[To insert the firm's letterhead]

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 consolidated 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 2023, 2024 and 2025 (the "Relevant Periods"), and the consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025, and the statements of financial position of the Company as at 31 December 2024 and 2025 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 presentation and 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* as issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting 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 2023, 2024 and 2025 and of the financial position of the Company as at 31 December 2024 and 2025, 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.

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 contains information about dividends declared or 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 as issued by the Hong Kong Institute of Certified Public Accountants (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	357,613	399,440	400,149
Cost of sales		(153,917)	(165,226)	(166,733)
Gross profit		203,696	234,214	233,416
Other income and gains	*5*	22,309	23,751	14,420
Selling and distribution expenses		(67,786)	(71,945)	(82,283)
Administrative expenses		(29,904)	(45,452)	(56,090)
Research and development expenses		(23,823)	(29,407)	(31,384)
Impairment losses on financial assets, net		(411)	(347)	(622)
Other expenses	*6A*	(406)	(950)	(12,794)
Finance costs	*7*	(1,468)	(2,568)	(3,745)
Exchange gains/(losses)		3,598	3,498	(580)
PROFIT BEFORE TAX	*6B*	105,805	110,794	60,338
Income tax expense	*10*	(17,451)	(34,225)	(12,639)
PROFIT FOR THE YEAR		88,354	76,569	47,699
Attributable to:				
Owners of the parent		92,436	80,568	51,454
Non-controlling interests		(4,082)	(3,999)	(3,755)
		88,354	76,569	47,699
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	*12*	2.30	2.00	1.28

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
PROFIT FOR THE YEAR	88,354	76,569	47,699
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	33	432	950
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Translation difference of the Company's financial statements into presentation currency	–	1	(3,714)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	33	433	(2,764)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	88,387	77,002	44,935
Attributable to:			
Owners of the parent	92,469	81,001	48,690
Non-controlling interests	(4,082)	(3,999)	(3,755)
	88,387	77,002	44,935

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	139,516	170,708	209,325
Investment properties	*14*	16,367	–	–
Right-of-use assets	*15(a)*	27,567	32,078	31,638
Intangible assets	*16*	231	1,008	740
Deferred tax assets	*30*	5,690	4,855	7,471
Time deposits	*22*	14,336	23,834	–
Restricted cash	*22*	–	28,515	32,488
Pledged deposits	*22*	–	–	8,837
Long-term prepayments	*19*	341	668	125
Derivative financial instruments	*20*	–	1,412	–
Total non-current assets		204,048	263,078	290,624
CURRENT ASSETS				
Inventories	*17*	45,452	48,828	57,829
Trade receivables	*18*	22,525	27,312	28,252
Prepayments, other receivables and other assets	*19*	8,695	120,146	20,850
Derivative financial instruments	*20*	3,040	9,730	1,186
Time deposits	*22*	179,558	60,360	–
Restricted cash	*22*	7,511	11,977	20,775
Pledged deposits	*22*	–	22,297	37,207
Cash and cash equivalents	*22*	91,116	273,526	225,083
Total current assets		357,897	574,176	391,182
CURRENT LIABILITIES				
Trade and bills payables	*23*	4,940	7,103	16,727
Other payables and accruals	*24*	55,818	141,529	68,408
Contract liabilities	*26*	41,845	34,146	33,140
Interest-bearing bank and other borrowings	*27*	47,221	149,506	198,834
Lease liabilities	*15(b)*	1,532	1,810	2,300
Derivative financial instruments	*20*	–	–	2,810
Provision	*28*	1,405	899	649
Tax payable		5,136	5,236	8,895
Total current liabilities		157,897	340,229	331,763
NET CURRENT ASSETS		200,000	233,947	59,419
TOTAL ASSETS LESS CURRENT LIABILITIES		404,048	497,025	350,043

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		404,048	497,025	350,043
NON-CURRENT LIABILITIES				
Provision	*28*	2,934	1,806	1,837
Interest-bearing bank and other borrowings	*27*	13,230	31,707	–
Lease liabilities	*15(b)*	205	4,319	4,709
Deferred income	*29*	1,641	4,418	3,493
Derivative financial instruments	*20*	–	–	1,397
Deferred tax liabilities	*30*	13	16,080	–
Total non-current liabilities		18,023	58,330	11,436
Net assets		386,025	438,695	338,607
EQUITY				
Equity attributable to owners of the parent				
Share capital	*31*	–	–*	–*
Reserves	*33*	413,810	471,209	369,252
		413,810	471,209	369,252
Non-controlling interests		(27,785)	(32,514)	(30,645)
Total equity		386,025	438,695	338,607

* The amount is less than RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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 *(note 31)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*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, net of tax	–	–	–	–	–	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)
Equity-settled share-based payment expenses *(note 32)*	–	–	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

Year ended 31 December 2024

	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 (*note 31*)	*RMB'000* (*note 33*)	*RMB'000* (*note 33*)	*RMB'000* (*note 33*)	*RMB'000* (*note 33*)	*RMB'000* (*note 33*)	*RMB'000* (*note 33*)	*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 year	–	–	–	–	–	–	80,568	80,568	(3,999)	76,569
Other comprehensive income for the year, net of tax	–	–	–	–	–	433	–	433	–	433
Total comprehensive income for the year	–	–	–	–	–	433	80,568	81,001	(3,999)	77,002
Dividends paid to the then shareholders	–	–	–	–	–	–	(26,934)	(26,934)	–	(26,934)
Issue of shares	–**	–	–	–	–	–	–	–**	–	–**
Equity-settled share-based payment expenses (*note 32*)	–	–	2,502	–	–	–	–	2,502	–	2,502
Capital contribution by a non-controlling shareholder of a subsidiary	–	–	–	830	–	–	–	830	(730)	100
Appropriation to statutory surplus reserve	–	–	–	–	36,000	–	(36,000)	–	–	–
At 31 December 2024	–**	113,847	8,825	(5,672)	56,104	89	298,016	471,209	(32,514)	438,695

Year ended 31 December 2025

	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 *(note 31)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	–**	113,847	8,825	(5,672)	56,104	89	298,016	471,209	(32,514)	438,695
Profit for the year	–	–	–	–	–	–	51,454	51,454	(3,755)	47,699
Other comprehensive loss for the year, net of tax	–	–	–	–	–	(2,764)	–	(2,764)	–	(2,764)
Total comprehensive income for the year	–	–	–	–	–	(2,764)	51,454	48,690	(3,755)	44,935
Dividends Dividends paid to the then shareholders	–	–	–	–	–	–	(144,720)	(144,720)	–	(144,720)
Acquisition of non-controlling interests	–	–	–	(6,207)	–	–	–	(6,207)	5,624	(583)
Equity-settled share-based payment expenses *(note 32)*	–	–	280	–	–	–	–	280	–	280
At 31 December 2025	–**	113,847	9,105	(11,879)	56,104	(2,675)	204,750	369,252	(30,645)	338,607

* These reserve accounts comprise the consolidated reserves of RMB413,810,000, RMB471,209,000 and RMB369,252,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

** The amount is less than RMB1,000.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		105,805	110,794	60,338
Adjustments for:				
Finance costs	*7*	1,468	2,568	3,745
Bank interest income	*5*	(11,113)	(13,222)	(6,471)
Losses on disposal of items of property, plant and equipment	*6A*	47	579	395
Losses/(gains) on disposal/termination of right-of-use assets	*5, 6A*	21	–	(18)
Gain on disposal of a subsidiary	*35*	(1,267)	–	–
Fair value (gains)/losses on derivative financial instruments, net	*5, 6A*	(952)	(5,613)	12,065
Write-down of inventories to net realisable value	*6B*	114	71	55
Impairment losses on trade receivables, net	*18*	435	325	535
(Reversal of impairment losses)/impairment losses on other receivables, net	*19*	(24)	22	87
Depreciation of property, plant and equipment	*13*	9,554	10,044	11,303
Depreciation of investment properties	*14*	595	417	–
Depreciation of right-of-use assets	*6B*	2,358	2,079	3,358
Amortisation of intangible assets	*16*	250	240	268
Assets-related government grants released		(206)	(199)	(662)
Foreign exchange differences, net		(1,496)	(301)	398
Equity-settled share-based payments expenses	*32*	1,610	2,502	280
		107,199	110,306	85,676
Increase in inventories		(5,242)	(3,447)	(9,056)
Increase in trade receivables		(3,522)	(5,112)	(1,475)
Decrease/(increase) in prepayments, other receivables and other assets		5,807	(3,568)	(5,990)
Increase in trade and bills payables		1,114	2,163	9,624
Increase/(decrease) in other payables and accruals		6,337	6,305	(1,380)
Increase/(decrease) in contract liabilities		3,542	(7,699)	(1,006)
Changes in provision		(624)	(1,634)	(219)
(Decrease)/increase in deferred income		(1,484)	604	(2,087)
Increase in restricted cash		(146)	(1,113)	(9,417)
Cash generated from operations		112,981	96,805	64,670
Interest received		837	1,937	3,701
Income tax paid		(19,024)	(17,223)	(11,596)
Net cash flows from operating activities		94,794	81,519	56,775

	Notes	Year ended 31 December 2023	2024	2025
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received		5,114	10,717	4,155
Purchases of items of property, plant and equipment		(33,701)	(28,342)	(39,051)
Proceeds from disposal of items of property, plant and equipment		19	350	413
Receipt of government grants for property, plant and equipment		–	3,000	–
Additions to intangible assets		–	(1,017)	–
Placement of restricted cash for derivative financial instruments		–	(30,935)	(2,700)
Withdrawal of restricted cash for derivative financial instruments		–	–	3,319
Disposal of a subsidiary, net of cash	*35*	2,697	–	–
Chinese mainland corporate income tax paid on investing activities		(411)	–	–
Purchase of derivative financial instruments		(2,088)	(6,299)	(4,320)
Proceeds from disposal of derivative financial instruments		–	3,814	4,062
Placement of time deposits with original maturity of more than three months when acquired		(188,754)	(65,774)	–
Proceeds from maturity of time deposits with original maturity of more than three months when acquired		150,981	174,589	57,415
Net cash flows (used in)/from investing activities		(66,143)	60,103	23,293
CASH FLOWS FROM FINANCING ACTIVITIES				
Capital contributions by shareholders of the Company		–	75,500	105,597
Capital contribution by a non-controlling shareholder		–	10	–
Payment of issuance costs		–	(2,308)	(2,655)
Placement of pledged deposits		–	(21,566)	(21,476)
Withdrawal of pledged deposits		–	–	21,602
New interest-bearing bank and other borrowings		75,290	167,437	233,082
Repayment of interest-bearing bank and other borrowings		(28,070)	(47,190)	(215,267)
Interest paid for interest-bearing bank and other borrowings		(1,130)	(1,781)	(3,330)
Principal portion of lease payments	*15(b)*	(2,539)	(2,715)	(2,567)
Interest portion of lease payments	*15(b)*	(156)	(107)	(438)
Loan from a related party	*40*	–	35,942	–

	Notes	2023	2024	2025
		Year ended 31 December		
		RMB'000	*RMB'000*	*RMB'000*
Repayment of loan from a related party		–	–	(35,942)
Acquisition of non-controlling interests		–	–	(383)
Payment in connection with the Reorganization		–	(136,109)	(44,988)
Dividends paid		(38,592)	(26,934)	(144,720)
Withholding tax paid		–	–	(16,080)
Net cash flows from/(used in) financing activities		4,803	40,269	(127,565)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		33,454	181,891	(47,497)
Cash and cash equivalents at beginning of year		56,109	91,116	273,526
Effect of foreign exchange rate changes, net		1,553	519	(946)
CASH AND CASH EQUIVALENTS AT END OF YEAR	*22*	91,116	273,526	225,083
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		90,836	316,163	217,785
Time deposits		201,685	104,346	106,605
Less:				
Pledged deposits		–	22,297	46,044
Time deposits with original maturity of over three months		193,894	84,194	–
Restricted cash		7,511	40,492	53,263
Cash and cash equivalents as stated in the statements of financial position and cash flows		91,116	273,526	225,083

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December	
	Notes	**2024**	**2025**
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Investment in a subsidiary	*21*	75,500	73,834
Total non-current assets		75,500	73,834
CURRENT ASSETS			
Prepayments, other receivables and other assets	*19*	141,467	46,539
Derivative financial instruments	*20*	–	1,186
Cash and cash equivalents	*22*	72	81,248
Total current assets		141,539	128,973
CURRENT LIABILITIES			
Other payables and accruals	*24*	35,942	40,658
Total current liabilities		35,942	40,658
NET CURRENT ASSETS		105,597	88,315
TOTAL ASSETS LESS CURRENT LIABILITIES		181,097	162,149
Net assets		181,097	162,149
EQUITY			
Share capital	*31*	–*	–*
Reserves	*33*	181,097	162,149
Total equity		181,097	162,149

The Company was incorporated in the Cayman Islands on 7 August 2024. On its date of incorporation, 100,000,000 shares of USD0.000001 each was allotted (note 31).

* The amount is less than RMB1,000.

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 P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in developing and manufacturing of 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, Mr. SONG Xin (宋欣) is the ultimate controlling shareholder of the Company.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries. The 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	
山東滬鴿口腔醫療集團有限公司 ("Shandong Huge Dental Medical Group Co., Ltd.")	*(a)*	the People's Republic of China (the "PRC")/ Chinese mainland 24 November 2006	RMB39,888,500	–	100%	Research, development, manufacture and sales of dental material products
上海滬鴿醫療器械有限公司 ("Shanghai Huge Medical Equipment Co., Ltd.")	*(f)*	PRC/Chinese mainland 28 August 2013	RMB1,000,000	–	100%	Sales of dental material products in domestic market
北京因卓越生物科技有限公司 ("Beijing Yinzhuoyue Biotechnology Co., Ltd.")	*(f)*	PRC/Chinese mainland 23 November 2012	RMB2,000,000	–	100%	Research and development of dental material products
日照滬鴿生物材料有限公司 ("Rizhao Huge Biological Materials Co., Ltd.")	*(b)*	PRC/Chinese mainland 22 April 2016	RMB2,400,000	–	75%	Research, development and manufacture of dental material products
HUGE DENTAL USA LLC	*(f)*	United States of America (the "U.S.") 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.")	*(f)*	PRC/Chinese mainland 21 July 2015	RMB11,100,000	–	80%	Research and development of dental material products
青島達芬奇口腔醫療有限公司 ("Qingdao Da Vinci Dental Medical Co., Ltd.")	*(f)*	PRC/Chinese mainland 28 January 2019	RMB5,000,000	–	80%	Sales of dental material products

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.")	(f)	PRC/Chinese mainland 11 September 2012	RMB32,510,000	–	100%	Property holding
青島滬鴿口腔醫療科技有限公司 ("Qingdao Huge Dental Medical Technology Co., Ltd.")	(f)	PRC/Chinese mainland 05 June 2019	RMB100,000,000	–	100%	Property leasing
上海滬鴿科技有限公司 ("Shanghai Huge Technology Co., Ltd.")	(f)	PRC/Chinese mainland 10 June 2021	RMB1,000,000	–	100%	Property holding
Huge Dental International (Singapore) Limited	(f)	Singapore 26 April 2023	USD3,800,000	–	100%	Sales of dental material products
蘇州滬鴿數字科技有限公司 ("Suzhou Huge Digital Technology Co., Ltd.")	(f)	PRC/Chinese mainland 27 May 2024	RMB5,000,000	–	80%	Research and development of dental material products
歐蘭香港有限公司 ("Vincismile Hong Kong Limited")	(e)	Hong Kong 16 August 2023	USD100,000	–	100%	Research and development of dental material products
Huge Dental International Limited	(f)	British Virgin Islands ("BVI") 20 August 2024	USD50,000	100%	–	Investment holding
PT Huge Dental Indonesia	(f)	Republic of Indonesia 25 April 2024	Indonesian rupiahs ("IDR") 12,500,000,000	–	100%	Manufacture and sales of dental material products
Huge Dental Hong Kong Limited	(f)	Hong Kong 5 September 2024	USD1	–	100%	Investment holding
Huge Dental International (Hong Kong) Limited	(d)	Hong Kong 16 August 2023	USD100,000	–	100%	Sales of dental material products
山東滬鴿投資控股有限公司 ("Shandong Huge Investment Holdings Co., Ltd")	(c)	PRC/Chinese mainland 30 September 2024	RMB100,000,000	–	100%	Investment holding

\# 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 year ended 31 December 2023 prepared in accordance with the Accounting Standards for Business Enterprises ("ASBEs") was audited by Pan-China Certified Public Accountants LLP (天健會計師事務所(特殊普通合夥)). The statutory financial statements of Shandong Huge Dental Material Co., Ltd. for the year ended 31 December 2024 prepared in accordance with the ASBEs were audited by Zhongxi Certified Public Accountants LLP (中囍會計師事務所(特殊普通合夥)).

(b) The statutory financial statements of Rizhao Huge Biological Materials Co., Ltd. for the year ended 31 December 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) The statutory financial statements of Shandong Huge Investment Holdings Co., Ltd for the year ended 31 December 2024 prepared in accordance with ASBEs were audited by Ernst & Young Hua Ming LLP (安永華明會計師事務所(特殊普通合夥)).

(d) The statutory financial statements of Huge Dental International (Hong Kong) Limited for the year ended 31 December 2024 prepared in accordance with HKFRS Accounting Standards were audited by Ernst & Young.

(e) The statutory financial statements of Vincismile Hong Kong Limited for the year ended 31 December 2024 prepared in accordance with HKFRS Accounting Standards were audited by Richful CPA Limited.

(f) No audited financial statements have been prepared for these entities for the years ended 31 December 2023, 2024 and 2025, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as 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 on 12 December 2024. The insertion of 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, had not resulted in any change of the voting and beneficial interests and economic substance of the shareholders. Accordingly, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing group of business as if the Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated 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 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 consolidated statements of financial position of the Group as at 31 December 2023, 2024 and 2025 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.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been consistently applied by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Group for the Relevant Periods. 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 consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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 IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Annual Improvements to IFRS Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[1]

1 Effective for annual periods beginning on or after 1 January 2026

2 Effective for annual/reporting periods beginning on or after 1 January 2027

3 No mandatory effective date yet determined but available for adoption

Further information about those new and revised IFRS Accounting Standards 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 IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards 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 a 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 disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. IFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. Some of the Company's subsidiaries are considering the application of IFRS 19 and its amendments in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IFRS 9 and IFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to IFRS 9 and IFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial information.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of IAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards — Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying Guidance on implementing IFRS 7), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments*: Disclosures: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial information.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

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. 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 Historical Financial Information 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 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 of the Relevant Periods.

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.

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.

An assessment is made at the end of each of the Relevant Periods 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.

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% to 46.15%
Plant and machinery	6.33% to 33.33%
Tools, furniture and fixtures	9.50% 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

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.

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	Over 1 year to 6 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.

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.

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 consolidated 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 the end of each of the Relevant Periods, 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.

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.

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 consolidated 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 of the Relevant Periods. 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 cost 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 consolidated 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.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods 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 consolidated 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 Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods 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 carryforward 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 carryforward 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 of the Relevant Periods 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 of the Relevant Periods 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 of the Relevant Periods.

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.

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 is principally involved in the manufacture and sale of dental material products in the Chinese mainland 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 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.

(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 distributors. These distributors possess the requisite business licenses and permit 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.

The Group acts as a principal when rendering aligner treatment solutions to public hospitals and private dental clinics through distributors while distributors act as agents. The distributors' performance obligation is to arrange for the provision of the aligner treatment solutions by the Group. The Group directly delivers aligner treatment solutions to the end customers, thus distributors do not control the specified goods or service before that goods or service is transferred to the end customers. The Group is primarily responsible for fulfilling the promise to provide the aligner treatment solutions and also bears the return losses for defective aligners from the end consumers. Moreover, the Group has discretion in establishing the price for each case while distributors earn a certain percentage of the consideration for each case.

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 incentive 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 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, at the grant date or over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods 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.

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 the Chinese mainland 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 of the Relevant Periods.

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.

Events after the reporting period

If the Group receives information after the end of the Relevant Periods, but prior to the date of authorisation for issue, about conditions that existed at the end of the Relevant Periods, it will assess whether the information affects the amounts that it recognises in the Historical Financial Information. The Group will adjust the amounts recognised in the Historical Financial Information to reflect any adjusting events after the end of the Relevant Periods and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the end of the Relevant Periods, the Group will not change the amounts recognised in the Historical Financial Information, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Historical Financial Information is 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 of the Relevant Periods. 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 of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods 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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognises in the Historical Financial Information:

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.

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 of the Relevant Periods, 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.

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 of the Relevant Periods are recorded as "other payables and accruals — volume rebates" in note 24 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 of the Relevant Periods. 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 aging 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, 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 of the Relevant Periods 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.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	248,347	271,322	271,378
Europe	36,683	49,784	56,978
The U.S.	32,285	28,362	16,474
North America other than the U.S.	4,229	8,974	4,556
Asia, other than Chinese mainland and Southeast Asia	19,645	25,432	26,403
Southeast Asia	8,763	11,544	15,942
Other countries/regions	7,661	4,022	8,418
Total revenue	357,613	399,440	400,149

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 were located in the Chinese mainland. 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.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	355,671	398,564	399,427
Rental income	1,942	876	722
Total	357,613	399,440	400,149

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Dental clinical products	194,642	222,501	218,496
Dental laboratory products	152,552	167,184	173,162
Dental digital products	2,760	2,486	671
Others	5,717	6,393	7,098
Total	355,671	398,564	399,427
Geographical markets			
Chinese mainland	246,405	270,446	270,656
Europe	36,683	49,784	56,978
The U.S.	32,285	28,362	16,474
North America other than the U.S.	4,229	8,974	4,556
Asia, other than Chinese mainland and Southeast Asia	19,645	25,432	26,403
Southeast Asia	8,763	11,544	15,942
Other countries/regions	7,661	4,022	8,418
Total	355,671	398,564	399,427
Timing of revenue recognition			
Products or services transferred at a point in time			
Dental clinical products	168,477	200,119	207,230
Dental laboratory products	152,552	167,184	173,162
Dental digital products	2,760	2,486	671
Others	2,037	2,076	2,608
Products or services transferred over time			
Dental clinical products *(note)*	26,165	22,382	11,266
Others	3,680	4,317	4,490
Total	355,671	398,564	399,427

Note: Invisible orthodontics aligners offered as comprehensive full-cycle treatment packages (with aligner treatment solutions) are included in dental clinical products.

The following table shows the amounts of revenue recognised in each of the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of dental material products	31,951	28,867	17,810

(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 the products have been delivered 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 the end of each of the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	15,154	12,907	12,204
After one year	26,691	21,239	20,936
Total	41,845	34,146	33,140

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants*	8,644	4,531	7,740
Bank interest income	11,113	13,222	6,471
Total other income	19,757	17,753	14,211
Gains			
Gains on termination of right-of-use assets	–	–	18
Fair value gains on derivative financial instruments	1,269	5,781	–
Gain on disposal of a subsidiary	1,267	–	–
Others	16	217	191
Total gains	2,552	5,998	209
Total other income and gains	22,309	23,751	14,420

* Government grants have been received for contributions made to certain districts where the Group's businesses operate. There were no unfulfilled conditions or contingencies relating to these grants.

6A. OTHER EXPENSES

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Losses on disposal of items of property, plant and equipment	*6B*	47	579	395
Fair value losses on derivative financial instruments		317	168	12,065
Loss on disposal of right-of-use assets	*6B*	21	–	–
Others		21	203	334
Total		406	950	12,794

6B. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold and services provided*		153,917	165,226	166,733
Depreciation of property, plant and equipment	*13*	9,554	10,044	11,303
Depreciation of investment properties	*14*	595	417	–
Depreciation of right-of-use assets	*15(a)*	2,858	2,596	3,875
Less: Amount capitalised		500	517	517
Total		2,358	2,079	3,358
Amortisation of intangible assets	*16*	250	240	268
Research and development expenses*		23,823	29,407	31,384
Lease payments not included in the measurement of lease liabilities	*15(c)*	19	66	364
[**REDACTED**] expenses		–	9,554	13,312

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Employee benefit expenses (excluding directors' and chief executive's remuneration (*note 8*)):				
Wages, salaries and other allowances		96,785	107,298	116,742
Pension scheme contributions		6,730	8,501	9,091
Equity-settled share-based payments expense		1,610	2,502	280
Total		105,125	118,301	126,113
Foreign exchange differences, net		3,598	3,498	(580)
Impairment losses on financial assets, net:				
Impairment losses on trade receivables, net	*18*	435	325	535
(Reversal of impairment losses)/impairment losses on other receivables, net	*19*	(24)	22	87
Total		411	347	622
Write-down of inventories to net realisable value		114	71	55

* 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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank and other borrowings	1,419	3,344	3,727
Interest on lease liabilities	156	107	438
Subtotal	1,575	3,451	4,165
Less: Interest capitalised	107	883	420
Total	1,468	2,568	3,745

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

On 7 August 2024, Mr. SONG Xin was appointed as the chief executive and a director of the Company.

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 date which the Company is [**REDACTED**] and [**REDACTED**] in the shares of the Company are taken place on the Stock Exchange.

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		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees:	60	30	–
Other emoluments:			
Salaries, allowances and benefits in kind	2,073	4,004	4,719
Performance related bonuses*	2,495	1,767	1,355
Pension scheme contributions	221	261	279
Equity-settled share-based payments**	1,610	2,222	–
Subtotal	6,399	8,254	6,353
Total	6,459	8,284	6,353

* Executive directors of the Company are entitled to bonus payments which are determined according to their performance.

** During the Relevant Periods, 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 32 to the Historical Financial Information. The fair value of such share incentive awards, which has been recognised 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 are included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Mr. YI Shanbing	60	30	–
Mr. WONG Fatt Heng	–	–	–
Mr. WANG Lin	–	–	–
Total	60	30	–

(b) Executive directors and chief executive

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023					
Executive director and chief executive:					
Mr. SONG Xin*	533	1,295	68	1,610	3,506*
Executive directors:					
Mr. LIU Qin	568	867	68	–	1,503
Ms. ZHANG Yongjing	468	200	31	–	699
Mr. XIANG Longsheng	504	133	54	–	691
Subtotal	1,540	1,200	153	–	2,893
Total	2,073	2,495	221	1,610	6,399

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024					
Executive director and chief executive:					
Mr. SONG Xin*	1,776	450	78	2,222	4,526
Executive directors:					
Mr. LIU Qin	1,092	765	81	–	1,938
Ms. ZHANG Yongjing	569	350	31	–	950
Mr. XIANG Longsheng	567	202	71	–	840
Subtotal	2,228	1,317	183	–	3,728
Total	4,004	1,767	261	2,222	8,254

	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Equity-settled share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2025					
Executive director and chief executive:					
Mr. SONG Xin	2,221	–	78	–	2,299
Executive directors:					
Mr. LIU Qin	1,239	927	88	–	2,254
Ms. ZHANG Yongjing	646	316	42	–	1,004
Mr. XIANG Longsheng	613	112	71	–	796
Subtotal	2,498	1,355	201	–	4,054
Total	4,719	1,355	279	–	6,353

* The remuneration of Mr. SONG Xin for the year ended 31 December 2023 and for the period from 1 January 2024 to 7 August 2024 shown above was paid for his services in connection with the management of the affairs of the Group before he was appointed as the chief executive and a director of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included two, three and three directors. Details of the director's remuneration are set out in note 8 above.

Details of the remuneration of the remaining three, two and two highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	1,558	1,452	1,335
Performance related bonuses	1,321	779	508
Pension scheme contributions	109	106	73
Equity-settled share-based payments	–	280	280
Total	2,988	2,617	2,196

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees		
	Year ended 31 December		
	2023	2024	2025
Nil to Hong Kong Dollars ("HKD") 1,000,000	1	–	1
HKD1,000,001 to HKD1,500,000	2	1	1
HKD1,500,001 to HKD2,000,000	–	1	–
Total	3	2	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 Medical Group 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. Rizhao Huge Biological Materials Co., Ltd. was qualified as HNTE in 2024. They were therefore entitled to a preferential income tax rate of 15% during the Relevant Periods. 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 2023 to 31 December 2027, the annual taxable income amount of a Small-Scaled Minimal Profit Corporation shall be computed at a reduced rate of 25% as taxable income amount, and shall be levied at a reduced tax rate of 20%.

Pursuant to the relevant regulations, an enterprise that is qualified for both the HNTE and the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policies may choose the more favourable preferential tax rate based on its actual circumstances. Rizhao Huge Biological Materials Co., Ltd. chose to apply the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy.

Hong Kong profits 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, 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.

U.S.

The subsidiary incorporated in the U.S. is subject to statutory United States federal corporate income tax at a rate of 21% and California corporate income tax at a rate of 8.84%.

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		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current tax	19,046	17,322	31,361
Deferred tax *(note 30)*	(1,595)	16,903	(18,722)
Total	17,451	34,225	12,639

A reconciliation of the income tax expense applicable to profit before tax at 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		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	105,805	110,794	60,338
Tax at the PRC EIT rate of 25%	26,451	27,699	15,085
Effect of different tax rate	(9,901)	(10,258)	(5,898)
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	–	16,080	–
Adjustments in respect of current tax of previous periods	12	4	(137)
Expenses not deductible for tax	312	583	197
Tax losses and deductible temporary differences not recognised	3,418	3,935	6,456
Tax losses utilised from previous periods	(54)	(41)	(9)
Additional deductible allowance for research and development costs *(a)*	(2,787)	(3,125)	(3,055)
Effect on opening deferred tax of increase in rates	–	(652)	–
Tax charge at the Group's effective rate	17,451	34,225	12,639

Note:

(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. DIVIDENDS

The Group made distributions to the then shareholders before the completion of the Reorganization in the amounts of RMB38,592,000, RMB26,934,000 and RMB144,720,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares outstanding during the Relevant Periods. In determining the weighted average numbers of ordinary shares outstanding during the Relevant Periods, 40,200,000 shares of the Company, which resulted from the issue and allotment of 40,200,000 shares by the Company in connection with the Reorganization as described in note 1, had been treated as if such shares were issued on 1 January 2023.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to owners of the parent, used in the basic earnings per share calculation *(RMB'000)*	92,436	80,568	51,454
Shares			
Weighted average number of ordinary shares outstanding, used in the basic earnings per share calculation	40,200,000	40,200,000	40,200,000

13. PROPERTY, PLANT AND EQUIPMENT

	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*
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	80,273	1,081	21,847	1,919	452	6,217	111,789
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	3,838	–	686	60	–	(4,584)	–
At 31 December 2023, net of accumulated depreciation	79,421	741	22,399	1,639	819	34,497	139,516
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	79,421	741	22,399	1,639	819	34,497	139,516
31 December 2024							
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	79,421	741	22,399	1,639	819	34,497	139,516
At 1 January 2024, net of accumulated depreciation	79,421	741	22,399	1,639	819	34,497	139,516
Additions	114	167	4,538	1,182	–	20,214	26,215
Transfers from investment property	15,950	–	–	–	–	–	15,950
Disposals	–	–	(810)	(26)	(93)	–	(929)
Depreciation provided during the year	(5,724)	(256)	(3,156)	(711)	(197)	–	(10,044)
Transfers	1,967	88	1,665	9	–	(3,729)	–
At 31 December 2024, net of accumulated depreciation	91,728	740	24,636	2,093	529	50,982	170,708

	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*
At 31 December 2024:							
Cost	132,124	2,593	44,376	8,658	1,952	50,982	240,685
Accumulated depreciation	(40,396)	(1,853)	(19,740)	(6,565)	(1,423)	–	(69,977)
Net carrying amount	91,728	740	24,636	2,093	529	50,982	170,708
31 December 2025							
At 1 January 2025:							
Cost	132,124	2,593	44,376	8,658	1,952	50,982	240,685
Accumulated depreciation	(40,396)	(1,853)	(19,740)	(6,565)	(1,423)	–	(69,977)
Net carrying amount	91,728	740	24,636	2,093	529	50,982	170,708
At 1 January 2025, net of accumulated depreciation	91,728	740	24,636	2,093	529	50,982	170,708
Additions	32	1,361	4,980	881	–	43,499	50,753
Disposals	–	(462)	(165)	(142)	(39)	–	(808)
Depreciation provided during the year	(6,107)	(401)	(3,867)	(762)	(166)	–	(11,303)
Transfers	13,154	–	464	27	–	(13,645)	–
Exchange realignment	–	–	(14)	(11)	–	–	(25)
At 31 December 2025, net of accumulated depreciation	98,807	1,238	26,034	2,086	324	80,836	209,325
At 31 December 2025:							
Cost	145,310	3,492	49,369	9,086	1,168	80,836	289,261
Accumulated depreciation	(46,503)	(2,254)	(23,335)	(7,000)	(844)	–	(79,936)
Net carrying amount	98,807	1,238	26,034	2,086	324	80,836	209,325

Certain of the Group's buildings with net carrying amounts of RMB79,421,000, RMB91,728,000 and RMB85,933,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure certain bank loans granted to subsidiaries of the Group (note 27).

Certain of the Group's construction in progress with net carrying amounts of RMB34,497,000, RMB50,638,000 and nil as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure bank loans granted to a subsidiary of the Group (note 27).

14. INVESTMENT PROPERTIES

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	17,188	16,367	–
Disposal of a subsidiary *(note 35)*	(226)	–	–
Transfer to owner-occupied property	–	(15,950)*	–
Depreciation	(595)	(417)	–
Carrying amount at the end of the year	16,367	–	–

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.

* The investment property was self used by the Group since 1 September 2024, therefore, it was reclassified as owner-occupied property.

Fair values of the investment properties as at the end of each of the Relevant Periods are as follows:

	31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Investment properties in the PRC	17,936	–	–

The fair values of the Group's investment properties are determined under the valuation models by adopting an income approach as at the end of each of the Relevant Periods.

The income approach is based on the net rental income of the investment properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases.

The fair value estimations for the investment properties were classified as Level 3 of the fair value hierarchy. In addition, the unobservable inputs include market rental rates and discount rates are used to determine the fair value of the investment properties.

15. LEASES

The Group as a lessee

The Group has lease contracts for leasehold land and various items of buildings used in its operations. Lump sum payments were made upfront to acquire the leasehold land with lease periods of 50 years, and no ongoing payments will be made under the terms of these land use rights. Leases of buildings generally have lease terms between 1 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 are as follows:

	Buildings	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 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	7,107	–	7,107
Depreciation charge	(2,008)	(588)	(2,596)
Exchange realignment	–*	–	–*
As at 31 December 2024 and 1 January 2025	6,907	25,171	32,078
Additions	5,203	–	5,203
Depreciation charge	(3,287)	(588)	(3,875)
Termination	(1,671)	–	(1,671)
Exchange realignment	(97)	–	(97)
As at 31 December 2025	7,055	24,583	31,638

* The amount is less than RMB1,000.

Certain of the Group's right-of-use assets with net carrying amounts of RMB25,759,000, RMB25,171,000 and RMB2,186,000 as at 31 December 2023, 2024 and 2025, respectively, were pledged to secure bank loans granted to subsidiaries of the Group (note 27).

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during each of the Relevant Periods are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	4,274	1,737	6,129
New leases	–	7,107	5,203
Accretion of interest recognised during the year	156	107	438
Payments	(2,695)	(2,822)	(3,005)
Exchange realignment	9	–*	(67)
Termination	(7)	–	(1,689)
Carrying amount at the end of year	1,737	6,129	7,009
Analysed into:			
Current portion	1,532	1,810	2,300
Non-current portion	205	4,319	4,709

* The amount is less than RMB1,000.

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	156	107	438
Depreciation charge of right-of-use assets	2,858	2,596	3,875
Losses/(gains) on disposal/termination of right-of-use assets	21	–	(18)
Expense relating to leases of low-value assets (included in selling expenses, administrative expenses and research and development expenses)	19	66	364
Total amount recognised in profit or loss	3,054	2,769	4,659

(d) The total cash outflows for leases are disclosed in note 37(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 the Chinese mainland 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 are included in note 5 to the Historical Financial Information.

At the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under operating leases with its tenants are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within one year	1,115	614	313
After one year but within two years	123	35	–
Total	1,238	649	313

16. INTANGIBLE ASSETS

	Patents	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2023			
At 1 January 2023:			
Cost	300	881	1,181
Accumulated amortisation	(125)	(575)	(700)
Net carrying amount	175	306	481
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	115	116	231
At 31 December 2023:			
Cost	300	881	1,181
Accumulated amortisation	(185)	(765)	(950)
Net carrying amount	115	116	231

	Patents	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2024			
At 1 January 2024			
Cost	300	881	1,181
Accumulated amortisation	(185)	(765)	(950)
Net carrying amount	115	116	231
At 1 January 2024, net of accumulated amortisation	115	116	231
Additions	–	1,017	1,017
Amortisation provided during the year	(60)	(180)	(240)
At 31 December 2024, net of accumulated amortisation	55	953	1,008
At 31 December 2024			
Cost	300	1,898	2,198
Accumulated amortisation	(245)	(945)	(1,190)
Net carrying amount	55	953	1,008

	Patents	Software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2025			
At 1 January 2025			
Cost	300	1,898	2,198
Accumulated amortisation	(245)	(945)	(1,190)
Net carrying amount	55	953	1,008
At 1 January 2025, net of accumulated amortisation	55	953	1,008
Amortisation provided during the year	(55)	(213)	(268)
At 31 December 2025, net of accumulated amortisation	–	740	740
At 31 December 2025:			
Cost	300	1,898	2,198
Accumulated amortisation	(300)	(1,158)	(1,458)
Net carrying amount	–	740	740

17. INVENTORIES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	19,635	22,171	26,940
Work in progress	8,184	7,194	9,555
Finished goods	17,633	19,463	21,334
Total	45,452	48,828	57,829

18. TRADE RECEIVABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	23,769	28,827	30,299
Impairment	(1,244)	(1,515)	(2,047)
Net carrying amount	22,525	27,312	28,252

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 were amounts due from companies controlled by the controlling shareholder of nil, RMB101,000 and RMB6,000 as at 31 December 2023, 2024 and 2025, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

An aging analysis of the trade receivables of the Group as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 12 months	22,432	26,979	27,904
13th to 24th months	80	332	345
25th to 36th months	13	1	3
Total	22,525	27,312	28,252

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	970	1,244	1,515
Impairment losses recognised, net *(note 6)*	435	325	535
Amount written off as uncollectible	(161)	(54)	(3)
Exchange realignment	–*	–*	–*
At end of the year	1,244	1,515	2,047

* The amount is less than RMB1,000.

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on the 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 end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

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 2023

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis:				
Within 12 months	3.82%	23,034	879	22,155
13th to 24th months	14.89%	94	14	80
25th to 36th months	53.57%	28	15	13
37th to 48th months	100.00%	–	–	–
49th to 60th months	100.00%	57	57	–
Over 60th months	100.00%	2	2	–
Provision on an individual basis	50.00%	554	277	277
Total		23,769	1,244	22,525

As at 31 December 2024

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis:				
Within 12 months	3.76%	27,841	1,046	26,795
13th to 24th months	17.71%	96	17	79
25th to 36th months	66.67%	3	2	1
37th to 48th months	100.00%	12	12	–
49th to 60th months	100.00%	–	–	–
Over 60th months	100.00%	–	–	–
Provision on an individual basis	50.00%	875	438	437
Total		28,827	1,515	27,312

As at 31 December 2025

	Expected credit loss rate	Gross carrying amount	Expected credit losses	Net carrying amount
		RMB'000	*RMB'000*	*RMB'000*
Provision on a collective basis:				
Within 12 months	4.30%	29,157	1,253	27,904
13th to 24th months	14.18%	402	57	345
25th to 36th months	50.00%	6	3	3
37th to 48th months	100.00%	3	3	–
49th to 60th months	100.00%	12	12	–
Over 60th months	100.00%	–	–	–
Provision on an individual basis	100.00%	719	719	–
Total		30,299	2,047	28,252

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current:			
Prepayments	6,213	8,486	9,691
Value-added tax recoverable	1,637	2,822	3,997
Prepaid tax	374	29	727
[**REDACTED**] expenses	–	2,308	4,963
Receivables in connection with the Reorganization *(note 25)*	–	105,597	–
Other receivables	496	951	1,606
Impairment	(25)	(47)	(134)
Total – current	8,695	120,146	20,850
Non-current:			
Long-term prepayments	341	668	125
Total – non-current	341	668	125
Total	9,036	120,814	20,975

The Group's movements in the loss allowance for impairment of other receivables and other assets are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	49	25	47
(Reversal of impairment losses)/impairment losses, net *(note 6)*	(24)	22	87
At end of year	25	47	134

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Receivables in connection with the Reorganization *(note 25)*	105,597	–
Loans to subsidiaries	35,870	37,534
Other receivables	–	8,721
[**REDACTED**] expenses	–	1,855
Impairment	–	(1,571)
Total	141,467	46,539

The Company's movements in the loss allowance for impairment of other receivables and other assets are as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
At beginning of year	–	–
Impairment losses, net	–	1,571
At end of year	–	1,571

Included in the Group's and the Company's other receivables were receivables in connection with the Reorganization due from the controlling shareholder and his close family member of RMB68,768,000 and the remaining shareholders of RMB36,829,000 as at 31 December 2024, which were unsecured, interest-free and repaid in 2025.

Included in the Company's other receivables were loans to subsidiaries of RMB35,870,000 and RMB37,534,000 as at 31 December 2024 and 2025, which were unsecured, interest-free and repayable on demand.

20. DERIVATIVE FINANCIAL INSTRUMENTS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Assets:			
Non-current assets:			
Foreign currency swaps	–	1,412	–
Current assets:			
Foreign currency swaps	–	2,544	–
Forward currency contracts	3,040	7,186	1,186
Total	3,040	11,142	1,186
Liabilities:			
Non-current liabilities:			
Foreign currency swaps	–	–	1,397
Current liabilities:			
Foreign currency swaps	–	–	2,810
Total	–	–	4,207

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Current assets:		
Forward currency contracts	–	1,186
Total	–	1,186

21. INVESTMENT IN A SUBSIDIARY

The Company

At the end of the Relevant Periods, the Company's investment in a subsidiary was as follows:

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Huge Dental International Limited	75,500	73,834

22. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS, RESTRICTED CASH AND TIME DEPOSITS

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	90,836	316,163	217,785
Time deposits	201,685	104,346	106,605
Subtotal	292,521	420,509	324,390
Less:			
Pledged deposits			
Current portion	–	22,297	37,207
Non-current portion	–	–	8,837
Time deposits with original maturity of over three months			
Current portion	179,558	60,360	–
Non-current portion	14,336	23,834	–
Restricted cash			
Current portion	7,511	11,977	20,775
Non-current portion	–	28,515	32,488
Cash and cash equivalents	91,116	273,526	225,083

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and cash equivalents, pledged deposits and time deposits			
Denominated in			
– RMB	25,351	213,660	72,420
– USD	265,265	166,808	217,004
– Euro ("EUR")	1,905	39,524	34,856
– Others	–	517	110
Total	292,521	420,509	324,390

The RMB is not freely convertible into other currencies, however, under the Chinese mainland'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 time 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 2023, 2024 and 2025, restricted cash amounting to RMB200,000, RMB1,223,000 and RMB10,615,000, respectively, was restricted by banks as collateral for the issuance of bank acceptance notes.

As at 31 December 2023, 2024 and 2025, restricted cash amounting to RMB7,311,000, RMB7,387,000 and RMB7,426,000, respectively, which were restricted by the government for future capital expenditure.

As at 31 December 2024 and 2025, restricted cash amounting to RMB31,868,000 and RMB35,222,000, respectively, were restricted by banks as collateral for the foreign currency swap transactions.

As at 31 December 2024, restricted cash amounting to RMB14,000 was suspended by a bank due to the expiration of the bank's reserved seal. The account was released from suspension on 21 March 2025.

As at 31 December 2024 and 2025, certain time deposits with a carrying amount of RMB22,297,000 and RMB46,045,000 were pledged to secure interest-bearing bank borrowings granted to the Group (note 27).

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash and bank balances	72	1,638
Time deposits	–	79,610
Cash and cash equivalents	72	81,248

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Cash and cash equivalents		
Denominated in		
– RMB	–	–*
– USD	72	81,160
– HKD	–	88
Total	72	81,248

* The amount is less than RMB1,000.

23. TRADE AND BILLS PAYABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,893	5,712	6,112
Bills payable	2,047	1,391	10,615
Total	4,940	7,103	16,727

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 12 months	4,714	6,841	16,516
13th to 24th months	22	51	32
25th to 36th months	33	10	11
Over 36th months	171	201	168
Total	4,940	7,103	16,727

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred income *(note 29)*	1,690	2,318	493
Payables for purchase of property, plant and equipment	15,432	13,115	23,757
Other tax payable	6,909	5,252	4,946
Volume rebates	4,436	5,072	5,168
Payroll and welfare payables	21,980	21,049	21,025
Loan payable to a related party	–	35,942	–
Payables in connection with the Reorganization *(note 25)*	–	44,988	–
Payables for acquisition of a non-controlling interest	–	–	200
Other payables	5,371	13,793	12,819
Total	55,818	141,529	68,408

Other payables are unsecured and repayable on demand.

Included in the Group's other payables and accruals were payables in connection with the Reorganization due to the controlling shareholder of RMB40,575,000 and a remaining shareholder of RMB4,413,000 as at 31 December 2024 which was repaid in 2025.

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Loan payable to a related party	35,942	–
Loans payable to subsidiaries	–	33,739
Other payables	–	5,837
Payroll and welfare payables	–	1,082
Total	35,942	40,658

Included in the Group's and the Company's other payables and accruals was a loan from a company controlled by the controlling shareholder of RMB35,942,000 as at 31 December 2024, which was fully repaid on 16 January 2025.

Included in the Company's other payables and accruals was loan from subsidiaries of RMB33,739,000 as at 31 December 2025, which is unsecured, interest-free and repayable on demand.

25. AMOUNTS IN CONNECTION WITH THE REORGANIZATION

The Group

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Receivables in connection with the Reorganization	105,597	–
Payables in connection with the Reorganization	44,988	–

The Company

	As at 31 December	
	2024	2025
	RMB'000	*RMB'000*
Receivables in connection with the Reorganization	105,597	–

Pursuant to the Reorganization, Shandong Huge Investment Holdings Co., Ltd ("Huge Holding") was established on 30 September 2024 to be the new immediate holding company of Shandong Huge Dental Medical Group Co., Ltd ("Shandong Huge"), the PRC operation entity. Before the Reorganization, the shareholders of Shandong Huge included: (i) 7 companies or partnerships established in PRC during the course of the Group's development, the interests of which were held by the Group's directors, senior management and employees and/or certain individual shareholders ("Pre-reorganization Shareholding Entities"); (ii) 5 private equity funds ("Pre-[**REDACTED**] Investors") and World Mega Limited (長華有限公司) and; (iii) 14 individual shareholders including Mr. SONG Xin.

The Group undertook the following Reorganization steps whereby Huge Holding became the immediate holding company of Shandong Huge:

Step 1: Capital reduction of Shandong Huge held by Pre-reorganization Shareholding Entities, World Mega Limited and Pre-*[REDACTED]** ***Investors

Shandong Huge reduced its registered capital from RMB40,200,000 to RMB17,888,500 and repaid the total investment amount of RMB104,177,000 to the Pre-reorganization Shareholding Entities, World Mega Limited and Pre-[**REDACTED**] Investors before 31 December 2024.

Step 2: Acquisition of remaining equity interests of Shandong Huge by Huge Holding

Huge Holding acquired the remaining equity interests of Shandong Huge held by the 14 individual shareholders amounting to RMB17,888,500 of the registered capital at a consideration of RMB76,920,000, which was determined with reference to a valuation report issued by an independent valuer. Among which, RMB31,932,000 was paid to 12 individual shareholders before 31 December 2024 and RMB44,988,000 was paid to the 2 individual shareholders on 15 January 2025.

Upon the completion of Step 1 and Step 2, a total amount of RMB181,097,000 was paid to the above three types of shareholders, which was then re-invested back to the Company according to the Reorganization agreement. Before 31 December 2024, RMB75,500,000 was received by the Company, and the remaining RMB105,597,000 was received on 8 February 2025. Upon the completion of the Reorganization, each shareholder's effective equity interest in the Company mirrors his/her effective equity interest in Shandong Huge before the Reorganization.

26. CONTRACT LIABILITIES

	As at 1 January	As at 31 December		
	2023	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers				
Sale of dental material products	38,303	41,845	34,146	33,140

Contract liabilities include advances received to deliver dental material products and aligner treatment solutions.

Included in the Group's contract liabilities were amounts due to companies controlled by the controlling shareholder of RMB563,000, RMB366,000 and RMB191,000 as at 31 December 2023, 2024 and 2025, respectively.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2023			As at 31 December 2024		
	Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		*RMB'000*	*(%)*		*RMB'000*
Current						
Bank loans – secured	3.00%-3.25%	2024	29,531	2.70%-3.10%	2025	149,506
Bank loans – unsecured	3.00%-3.15%	2024	4,690	–	–	–

	As at 31 December 2023			As at 31 December 2024		
	Effective interest rate	Maturity		Effective interest rate	Maturity	
	(%)		RMB'000	(%)		RMB'000
Other borrowings						
– unsecured	2.50%-2.79%	2024	13,000	–	–	–
Total			47,221			149,506
Non-current						
Bank loans – secured	3.65%	2026-2030	13,230	3.05%-3.65%	2026-2030	31,707
Total			60,451			181,213

	As at 31 December 2025		
	Effective interest rate	Maturity	
	(%)		RMB'000
Current			
Bank loans – secured	1.80%-3.10%	2026	184,234
Bank loans – unsecured	2.15%-3.10%	2026	14,600
Total			198,834

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Analysed into:			
Bank and other borrowings repayable:			
Within one year	47,221	149,506	198,834
In the second year	–	3,203	–
In the third to fifth years, inclusive	7,938	23,753	–
Beyond five years	5,292	4,751	–
Total	60,451	181,213	198,834

The Group's borrowings are all denominated in RMB.

As at 31 December 2023, 2024 and 2025, certain of the Group's bank loans amounting to RMB42,730,000, RMB139,670,000 and nil, respectively, were guaranteed by Mr. SONG Xin, the controlling shareholder of the Group.

As at 31 December 2023, 2024 and 2025, certain of the Group's buildings with aggregate carrying amounts of approximately RMB79,421,000, RMB91,728,000 and RMB85,933,000, respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 13).

As at 31 December 2023, 2024 and 2025, certain of the Group's construction in progress with aggregate carrying amounts of approximately RMB34,497,000, RMB50,638,000 and nil, respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 13).

As at 31 December 2023, 2024 and 2025, certain of the Group's right-of-use assets with aggregate carrying amounts of approximately RMB25,759,000, RMB25,171,000 and RMB2,186,000, respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 15).

As at 31 December 2024 and 2025, certain time deposits with carrying amounts of RMB22,297,000 and RMB46,045,000, respectively, were pledged to secure interest-bearing bank borrowings granted to the Group (note 22).

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fixed interest rate	47,221	149,506	198,834
Variable interest rate	13,230	31,707	–
Total	60,451	181,213	198,834

28. PROVISION

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Onerous contracts *(note)*	2,934	1,806	1,837
At beginning of year	4,963	4,339	2,705
Additional provision	874	399	610
Amounts utilised during the year	(1,498)	(2,033)	(829)
At end of year	4,339	2,705	2,486
Portion classified as current liabilities	(1,405)	(899)	(649)
Non-current portion	2,934	1,806	1,837

Note: Onerous Contracts represent contracts in which the inevitable cost of fulfilling the obligations of rendering aligner treatment solutions exceeds the expected economic benefits.

29. DEFERRED INCOME

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Government grants			
Asset-related grants *(a)*	1,641	4,418	3,493
Reimbursement of future expenses *(b)*	–	–	–
Subtotal	1,641	4,418	3,493
Current:			
Government grants			
Asset-related grants *(a)*	207	231	493
Reimbursement of future expenses *(b)*	1,483	2,087	–
Subtotal	1,690	2,318	493
Government grants	3,331	6,736	3,986

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.

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax assets

	Impairment of assets	Lease liabilities	Volume rebate	Deferred income	Unrealised profits from intercompany transactions	Unused tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	452	259	360	790	1,951	764	793	5,369
Deferred tax credited/(charged) to the consolidated statement of 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 credited/(charged) to the consolidated statement of profit or loss during the year	93	1,176	308	(70)	(559)	(432)	273	789
Gross deferred tax assets at 31 December 2024	617	1,176	1,188	1,010	1,572	474	1,641	7,678
At 1 January 2025	617	1,176	1,188	1,010	1,572	474	1,641	7,678
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	109	527	43	(412)	460	1,277	182	2,186
Gross deferred tax assets at 31 December 2025	726	1,703	1,231	598	2,032	1,751	1,823	9,864

Deferred tax liabilities

	Right-of-use assets	Super deduction of fixed assets	Withholding tax	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	247	1,040	–	–	1,287
Deferred tax (credited)/charged to the consolidated statement of profit or loss during the year	(139)	(126)	–	190	(75)
Gross deferred tax liabilities at 31 December 2023	108	914	–	190	1,212
At 1 January 2024	108	914	–	190	1,212
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	1,266	(124)	16,080*	469	17,691
Gross deferred tax liabilities at 31 December 2024	1,374	790	16,080	659	18,903
At 1 January 2025	1,374	790	16,080	659	18,903
Deferred tax credited to the consolidated statement of profit or loss during the year	354	(125)	(16,080)	(659)	(16,510)
Gross deferred tax liabilities at 31 December 2025	1,728	665	–	–	2,393

* On 6 January 2025, a subsidiary of the Company, 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 the Company. Withholding tax of RMB16,080,000 with a tax rate of 10% was accrued during the year ended 31 December 2024 and was fully paid on 11 January 2025 as such dividend was derived from the earnings generated from subsidiaries of the Company established in the Chinese mainland. The Company has determined that no dividends will be paid from the accumulated retained earnings of such subsidiaries in the foreseeable future.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	5,690	4,855	7,471
Net deferred tax liabilities recognised in the consolidated statements of financial position	13	16,080	–

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Tax losses not recognised	144,066	166,829	188,567
Deductible temporary differences	2,103	264	1,448
Total	146,169	167,093	190,015

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 Chinese mainland of RMB138,457,000, RMB158,310,000 and RMB172,290,000 for the years ended 31 December 2023, 2024 and 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits.

The Group also had tax losses arising in other countries and regions other than Chinese mainland of RMB5,609,000, RMB8,519,000 and RMB16,277,000 for the years ended 31 December 2023, 2024 and 2025, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

31. SHARE CAPITAL

	As at 31 December 2024	As at 31 December 2025
	RMB'000	*RMB'000*
Issued and fully paid:		
40,200,000 (2024: 22,887,582) ordinary shares.	–*	–*

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.

* The amount is less than RMB1,000.

32. SHARE-BASED PAYMENTS

For the purpose of awarding employees and directors of the Group (the "Eligible Participants"), secure their services and incentivize their 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 established and used by Shandong Huge as onshore shareholding platforms to hold the shares of Shandong Huge, Eligible Participants were invited to subscribe for certain equity interest in these shareholding platforms for the purpose of better administration of such equity interest. The Group does not have control over these shareholding platforms.

In 2014, 2019, 2019 and 2023, 3,333,000 shares, 590,000 shares, 243,500 shares and 50,000 shares of the shareholding platforms were granted to certain Eligible Participants with a subscription price per share of RMB3.46, RMB6.00 RMB8.00 and RMB16.00, respectively.

The above shares shall be vested 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 2023, 2024 and 2025, the Group recognised equity-settled share-based compensation expense of nil, RMB280,000 and RMB280,000, respectively, in respect of the shares granted.

In 2023 and 2024, 45,000 shares and 76,000 shares of Shandong Huge for a consideration of RMB509,000 and RMB912,000 were transferred by the other shareholders through the onshore shareholding platforms to Mr. SONG Xin. All the shares were vested and settled without subject to further conditions. As the fair value of the above shares exceeded the cash consideration paid by Mr. SONG Xin, the difference was considered as a share-based payment to incentive Mr. SONG Xin for his continuing employment and serving the Group, which were recognised as equity-settled share-based compensation expenses of RMB1,610,000 and RMB2,222,000 for the years ended 31 December 2023 and 2024, respectively.

During the years ended 31 December 2023, 2024 and 2025, the Group recognized equity-settled share-based compensation expenses in total of RMB1,610,000, RMB2,502,000 and RMB280,000, respectively.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve mainly represents the amount paid by the shareholders of the Company for capital injection in excess of the nominal value of the share issued.

(b) Exchange fluctuation reserve

Exchange fluctuation reserve mainly 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.

The Company

A summary of the Company's reserves is as follows:

	Capital reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 7 August 2024 (date of incorporation)	–	–	–	–
Incorporation of the Company	181,097	–	–	181,097
Total comprehensive income for the period	–	1	(1)	–
At 31 December 2024 and 1 January 2025	181,097	1	(1)	181,097
Profit and total comprehensive income for the year	–	(3,714)	129,486	125,772
Dividends declared	–	–	(144,720)	(144,720)
At 31 December 2025	181,097	(3,713)	(15,235)	162,149

34. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiaries that have material non-controlling interests are set out below:

	As at 31 December		
	2023	2024	2025
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.	24.0%	24.7%	20.5%

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) for the year allocated to non-controlling interests			
Rizhao Huge Biological Materials Co., Ltd.	504	(170)	490
Qingdao Da Vinci Technology Co., Ltd.	(4,586)	(3,829)	(4,245)
Accumulated balances of non-controlling interests			
Rizhao Huge Biological Materials Co., Ltd.	(1,900)	(2,070)	(1,580)
Qingdao Da Vinci Technology Co., Ltd.	(25,885)	(30,444)	(29,065)

The following tables illustrate the summarised financial information of the above subsidiaries. The amounts disclosed are before any inter-company eliminations:

31 December 2023

	Rizhao Huge Biological Materials Co., Ltd.	Qingdao Da Vinci Technology Co., Ltd.
	RMB'000	*RMB'000*
Revenue	13,279	20,453
Total expenses	11,265	39,559
Profit/(loss) for the year	2,014	(19,106)
Total comprehensive income/(loss) for the year	2,014	(19,106)
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	(2,446)	6,402
Effect of foreign exchange rate changes	(5)	–
Net decrease in cash and cash equivalents	(100)	(204)

31 December 2024

	Rizhao Huge Biological Materials Co., Ltd.	Qingdao Da Vinci Technology Co., Ltd.
	RMB'000	*RMB'000*
Revenue	6,119	4,164
Total expenses	6,798	19,740
Loss for the year	(679)	(15,576)
Total comprehensive loss for the year	(679)	(15,576)
Current assets	2,549	1,982
Non-current assets	739	2,731
Current liabilities	11,568	127,268
Non-current liabilities	–	776
Net cash flows used in operating activities	(524)	(14,919)
Net cash flows used in investing activities	(71)	(6,483)
Net cash flows from financing activities	141	21,540
Effect of foreign exchange rate changes	(12)	–
Net (decrease)/increase in cash and cash equivalents	(466)	138

31 December 2025

	Rizhao Huge Biological Materials Co., Ltd.	Qingdao Da Vinci Technology Co., Ltd.
	RMB'000	*RMB'000*
Revenue	10,333	1,216
Total expenses	8,372	19,683
Profit/(loss) for the year	1,961	(18,467)
Total comprehensive income/(loss) for the year	1,961	(18,467)
Current assets	4,652	1,705
Non-current assets	816	1,035
Current liabilities	11,787	144,538
Non-current liabilities	–	–
Net cash flows from/(used in) operating activities	405	(15,697)
Net cash flows used in investing activities	(93)	(378)
Net cash flows from financing activities	4	15,700
Effect of foreign exchange rate changes	(10)	–
Net increase/(decrease) in cash and cash equivalents	306	(375)

35. 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.

	Note	2023
		RMB'000
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		(5)
Subtotal		1,472
Gain on disposal of a subsidiary	*6*	1,267
Total consideration		2,739
Satisfied by:		
Cash		2,739

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	RMB'000
Cash consideration	2,739
Cash and bank balances disposed of	(42)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	2,697

36. ACQUISITION OF NON-CONTROLLING INTERESTS

On 28 July 2025 and 29 September 2025, the Group acquired an additional 3.9% and 0.3% interest of the voting shares of Qingdao Da Vinci Technology Co., Ltd., respectively, increasing its ownership interest to 80%. The total cash consideration is RMB583,000, which consists of RMB383,000 paid to the non-controlling shareholders and RMB200,000 payable remained unsettled. The carrying value of the net liabilities of Qingdao Da Vinci Technology Co., Ltd. at 28 July 2025 and 29 September 2025 were RMB134,103,000 and RMB137,181,000, respectively. The following is a schedule of the additional interest acquired in Qingdao Da Vinci Technology Co., Ltd.:

	Qingdao Da Vinci Technology Co., Ltd
	RMB'000
Cash consideration paid to a non-controlling shareholder	(383)
Payables for acquisition of a non-controlling interest *(note 24)*	(200)
Carrying value of the additional interest	(5,624)
Difference recognised in capital reserve	(6,207)

37. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of nil, and RMB7,107,000 and RMB5,203,000, respectively, in respect of lease arrangements for buildings.

During 2025, the Group reclassified time deposits to pledged deposits of RMB23,834,000 in respect of the arrangement of interest-bearing bank and other borrowings.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2023

	Interest-bearing bank and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
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	60,451	1,737	62,188

Year ended 31 December 2024

	Interest-bearing bank and other borrowings	Lease liabilities	Loan payable to a related party	Amounts in connection with the Reorganization	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	60,451	1,737	–	–	62,188
Acquisition of shareholders' equity	–	–	–	76,920	76,920
Changes from financing cash flows	118,466	(2,822)	35,942	(31,932)	119,654
New leases	–	7,107	–	–	7,107
Foreign exchange movement	–	–*	–	–	–*
Accrual of interest	2,296	107	–	–	2,403
At 31 December 2024	181,213	6,129	35,942	44,988	268,272

Year ended 31 December 2025

	Interest-bearing bank and other borrowings	Lease liabilities	Payables for acquisition of non-controlling interest	Loan payable to a related party	Amounts in connection with the Reorganization	Dividends payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	181,213	6,129	–	35,942	44,988	–	268,272
Dividends declared	–	–	–	–	–	144,720	144,720
Acquisition of non-controlling interest	–	–	583	–	–	–	583
Changes from financing cash flows	14,485	(3,005)	(383)	(35,942)	(44,988)	(144,720)	(214,553)
New leases	–	5,203	–	–	–	–	5,203
Termination	–	(1,689)	–	–	–	–	(1,689)
Accrual of interest	3,136	438	–	–	–	–	3,574
Exchange realignment	–	(67)	–	–	–	–	(67)
At 31 December 2025	198,834	7,009	200	–	–	–	206,043

* The amount is less than RMB1,000.

(c) Total cash outflows for leases

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	19	66	364
Within financing activities	2,695	2,822	3,005
Total	2,714	2,888	3,369

38. CONTINGENT LIABILITIES

As at the end of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

39. PLEDGE OF ASSETS

Details of the Group's assets pledged are included in notes 13, 15 and 22 to the Historical Financial Information.

40. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Construction in progress	38,897	22,734	10,923

41. RELATED PARTY TRANSACTIONS

(a) Names of related parties and relationships with the Group

Name	Relationship
Mr. SONG Xin ("宋欣")	Controlling shareholder, director
Ms. QIN Lijuan ("秦立娟")	Controlling shareholder's close family member
Mr. LIU Qin ("劉欽")	Director
Ms. ZHANG Yongjing ("張永靜")	Director
Mr. XIANG Longsheng ("相龍升")	Director
Mr. BEN Jianwei ("賁建維")	Key management personnel
Huge Star Intl Ltd.	Company controlled by controlling shareholder
Qingdao Lanxin Medical Technology Co., Ltd. ("青島蘭信醫療科技有限公司")	Company controlled by controlling shareholder
Qingdao Chunci Xindu Dental Hospital Co., Ltd. ("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 Dental Hospital* ("煙台萊山口腔醫院")	Company controlled by controlling shareholder
Rizhao Heart Hospital ("日照心臟病醫院")	Company controlled by controlling shareholder
Rizhao Heart Hospital Management Co., Ltd. ("日照心臟病醫院管理有限公司")	Company controlled by controlling shareholder
Shanghai Chengsheng Medical Technology Co., Ltd. ("上海承升醫療科技有限公司")	Company controlled by controlling shareholder
青島蘭信企業管理有限公司 ("Qingdao Lanxin Enterprise Management Co., Ltd.")	Company controlled by controlling shareholder

* Since 30 September 2024, Yantai Laishan Dental Hospital is no longer in association with the controlling shareholder, and the transactions between the Group and Yantai Laishan Dental Hospital have not been presented as related party transactions and balances since 30 September 2024.

** Rizhao Dental Hospital Dongcheng Co., Ltd. was deregistered in April 2025.

(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:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of goods and services			
Companies controlled by the controlling shareholder	501	269	174
Rental income			
Companies controlled by the controlling shareholder	420	237	404
Borrowing from a related party			
A company controlled by the controlling shareholder	–	35,942	–
Repayment of loan from a related party			
A company controlled by the controlling shareholder	–	–	35,942
Rental payments			
Companies controlled by the controlling shareholder	–	–	411
Interest on lease liabilities			
Companies controlled by the controlling shareholder	–	–	75

(c) Outstanding balances with related parties

	Notes	As at 31 December 2023	2024	2025
		RMB'000	RMB'000	RMB'000
Amounts due from related parties:				
Trade nature				
Companies controlled by the controlling shareholder	18	–	101	6
Receivables in connection with the Reorganization				
The controlling shareholder and his close family member	19	–	68,768	–
Amounts due to related parties:				
Trade nature				
Companies controlled by the controlling shareholder	26	563	366	191
Loan payable				
A company controlled by the controlling shareholder	24	–	35,942	–
Payables in connection with the Reorganization				
The controlling shareholder	24	–	40,575	–
Lease liabilities				
Companies controlled by the controlling shareholder		–	–	1,260

As at the end of each of the Relevant Periods except for lease liabilities, the Group's outstanding balances with the controlling shareholder, the controlling shareholder's close family member and companies controlled by the controlling shareholder were all unsecured, interest-free and repayable on demand except for the loan payable to a related party which was due in three months and non-trade in nature, and was fully repaid on 16 January 2025.

The receivables and payables in connection with the Reorganization were all non-trade in nature and were fully settled on 8 February 2025 and 15 January 2025, respectively.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December 2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	2,662	4,653	5,479
Performance related bonuses	2,905	2,446	1,563
Pension scheme contributions and social welfare	262	302	321
Equity-settled share-based payments	1,610	2,502	280
Total compensation paid to key management personnel	7,439	9,903	7,643

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 Mr. SONG Xin, the controlling shareholder of the Group. Further details are included in note 27 to the Historical Financial Information. Such guarantees have been fully released as of the date of this report.

(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.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods were as follows:

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		
	RMB'000	*RMB'000*	*RMB'000*
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
Total	3,040	315,517	318,557

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	4,940
Financial liabilities included in other payables and accruals	20,803
Interest-bearing bank and other borrowings	60,451
Total	86,194

As at 31 December 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	27,312	27,312
Financial assets included in prepayments, other receivables and other assets	–	106,501	106,501
Derivative financial instruments	11,142	–	11,142
Pledged deposits	–	22,297	22,297
Time deposits	–	84,194	84,194
Restricted cash	–	40,492	40,492
Cash and cash equivalents	–	273,526	273,526
Total	11,142	554,322	565,464

Financial liabilities

	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*
Trade and bills payables	7,103	7,103
Financial liabilities included in other payables and accruals	107,838	107,838
Interest-bearing bank and other borrowings	181,213	181,213
Total	296,154	296,154

As at 31 December 2025

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	Mandatorily designated as such		
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	28,252	28,252
Financial assets included in prepayments, other receivables and other assets	–	1,472	1,472
Derivative financial instruments	1,186	–	1,186
Pledged deposits	–	46,044	46,044
Restricted cash	–	53,263	53,263
Cash and cash equivalents	–	225,083	225,083
Total	1,186	354,114	355,300

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills payables	–	16,727	16,727
Financial liabilities included in other payables and accruals	–	36,776	36,776
Interest-bearing bank and other borrowings	–	198,834	198,834
Derivative financial instruments	4,207	–	4,207
Total	4,207	252,337	256,544

43. 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 the current-portion of interest-bearing bank and other 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 of the Relevant Periods, 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			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments . . .	–	3,040	–	3,040

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments . . .	–	11,142	–	11,142

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Derivative financial instruments . . .	–	1,186	–	1,186

Liabilities measured at fair value:

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Derivative financial instruments . . .	–	4,207	–	4,207

As at 31 December 2023 and 2024, no financial liability was measured at fair value.

During the Relevant Periods, 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.

44. 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 and other 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 review and agree 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.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*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
Total	293,017	–	–	23,769	316,786

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	28,827	28,827
Financial assets included in prepayments, other receivables and other assets					
– Normal**	106,548	–	–	–	106,548
Pledged deposits	22,297	–	–	–	22,297
Time deposits	84,194	–	–	–	84,194
Restricted cash	40,492	–	–	–	40,492
Cash and cash equivalents	273,526	–	–	–	273,526
Total	527,057	–	–	28,827	555,884

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	30,299	30,299
Financial assets included in prepayments, other receivables and other assets					
– Normal**	1,606	–	–	–	1,606
Pledged deposits	46,044	–	–	–	46,044
Restricted cash	53,263	–	–	–	53,263
Cash and cash equivalents	225,083	–	–	–	225,083
Total	325,996	–	–	30,299	356,295

* 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".

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 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 (due to changes in the retranslated values of monetary assets and liabilities). 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 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 31 December 2024		
If RMB weakens against USD	5	7,434
If RMB strengthens against USD	(5)	(7,434)
If RMB weakens against EUR	5	2,022
If RMB strengthens against EUR	(5)	(2,022)
As at 31 December 2025		
If RMB weakens against USD	5	10,672
If RMB strengthens against USD	(5)	(10,672)
If RMB weakens against EUR	5	1,791
If RMB strengthens against EUR	(5)	(1,791)

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 based on contractual undiscounted payments:

As at 31 December 2023

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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
Total	76,236	10,098	6,046	92,380

As at 31 December 2024

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	151,845	31,102	5,349	188,296
Trade and bills payables	7,103	–	–	7,103
Lease liabilities	2,060	4,611	119	6,790
Other payables and accruals	107,838	–	–	107,838
Total	268,846	35,713	5,468	310,027

As at 31 December 2025

	On demand or less than 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	201,366	–	–	201,366
Trade and bills payables	16,727	–	–	16,727
Lease liabilities	2,573	4,981	–	7,554
Derivative financial instruments	2,810	1,397	–	4,207
Other payables and accruals	36,776	–	–	36,776
Total	260,252	6,378	–	266,630

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 makes 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.

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 were as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Total assets	561,945	837,254	681,806
Total liabilities	175,920	398,559	343,199
Debt-to-asset ratio	31%	48%	50%

45. EVENTS AFTER THE RELEVANT PERIODS

On 7 February 2026, the Group and Chijian Medical Technology (Qingdao) Co., Ltd. (齒薦醫學科技(青島)有限公司) ("Chijian Medical"), an independent third party, entered into a memorandum of equity transfer in relation to the proposed transfer of the equity interest in Qingdao Huge to Chijian Medical for a consideration of RMB180 million, which was determined through arm's length negotiations between the parties. Pursuant to the memorandum, the parties will enter into a definitive equity transfer agreement setting out the detailed terms and conditions of such transfer.

46. 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 31 December 2025.