepayments, other receivables and other assets					–
– Normal**	496	–	–	–	496
Time deposits	193,894	–	–	–	193,894
Restricted cash	7,511	–	–	–	7,511
Cash and cash equivalents .	91,116	–	–	–	91,116
	<u>293,017</u>	<u>–</u>	<u>–</u>	<u>23,769</u>	<u>316,786</u>

As at 30 September 2024 (unaudited)

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	
Trade receivables*	–	–	–	31,027	31,027
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,033	–	–	–	1,033
Pledged deposits	21,022	–	–	–	21,022
Time deposits	204,646	–	–	–	204,646
Restricted cash	10,939	–	–	–	10,939
Cash and cash equivalents .	115,571	–	–	–	115,571
	<u>353,211</u>	<u>–</u>	<u>–</u>	<u>31,027</u>	<u>384,238</u>

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

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Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables and other receivables are disclosed in notes 18 and 19 to the Historical Financial Information.

Concentrations of credit risk are managed by customer and by geographical region. There are no significant concentrations of credit risk within the Group as the customer bases of the Group’s trade receivables are widely dispersed in different regions.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from overseas sales of products, and purchases of dental materials with payments to overseas suppliers.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods and the nine months ended 30 September 2024 to a reasonably possible change in the USD and EUR exchange rates, with all other variables held constant, of the Group’s profit before tax (arising from USD and EUR denominated financial instruments). The remaining currency amounts are not material and are not tested separately.

	Increase/(decrease) in foreign currency/RMB rate	Increase/(decrease) in profit before tax
	%	RMB’000
As at 31 December 2022		
If RMB weakens against USD	5	9,691
If RMB strengthens against USD	(5)	(9,691)
If RMB weakens against EUR	5	250
If RMB strengthens against EUR	(5)	(250)
As at 31 December 2023		
If RMB weakens against USD	5	13,134
If RMB strengthens against USD	(5)	(13,134)
If RMB weakens against EUR	5	116
If RMB strengthens against EUR	(5)	(116)
As at 30 September 2024 (unaudited)		
If RMB weakens against USD	5	13,713
If RMB strengthens against USD	(5)	(13,713)
If RMB weakens against EUR	5	1,744
If RMB strengthens against EUR	(5)	(1,744)

Liquidity risk

The Group monitors its exposure to liquidity risk by monitoring the current ratio, which is calculated by comparing the current assets with the current liabilities. The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing loans. The Group’s policy is that all the borrowings should be approved by the chief financial officer.

The tables below summarise the maturity profile of the Group’s financial liabilities at the end of each of the Relevant Periods and the nine months ended 30 September 2024 based on contractual undiscounted payments:

As at 31 December 2022

	On demand	Less than 1 year	1 to 5 years	Total
	RMB’000	RMB’000	RMB’000	RMB’000
Interest-bearing bank and other borrowings	–	13,544	–	13,544
Trade and bills payables	3,831	–	–	3,831
Lease liabilities	–	2,675	1,808	4,483
Other payables and accruals	18,235	–	–	18,235
	<u>22,066</u>	<u>16,219</u>	<u>1,808</u>	<u>40,093</u>

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As at 31 December 2023

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	–	48,912	9,871	6,046	64,829
Trade and bills payables . .	4,940	–	–	–	4,940
Lease liabilities	–	1,581	227	–	1,808
Other payables and accruals	20,803	–	–	–	20,803
	<u>25,743</u>	<u>50,493</u>	<u>10,098</u>	<u>6,046</u>	<u>92,380</u>

As at 30 September 2024 (unaudited)

	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>Over 5 years</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest-bearing bank and other borrowings	–	85,220	22,535	7,883	115,638
Trade and bills payables . .	7,151	–	–	–	7,151
Lease liabilities	–	712	184	–	896
Other payables and accruals	15,611	–	–	–	15,611
Total	<u>22,762</u>	<u>85,932</u>	<u>22,719</u>	<u>7,883</u>	<u>139,296</u>

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the nine months ended 30 September 2024.

The Group monitors capital using the debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods and the nine months ended 30 September 2024 were as follows:

	<u>31 December</u>		<u>30 September</u>
	<u>2022</u>	<u>2023</u>	<u>2024</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>
Total assets	453,311	561,945	650,252
Total liabilities	<u>118,691</u>	<u>175,920</u>	<u>211,640</u>
Debt-to-asset ratio	<u>26%</u>	<u>31%</u>	<u>33%</u>

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42. EVENTS AFTER THE RELEVANT PERIODS AND THE NINE MONTHS ENDED 30 SEPTEMBER 2024

On 6 January 2025, a subsidiary of the Company, Shandong Huge Investment Holding Co., Ltd., declared a dividend in the amount of RMB160,800,000 to its shareholder Huge Dental Hong Kong Limited, a wholly-owned subsidiary of the Company. Withholding tax of RMB16,080,000 with tax rate of 10% was paid as such dividend was from the earnings generated from subsidiaries of the Company established in Mainland China. On 16 January 2025, the Company declared and paid a dividend in the amount of RMB144,720,000 to its shareholders, subsequently.

On 27 December 2024, 4,459,347 shares were allotted and issued by the Company. All the issued shares of 40,200,000 has been paid up as at the date of this report.

43. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2024.

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX II UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

APPENDIX III

**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on [●] and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in "Appendix V — Documents Delivered to the Registrar of Companies and Available on Display — Documents Available on Display" to this document.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on [●] and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

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**SUMMARY OF THE CONSTITUTION OF THE
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(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

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**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

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(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors then in office (including such Director).

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At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only with the consent in writing of the holders of not less than three-fourths of the voting rights of the issued shares of that class, or with the approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

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2.4 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting

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of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 *Voting rights*

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

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Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

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2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to

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be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

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- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

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The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

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The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down

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or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

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A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect

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of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

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If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

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2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 August 2024 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

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The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

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liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

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16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

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19 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

22 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisor on Cayman Islands law, has sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed "Appendix V — Documents Delivered to the Registrar of Companies and Available on Display" to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

APPENDIX IV STATUTORY AND GENERAL INFORMATION

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under Cayman Companies Act as an exempted company with limited liability on 7 August 2024. Our registered office is at the offices of Tricor Services (Cayman Islands) Limited, PO Box 31119, Grand Pavilion, Hibiscus Way, Seven Mile Beach, Cayman Islands. Accordingly, our corporate structure and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Association are set out in the section headed “Appendix III — Summary of the Constitution of the Company and Cayman Islands Company Law” to this document.

Our registered place of business in Hong Kong is at 46/F, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong. We [have registered] as a non-Hong Kong Company under Part 16 of the Companies Ordinance on [●]. Mr. NG Tung Ching Raphael (吳東澄), one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of the service of process on behalf of our Company in Hong Kong. The address for the service of process is the same as our principal place of business in Hong Kong.

2. Changes in the Share Capital of Our Company

The following subsidiaries were established during the two years immediately preceding the date of this document:

<u>Name of subsidiaries</u>	<u>Place of incorporation</u>	<u>Registered capital/Share capital</u>	<u>Date of incorporation</u>
Huge Dental International (Hong Kong) Limited . . .	Hong Kong	US\$100,000	August 16, 2023
Vincismile Hong Kong Limited	Hong Kong	US\$100,000	August 16, 2023
Huge Indonesia	Indonesia	IDR12,500,000,000	April 25, 2024
Suzhou Huge	PRC	RMB5,000,000	May 27, 2024

On May 13, 2024, the registered capital of Qingdao Technology was increased from RMB11 million to RMB11.1 million.

Save as disclosed above and in “History, Reorganization and Corporate Structure,” there has been no other alteration in the share capital of our Company during the two years immediately preceding the date of this document.

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3. Changes in the Share Capital of Our Subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants’ Report as set out in Appendix I to this document.

On May 13, 2024, the registered capital of Qingdao Technology was increased from RMB11.0 million to RMB11.1 million.

Save as disclosed above, and as disclosed in the section headed “History, Reorganization and Corporate Structure” in this document, there has been no alteration in the share capital of any of our subsidiaries during the two years immediately preceding the date of this document.

4. Resolutions of Shareholders of Our Company Passed on [●]

Written resolutions of our Shareholders were passed on [●], pursuant to which, among others:

- (i) the Memorandum and Articles of Association was approved and adopted conditional upon [REDACTED];
- (ii) conditional upon all the conditions set out in “Structure of the [REDACTED] — Conditions of the [REDACTED]” being fulfilled:
 - (a) the Share Subdivision, the [REDACTED] and the [REDACTED] [was approved];
 - (b) the Board (or any of its duly authorized committee or person thereof) [was authorized] to allot and issue the new Shares pursuant to the Share Subdivision, the [REDACTED] and [REDACTED];
 - (c) the Board (or any of its duly authorized committee or person thereof) [was authorized] to agree to the [REDACTED] per [REDACTED] with the [REDACTED];
 - (d) a general unconditional mandate [was granted] to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options (including but not limited to warrants, bonds, debentures, notes and other securities convertible into Shares) which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed conditionally or unconditionally to be allotted by our Directors other than pursuant to (A) a rights issue, (B) any scrip dividend scheme or similar arrangement providing for the allotment and issuance of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, (C) the

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exercise of any subscription or conversion rights attaching to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (D) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (1) 20% of the total nominal value of the share capital of our Company in issue (excluding Treasury Shares) immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised) and (2) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (e) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the "**Applicable Period**");

- (e) a general unconditional mandate [was granted] to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue (excluding Treasury Shares, if any) immediately following completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), such mandate to remain in effect during the Applicable Period (the "**Repurchase Mandate**"); and
- (f) the general unconditional mandate mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of our Company's share capital in issue (excluding Treasury Shares, if any) immediately following completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised).

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5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchase of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on [●], the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognized by the SFC and the Stock Exchange for this purpose, with a total number up to 10% of the aggregate number of our Shares in issue immediately following the completion of the Share Subdivision and the [REDACTED] (excluding any Shares which may be issued pursuant to the exercise of the [REDACTED]) with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) *Source of Funds*

Any repurchases of Shares by us must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association, the Listing Rules and the applicable laws of Hong Kong and the Cayman Islands. We are not permitted to [REDACTED] our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by our Company may be made out of profits or out of proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any

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premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue (excluding Treasury Shares).

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring our Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

Pursuant to the Listing Rules, the shares repurchased by an issuer shall be held as Treasury Shares or cancelled. The listing of all shares which are held as Treasury Shares shall be retained. The issuer shall ensure that Treasury Shares are appropriately identified and segregated. The listing of all repurchased securities (whether on the Stock Exchange or otherwise) but not held as Treasury Shares is automatically cancelled upon repurchase and our Company must apply for [REDACTED] of any further Shares in the normal way. The relative certificates must be cancelled and destroyed as soon as reasonably practicable following settlement of any such repurchase. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital of our Company under the Cayman Companies Act.

(v) Suspension of Repurchase

A [REDACTED] company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the

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approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a [REDACTED] company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of results announcement, the [REDACTED] company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if the Stock Exchange considers the [REDACTED] company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a [REDACTED] company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to our Company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases out of profits of the Company, out of the share premium account of the Company or out of the proceeds of

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a new issuance of shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company. Subject to the Cayman Companies Act and if so authorized by the Articles of Association, a repurchase may also be made out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue (excluding Treasury Shares) immediately following completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period prior to: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiry of the period within which our Company is required by the Articles of Association or any applicable law to hold our annual general meeting; or (iii) the variation or revocation by an ordinary resolution of the Shareholders passed in a general meeting, whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us or our subsidiaries.

Our Directors [have undertaken] to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, the Articles of Association, the Cayman Companies Act or any other applicable laws of the Cayman Islands.

Subject to the applicable requirements under the Listing Rules, our Company may cancel the repurchased Shares following settlement of any such repurchase or hold them as Treasury Shares, subject to, for example, market conditions and its capital management needs at the relevant time of the repurchases.

Should our Company decide to hold repurchased Shares as Treasury Shares, we will, upon completion of the Share repurchase, withdraw the repurchased Shares from [REDACTED] and register the Treasury Shares in our Company's name. We may re-deposit its Treasury Shares into [REDACTED] only if it has an imminent plan to resell these Treasury Shares on the Stock Exchange and will complete such resale as soon as possible. We will have appropriate measures to ensure that it would not exercise any shareholders' rights or receive any entitlements which would otherwise be suspended under the relevant laws with respect to Treasury Shares. These measures include, for example, an approval by the Board that (i) our Company should procure its broker not to give any instructions to [REDACTED] to vote at general meetings for the

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Treasury Shares deposited with [REDACTED]; and (ii) in the case of dividends or distributions, our Company should withdraw the Treasury Shares from [REDACTED], and either re-register them in our Company's name as Treasury Shares or cancel them, in each case before the record date for the dividends or distributions.

Holders of Treasury Shares (if any) shall abstain from voting on matters that require Shareholders' approval at our Company's general meetings.

If, as a result of a repurchase of our Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares than in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No core connected person, as defined in the Listing Rules, has notified us that he/she/it has a present intention to sell their Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. CORPORATE REORGANIZATION

In preparation of the [REDACTED] and in order to streamline our corporate structure, we underwent and conducted the Reorganization before the [REDACTED]. For details, see "History, Reorganization and Corporate Development — Reorganization."

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

- (i) the [REDACTED].

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2. Intellectual Property Rights

(a) Trademarks

Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:




No.	Trademark	Owner	Class	Place of registration	Expiry date	Registration number
1 . . .	美佳印	Shandong Huge	5	PRC	July 6, 2031	8414896
2 . . .	美益汀	Shandong Huge	3	PRC	May 13, 2026	16333139
3 . . .	美益汀	Shandong Huge	5	PRC	May 13, 2026	16333126
4 . . .	美益汀	Shandong Huge	35	PRC	March 27, 2026	16333269
5 . . .	美益汀	Shandong Huge	10	PRC	March 27, 2026	16333323
6 . . .	美佳印	Shandong Huge	9,10	PRC	July 27, 2031	51301025
7 . . .		Shandong Huge	3,10,21	PRC	August 27, 2031	52966865
8 . . .	HUGE 沪鸽	Shandong Huge	3	PRC	December 6, 2026	17722337
9 . . .	HUGE 沪鸽	Shandong Huge	5,10	PRC	October 6, 2026	17722468
10 . .		Shandong Huge	10	PRC	October 20, 2026	17843211
11 . .	凯晶	Shandong Huge	10	PRC	January 6, 2027	18484062
12 . .	凯丽	Shandong Huge	10	PRC	January 6, 2027	18484063
13 . .	凯丰	Shandong Huge	10	PRC	January 6, 2027	18484064
14 . .	凯标	Shandong Huge	10	PRC	January 6, 2027	18484065
15 . .		Shandong Huge	10	PRC	August 6, 2027	4416723

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No.	Trademark	Owner	Class	Place of registration	Expiry date	Registration number
16 . .		Shandong Huge	10	PRC	May 27, 2027	4345423
17 . .		Shandong Huge	10	PRC	May 27, 2027	4345421
18 . .		Shandong Huge	10	PRC	May 27, 2027	4345422
19 . .		Shandong Huge	10	PRC	May 27, 2027	4345424
20 . .	HT DENTAL	Shandong Huge	3,5,10,35,44	PRC	June 20, 2028	24699056
21 . .	HUGE DENTAL	Shandong Huge	3,5,10,35,44	PRC	June 27, 2029	24701992
22 . .		Shandong Huge	3,5,10,35,44	PRC	August 27, 2028	24713017
23 . .		Shandong Huge	21	PRC	February 27, 2029	30196464
24 . .		Shandong Huge	10	PRC	February 13, 2029	30591298
25 . .		Shandong Huge	21	PRC	March 20, 2030	38505556
26 . .		Shandong Huge	41	PRC	October 6, 2030	43866429

Trademarks under Application

As of the Latest Practicable Date, we had applied for registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Place of application	Application date	Application number
1 . . .		Shandong Huge	3, 5, 8, 9, 11, 21, 44	PRC	March 28, 2024	77611609
2 . . .		Shandong Huge	3, 5, 8, 9, 10, 11, 21, 44	PRC	March 28, 2024	77607485
3 . . .		Shandong Huge	5, 10	Hong Kong	December 3, 2024	306742639

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(b) Patents

Registered Patents

As of the Latest Practicable Date, we owned the following registered patents which we consider to be or may be material to our business:

No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
1 . .	Four-layer color composite resin block and preparation method	Invention	PRC	ZL201310233678.X	Shandong Huge	June 12, 2033
2 . .	Laser processing device for removable dentures and processing method	Invention	PRC	ZL201510271309.9	Shandong Huge	May 24, 2035
3 . .	Monitoring device for implanted products and monitoring method	Invention	PRC	ZL201510455549.4	Shandong Huge	July 28, 2035
4 . .	Stain-resistant hard resin denture and preparation method	Invention	PRC	ZL202110276248.0	Shandong Huge	March 14, 2041
5 . .	Orthodontic dental surface etching device	Invention	PRC	ZL202111564437.4	Shandong Huge	December 19, 2041
6 . .	Resin block for complete dentures and digital fabrication method for complete dentures	Invention	PRC	ZL202210315719.9	Shandong Huge	March 28, 2042
7 . .	Automatic double-sided tape application mechanism for curved surfaces	Invention	PRC	ZL201911009290.5	Shandong Huge	October 22, 2039

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No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
8 . .	Composite resin for 3D-printed high-transparency, non-yellowing, antibacterial surgical guides for implants, and preparation method and application	Invention	PRC	ZL202311836251.9	Shandong Huge	December 27, 2043
9 . .	Soft elastic resin pelletizing machine	Invention	PRC	ZL202111178041.6	Shandong Huge	October 8, 2041
10 . .	Curved surface stitching method with controllable precision based on surface intersection	Invention	PRC	ZL201511023288.5	Qingdao Technology	December 29, 2035
11 . .	Model-based virtual tooth generation method for clear aligners	Invention	PRC	ZL201511020076.1	Qingdao Technology	December 29, 2035
12 . .	Model-based virtual gingiva generation method for clear aligners	Invention	PRC	ZL201511024104.7	Qingdao Technology	December 29, 2035
13 . .	Automatic tooth mesh model segmentation method based on principal curvature	Invention	PRC	ZL201511023297.4	Qingdao Technology	December 29, 2035
14 . .	Dental arch curve generation method	Invention	PRC	ZL201610576356.9	Qingdao Technology	July 20, 2036

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No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
15.	Automated cleaning and disinfection system for clear aligner production lines and disinfection method	Invention	PRC	ZL201610907930.4	Qingdao Technology	October 18, 2036
16.	Rapid cleaning and recycling device for 3D-printed resin materials	Invention	PRC	ZL201611235134.7	Qingdao Technology	December 27, 2036
17.	Gingiva generation method for bracket-free orthodontics	Invention	PRC	ZL201610906364.5	Qingdao Technology	October 18, 2036
18.	Robotic arm spatial trajectory precision positioning method for cutting bracket-free clear aligners	Invention	PRC	ZL201710167919.3	Qingdao Technology	March 20, 2037
19.	Partial surface subdivision method	Invention	PRC	ZL201610912196.0	Qingdao Technology	October 18, 2036
20.	Interactive segmentation method for full-arch triangular mesh dental models	Invention	PRC	ZL201610907688.0	Qingdao Technology	October 18, 2036
21.	Tooth segmentation method based on peak clustering	Invention	PRC	ZL201910641265.2	Qingdao Technology	July 15, 2039
22.	Intelligent personalized clear aligner model cutting flexible production line and control method	Invention	PRC	ZL201711119030.4	Qingdao Technology	November 13, 2037

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No.	Patent	Type of patent	Place of registration	Patent number	Owner	Expiration date
23.	Automated multi-hole object gripping device	Invention	PRC	ZL201710167948.X	Qingdao Technology	March 20, 2037
24.	Custom aligner fabrication method	Invention	PRC	ZL201811299030.1	Qingdao Technology	November 1, 2038
25.	Single-component light-curable composite material with fluoride ion release for dental restorations and application	Invention	PRC	ZL201611236105.2	Rizhao Huge	December 27, 2036
26.	Preparation method for nanostructured filler powder for dental composite resin filler	Invention	PRC	ZL201710385781.4	Rizhao Huge	May 25, 2037
27.	Self-adhesive resin cement with self-curing stability and preparation method	Invention	PRC	ZL202311480058.6	Rizhao Huge	November 7, 2043
28.	Photochromic dental composite material and preparation method	Invention	PRC	ZL202210523946.0	Rizhao Huge	May 13, 2042

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Patents under Application

As of the Latest Practicable Date, we have applied for the registration of the following patents which we consider to be or may be material to our business:

No.	Patent	Type of patent	Place of registration	Application number	Applicant	Application date
1 . .	A flexible resin disc for dental CAM applications and its preparation method	Invention	PRC	202110727941.5	Shandong Huge	June 29, 2021
2 . .	A removable denture and its additive or subtractive manufacturing method	Invention	PRC	202310434281.0	Shandong Huge	April 21, 2023
3 . .	A high-stability and high-fluoride-release anti-caries agent and its preparation method	Invention	PRC	202311059500.8	Shandong Huge	August 22, 2023
4 . .	An anti-caries candy and its preparation method	Invention	PRC	202311268215.7	Shandong Huge	September 28, 2023
5 . .	A low-oxygen inhibition dental adhesive	Invention	PRC	202410062644.7	Shandong Huge	January 16, 2024
6 . .	A smile simulation method and system based on deep learning	Invention	PRC	202411842157.9	Qingdao Technology	December 13, 2024
7 . .	A shell extraction method for invisible orthodontic 3D printed dental models	Invention	PRC	202411897598.9	Qingdao Technology	December 20, 2024

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No.	Patent	Type of patent	Place of registration	Application number	Applicant	Application date
8 . .	A fatigue testing chamber for bracketless invisible orthodontic aligner membranes	Invention	PRC	201710176032.0	Qingdao Technology	March 23, 2017
9 . .	A degradable resin for SLA 3D printed orthodontic dental models and its preparation method	Invention	PRC	202010092503.1	Shandong Huge	February 14, 2020
10 .	A method for preventing the formation of white spots on teeth	Invention	PRC	201911041427.5	Rizhao Huge	October 30, 2019

(c) Software Copyrights

As of the Latest Practicable Date, we were the registered proprietor of the following software copyrights which we consider to be or may be material to our business:

No.	Subject	Owner	Certification number	First published date	Certification date
1 . .	Resin Tooth Morphology Design Software V1.0 (樹脂牙形態設計軟件 V1.0)	Shandong Huge	2014SR042683	January 1, 2014	April 14, 2014
2 . .	Huge Inspection System Software V1.0 (滬鴿檢驗系統軟件V1.0)	Shandong Huge	2014SR042689	January 1, 2014	April 14, 2014
3 . .	Resin Tooth Mold Processing Software V1.0 (樹脂牙模具加工軟件V1.0)	Shandong Huge	2014SR042685	January 1, 2014	April 14, 2014
4 . .	Zirconia Carving Software V1.0 (氧化鋯雕刻軟件 V1.0)	Shandong Huge	2014SR042693	January 1, 2014	April 14, 2014

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(d) Domain Names

As of the Latest Practicable Date, we had registered the following internet domain names which we consider to be or may be material to our business:

<u>No.</u>	<u>Domain name</u>	<u>Owner</u>	<u>Expiry date</u>
1. . . .	hugedental.com	Shandong Huge	June 28, 2025
2. . . .	vincismile.com	Shandong Huge	June 21, 2025
3. . . .	hugedent.cn	Shanghai Huge Medical Devices	August 16, 2032
4. . . .	hugedent.com	Shandong Huge	April 17, 2025
5. . . .	vincismile.cn	Shandong Huge	August 7, 2025

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents or other intellectual or industrial property rights which were material in relation to our Group's business.

D. FURTHER INFORMATION ABOUT OUR DIRECTORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interest

(a) Interests and Short Positions of the Directors and Chief Executive of Our Company in the Shares, Underlying Shares and Debentures of Our Company and Our Associated Corporation

The following table sets out the interests and short positions of our Directors and chief executive of our Company as of the date of this document and immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules:

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(i) *Interest in our Company*

Name	Nature of interest	As of the date of this document		Immediately after the Share Subdivision and the [REDACTED]	
		Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company
Mr. Song	Interests in controlled corporation ⁽²⁾	21,127,843	52.56%	[REDACTED]	[REDACTED]%
Mr. LIU Qin	Interests in controlled corporation ⁽³⁾	1,467,962	3.65%	[REDACTED]	[REDACTED]%
Ms. ZHANG Yongjing	Interests in controlled corporation ⁽⁴⁾	170,000	0.42%	[REDACTED]	[REDACTED]%
Mr. XIANG Longsheng	Interests in controlled corporation ⁽⁵⁾	40,000	0.10%	[REDACTED]	[REDACTED]%

Notes:

- (1) All interests stated are long positions.
- (2) As of the Latest Practicable Date, Huge Star directly held 21,127,843 Shares as beneficial owner. Huge Star is wholly owned by Huge Vanguard, which is in turn wholly owned by Mr. Song. Therefore, Mr. Song is deemed to be interested in the Shares held by Huge Star by virtue of the SFO. For details, see the section headed “Substantial Shareholders” in this document.
- (3) As of the Latest Practicable Date, Huge Bao Innovative Ltd. directly held 1,467,962 Shares as beneficial owner. Huge Bao Innovative Ltd. is wholly owned by Mr. LIU Qin. Therefore, Mr. LIU Qin is deemed to be interested in the Shares held by Huge Bao Innovative Ltd. by virtue of the SFO.
- (4) As of the Latest Practicable Date, HDMC Voyager YJZ Ltd. directly held 170,000 Shares as beneficial owner. Huge Bao Innovative Ltd. is wholly owned by Ms. ZHANG Yongjing. Therefore, Ms. ZHANG Yongjing is deemed to be interested in the Shares held by HDMC Voyager YJZ Ltd. by virtue of the SFO.
- (5) As of the Latest Practicable Date, HDMC Voyager LSX Ltd. directly held 40,000 Shares as beneficial owner. Huge Bao Innovative Ltd. is wholly owned by Mr. XIANG Longsheng. Therefore, Mr. XIANG Longsheng is deemed to be interested in the Shares held by HDMC Voyager LSX Ltd. by virtue of the SFO.

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(b) Interests of the Substantial Shareholders in the Shares and Underlying Shares of Our Company and of Other Members of Our Group

(i) Interests in our Company

Save as disclosed below and in the section headed “Substantial Shareholders,” immediately following the completion of the Share Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any member of the Group.

(ii) Interest in other members of our Group

<u>Name of subsidiary</u>	<u>Name of shareholder</u>	<u>Nature of interest</u>	<u>Approximate percentage of shareholding interest</u>
Rizhao Huge	Mr. JIA Weitao (賈為濤) ⁽¹⁾	Beneficial owner	25.00%
Qingdao Technology . .	Ningbo Meishan Bonded Port Area Chuangsheng Investment Management Partnership (Limited Partnership) (寧波梅山保稅港區創升投資管理合夥企業(有限合夥)) ⁽²⁾	Beneficial owner	24.68%

Notes:

- (1) As of the Latest Practicable Date, Mr. JIA Weitao is the director of Rizhao Huge.
- (2) As of the Latest Practicable Date, Ningbo Meishan Bonded Port Area Chuangsheng Investment Management Partnership (Limited Partnership) is controlled by its general partner Mr. WANG Kai (王凱).

2. Directors’ Service Contracts and Letters of Appointment

(a) Executive Directors

Each of the executive Directors [has] entered into a service contract with our Company under which they agreed to act as an executive Directors for an initial term of three years commencing from the date of his appointment as a Director and continue for a period of three years or until the third annual general meeting of the Company since the [REDACTED], whichever is earlier, which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company.

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The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

(b) Independent non-executive Directors

Each of the independent non-executive Directors [has] signed an appointment letter with our Company for a term of three years with effect from the date of his appointment as a Director and continue for a period of three years or until the third annual general meeting of the Company since the [REDACTED], whichever is earlier. The appointments of the independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles of Association.

3. Director’s Remuneration

Save as disclosed in “Directors and Senior Management” of this document and Note 8 to the Accountant’s Report as set out in Appendix I to this document, for the two financial years ended December 31, 2022 and 2023 and the nine months ended September 30, 2024, none of our Directors received other remunerations of benefits in kind from us.

There was no arrangements under which any Director has waived or agrees to waive any emolument during the Track Record Period.

4. Disclaimers

Save as disclosed in this document:

- (i) there is no existing or proposed service contract (excluding any contract expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (ii) none of our Directors or the experts named in “— E. Other Information — 8. Qualifications and Consents of Experts” has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (iii) save in connection with the [REDACTED], none of our Directors nor any of the experts named in “— E. Other Information — 8. Qualifications and Consents of Experts” is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

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- (iv) none of our Directors and the chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (v) none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to impose on our Company or any of the subsidiaries of our Company.

2. Litigation

As of the Latest Practicable Date, save as disclosed in this document, we were not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that would have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The fees payable to the Joint Sponsors are US\$800,000 in aggregate and are payable by the Company.

The Joint Sponsors have made an application on our Company's behalf to the Listing Committee of the Stock Exchange for the granting of the approval for the [REDACTED] of, and permission to [REDACTED], all the Shares in issue and to be issued as mentioned in this document. All necessary arrangements [have been made] for the Shares to be admitted into [REDACTED].

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4. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

5. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since September 30, 2024 (being the date to which the latest consolidated financial statements of our Group were prepared).

6. Promoter

Our Company has no promoter for the purpose of the [REDACTED]. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

7. Agency Fees or Commissions Received

Save as disclosed in the section headed “[REDACTED]” in this document, within the two years immediately preceding the date of this document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries. Within the two years preceding the date of this document, no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any Shares in our Company.

8. Qualifications and Consents of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this document:

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) of regulated activities as defined under the SFO.

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<u>Name</u>	<u>Qualification</u>
DBS Asia Capital Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Commerce & Finance Law Offices	Legal advisors to our Company as to PRC law
Maples and Calder (Hong Kong) LLP . .	Legal advisors to our Company as to Cayman Islands law
Ashurst Horitsu Jimusho Gaikokuho Kyodo Jigyo	Legal advisors to our Company as to International Sanctions Laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

Each of the experts named above has given and has not withdrawn its consent to the issue of this document with the inclusion of its report, letter, summary of valuations, valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

Save as disclosed in this document and in connection with the [REDACTED], none of the experts named above is interested legally or beneficially in any shares of any member of our Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

9. Binding Effect

This document shall have the effect, if any application is made pursuant hereto, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

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10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

11. Miscellaneous

- (i) Save as disclosed in “History, Reorganization and Corporate Structure” and in connection with the [REDACTED], within the two years immediately preceding the date of this document:
 - (a) no share or loan capital of our Company or any of our subsidiaries has been issued nor agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (b) no commissions, discounts, brokerage fee or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (c) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
 - (d) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions of any share in our Company or any of our subsidiaries.
- (ii) There are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries.
- (iii) There are no arrangements under which future dividends are waived or agreed to be waived.
- (iv) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.
- (v) There have been no interruptions in our business which may have or have had a significant effect on our financial position in the last 12 months immediately preceding the date this document.
- (vi) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong.

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- (vii) No part of the equity or debt securities of our Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such [REDACTED] or permission to [REDACTED] on any stock exchange other than the Stock Exchange is currently being or agreed to be sought.

- (viii) Our Company has no outstanding convertible debt securities or debentures.

