美皓醫療集團有限公司

MEIHAO MEDICAL GROUP CO., LTD

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1947

GLOBAL OFFERING

Joint Sponsors

Innovax Capital

國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

Overall Coordinator

Innovax Securities

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Innovax Securities

SECURITIES 維恩證券

Joint Bookrunners and Joint Lead Managers

國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

建银国际
CCB International

民銀資本
CMBC CAPITAL HOLDINGS LIMITED

老虎證券

山高金融
CSFG

横华国际
HGNH INTERNATIONAL

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

Meihao Medical Group Co., Ltd
美皓醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	150,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	15,000,000 Shares (subject to re-allocation)
Number of International Placing Shares	:	135,000,000 Shares (subject to re-allocation and the Over-allotment Option)
Maximum Offer Price	:	HK$1.00 plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK$0.01 per Share
Stock code	:	1947

Joint Sponsors

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横华国际 HGNH INTERNATIONAL

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

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

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

The Offer Price is expected to be fixed by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 6 December 2022 and, in any event not later than Tuesday, 13 December 2022. The Offer Price will be not more than HK$1.00 per Offer Share and is currently expected to be not less than HK$0.84 per Offer Share, unless otherwise announced. The Overall Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares and/or the Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, notices of the reduction in the number of Offer Shares and/or the Offer Price range will be published on the website of our Company at **www.meihaomedical.com** and the website of the Stock Exchange at **www.hkexnews.hk** not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the U.S. or to, or for the account or benefit of any U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Hong Kong Public Offering. This prospectus is available at the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.meihaomedical.com**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

30 November 2022

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

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

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.meihaomedical.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

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

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

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, **Computershare Hong Kong Investor Services Limited**, both at +852 2862 8690 on the following dates:

Wednesday, 30 November 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, 1 December 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Friday, 2 December 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Saturday, 3 December 2022	**–**	**9:00 a.m. to 6:00 p.m.**
Sunday, 4 December 2022	**–**	**9:00 a.m. to 6:00 p.m.**
Monday, 5 December 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Tuesday, 6 December 2022	**–**	**9:00 a.m. to 12:00 noon**

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

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

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

Your application must be for a minimum of 5,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Meihao Medical Group Co., Ltd
(HK$1.00 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
5,000	5,050.40	70,000	70,705.50	500,000	505,039.25	4,000,000	4,040,314.00
10,000	10,100.79	80,000	80,806.28	600,000	606,047.10	4,500,000	4,545,353.25
15,000	15,151.18	90,000	90,907.07	700,000	707,054.95	5,000,000	5,050,392.50
20,000	20,201.57	100,000	101,007.85	800,000	808,062.80	5,500,000	5,555,431.75
25,000	25,251.97	150,000	151,511.78	900,000	909,070.65	6,000,000	6,060,471.00
30,000	30,302.36	200,000	202,015.70	1,000,000	1,010,078.50	6,500,000	6,565,510.25
35,000	35,352.75	250,000	252,519.63	1,500,000	1,515,117.75	7,000,000	7,070,549.50
40,000	40,403.14	300,000	303,023.55	2,000,000	2,020,157.00	7,500,000(1)	7,575,588.75
45,000	45,453.54	350,000	353,527.48	2,500,000	2,525,196.25		
50,000	50,503.93	400,000	404,031.40	3,000,000	3,030,235.50		
60,000	60,604.71	450,000	454,535.33	3,500,000	3,535,274.75		

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

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

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.meihaomedical.com**.*

Date[1]

Hong Kong Public Offering commences . . . . .9:00 a.m. on Wednesday, 30 November 2022

Latest time for completing electronic applications under **White Form eIPO** through the designated website at **www.eipo.com.hk**[2] . . . . 11:30 a.m. on Tuesday, 6 December 2022

Application lists open[3] . . . . 11:45 a.m. on Tuesday, 6 December 2022

Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Tuesday, 6 December 2022

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

Application lists close[3] . . . . 12:00 noon on Tuesday, 6 December 2022

Expected Price Determination Date[5] . . . . Tuesday, 6 December 2022

Announcement of the final Offer Price, level of indication of interest in the International Placing, level of applications of the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published on the website of the Stock Exchange at **www.hkexnews.hk** and on the website of our Company at **www.meihaomedical.com** on or before[6] . . . . Tuesday, 13 December 2022

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

(1) in the announcement to be posted on our website at **www.meihaomedical.com** and the website of the Stock Exchange at **www.hkexnews.hk**, respectively from . . . . .Tuesday, 13 December 2022

(2) Results of allocation for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from . . . . .8:00 a.m. on Tuesday, 13 December 2022 to 12:00 midnight on Monday, 19 December 2022

(3) from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Tuesday, 13 December 2022, Wednesday, 14 December 2022, Thursday, 15 December 2022 and Friday, 16 December 2022

Dispatch/collection of Share certificates or deposit of Share certificates into CCASS in respect of wholly or partially successful application under the Hong Kong Public Offering on or before(7)(11) . . . . .Tuesday, 13 December 2022

Dispatch/collection of refund cheques or **White Form** e-Refund payment instructions in respect of (i) wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and (ii) wholly or partially unsuccessful application under the Hong Kong Public Offering on or before(8) to (11) . . . . .Tuesday, 13 December 2022

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on . . . . .Wednesday, 14 December 2022

The application for the Offer Shares will commence on Wednesday, 30 November 2022 through Tuesday, 6 December 2022, being longer than normal market practice of three and a half days. The application monies (including the brokerage fees, SFC transaction levy, AFRC transaction levy and Stock Exchange trading fees) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicants without interest on Tuesday, 13 December 2022. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 14 December 2022.

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 December 2022, the application lists will not open on that day. Further information is set out in the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus. If the application lists do not open and close on Tuesday, 6 December 2022, the dates mentioned in "Expected Timetable" may be affected. An announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS" in this prospectus.

(5) The Price Determination Date is expected to be on or about Tuesday, 6 December 2022, and in any event no later than Tuesday, 13 December 2022 (Hong Kong time). If, for any reason, the Offer Price is not agreed between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company by Tuesday, 13 December 2022 (Hong Kong time), the Global Offering will not proceed and will lapse.

(6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.

(7) Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. If the Global Offering does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Global Offering will not proceed and will lapse. In such a case, our Company will make an announcement as soon as possible thereafter. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of Share certificates or before the Share certificates becoming valid evidence of title do so entirely at their own risk.

(8) e-Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may invalidate, the refund cheque.

(9) For applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC, their refund (if any) will be credited to their designated bank account or the designated bank account of the designated CCASS Participant through which they made their application on Tuesday, 13 December 2022. For applicants who have instructed their designated CCASS Participant (other than CCASS Investor Participant) to give **electronic application instructions** on their behalf, they can check the amount of refund (if any) payable to them with that designated CCASS Participant. For applicants who have applied as CCASS Investor Participant, they can check the amount of refund (if any) payable to them via the CCASS Phone System and CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 13 December 2022 or in the activity statement showing the amount of refund money credited to their designated bank account made available to them by HKSCC immediately after the credit of refund money to their bank account. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.

(10) For applicants who have applied through the **White Form eIPO** service and paid the application monies from a single bank account, refund monies (where applicable) will be despatched to their application payment bank account in the form of e-Refund payment instructions on Tuesday, 13 December 2022. For applicants who have applied through **White Form eIPO** service and paid the application monies from multiple bank accounts, refund monies (where applicable) in the form of refund cheque(s) will be despatched on or before Tuesday, 13 December 2022 by ordinary post at their own risk. Please refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus for details.

(11) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 December 2022 or such other date as notified by us as the date of dispatch/collection of share certificates/e-refund payment instructions/refund cheque(s). Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection. Uncollected share certificate(s) and refund cheque(s) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further details are set out in "How to Apply for Hong Kong Offer Shares – 14. Despatch/Collection of Share Certificates and Refund Monies" in this prospectus.

For details of the structure of the Global Offering, including conditions thereof, please refer to the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdiction are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in this prospectus to make your investment decision. We have not authorised anyone to provide you with information which is different from that contained in this prospectus. Any information or representation not made in this prospectus must not be relied upon by you as having been authorised by us, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering.

CONTENTS

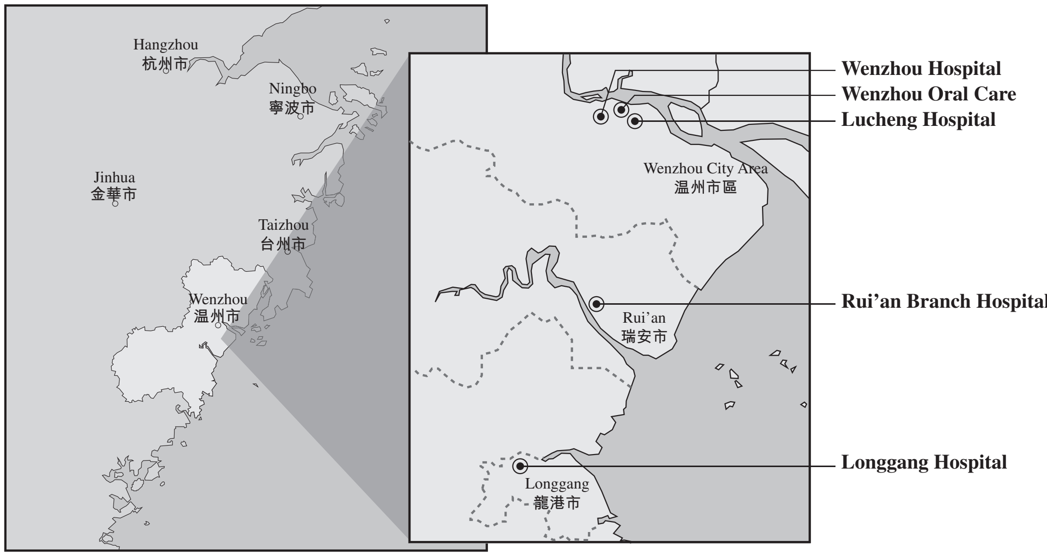
This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any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

OVERVIEW

We are the largest private dental service provider in Wenzhou in terms of revenue in 2021, which accounted for approximately 25.2% (being larger than the aggregate market share of the second to fifth largest private dental service providers in Wenzhou in 2021) and 13.2% market share of the private and total dental service market in Wenzhou in 2021, respectively, according to the Frost & Sullivan Report. During the Track Record Period, we generated our revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors namely, general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科) and orthodontics and cosmetic dentistry (牙齒正畸科).

We started to provide dental services to individuals of all ages in 2011, and since then we expanded our business gradually. As at the Latest Practicable Date, we owned and operated a network of five private dental hospitals in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care in Wenzhou City Area, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City. We operate our business under the trade names of "溫州牙科", "溫州鹿城口腔", "龍港口腔" and "溫州口腔" together with our trademark " " registered in the PRC.

Set out below is an illustration of the locations of our dental hospitals as at the Latest Practicable Date:



Revenue generated from our dental services for the three years ended 31 December 2021 and the five months ended 31 May 2022 was approximately RMB83.2 million, RMB84.6 million, RMB105.3 million and RMB46.9 million, respectively. Revenue breakdown by types of dental services provided during the Track Record Period is as follows:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* *(unaudited)*	%	*(RMB'000)*	%
General dentistry	30,110	36.2	32,856	38.9	36,604	34.8	13,143	38.2	13,885	29.6
Orthodontics and cosmetic dentistry	20,934	25.2	21,658	25.6	22,587	21.4	8,751	25.4	7,102	15.2
Reparative dentistry	17,171	20.6	16,800	19.9	23,229	22.1	6,661	19.4	9,637	20.6
Implant dentistry	9,448	11.4	7,852	9.3	16,608	15.8	3,449	10.0	13,910	29.7
Others*(Note)*	5,496	6.6	5,390	6.3	6,287	5.9	2,418	7.0	2,324	4.9
Total	83,159	100.0	84,556	100.0	105,315	100.0	34,422	100.0	46,858	100.0

Note: Others primarily include revenue derived from (i) the provision of teeth cleansing services; (ii) radiological imaging; and (iii) medication.

General dentistry was our largest service type, representing more than 30% of our total revenue for the three years ended 31 December 2021. Revenue generated from general dentistry was increasing steadily during the Track Record Period. Despite their steady increase in revenue, their proportion to the total revenue of our Group decreased during the year ended 31 December 2021 as the proportion contributed by reparative dentistry and implant dentistry grew, and implant dentistry had become our largest service type for the five months ended 31 May 2022.

Due to the impact of the outbreak of COVID-19, (i) the operation of our Group's dental hospitals was temporarily suspended since 29 January 2020 and was partially resumed in March 2020; and (ii) our Group was not allowed to offer high risk dental services to our customers until full resumption of our operations in May 2020. Thus, our revenue derived from reparative dentistry and implant dentistry decreased from approximately RMB17.2 million and RMB9.4 million for the year ended 31 December 2019, respectively, to approximately RMB16.8 million and RMB7.9 million for the year ended 31 December 2020, respectively. Subsequently, due to the increase in the number of visits primarily as a result of the alleviation of the COVID-19 pandemic, our revenue generated from reparative dentistry and implant dentistry increased significantly to approximately RMB23.2 million and RMB16.6 million, respectively, for the year ended 31 December 2021.

Our revenue derived from reparative dentistry and implant dentistry further increased from approximately RMB6.7 million and RMB3.4 million for the five months ended 31 May 2021, respectively, to approximately RMB9.6 million and RMB13.9 million for the five months ended 31 May 2022. The substantial increase in revenue generated from our reparative dentistry was mainly due to our increased number of visits primarily driven by Wenzhou Oral Care commenced its operation since November 2021. Our increased revenue from implant dentistry was also mainly due to the increased number of visits, which in turn was mainly due to (i) the commencement of Wenzhou Oral Care that increased our capacity; and (ii) our enhanced online marketing and promotion efforts primarily on implant dentistry.

Compared with other regions, such as Hong Kong, Japan, Taiwan, U.S. and South Korea, where the number of dentists per million populations was between approximately 362 and 841 in 2021, the number of dentists per million populations in Wenzhou and China were only 207 and 202, respectively. Similarly, the penetration rates of dental services in Wenzhou, Beijing, and Shanghai are about 30%, 49.3%, and 45.0% in 2021, respectively. From the national perspective, the penetration of dental services in China was 25.0% in 2021, which is significantly less than other regions such as the U.S. (70.5%) and Taiwan (48.7%). For details, please refer to the section headed "Industry Overview – Overview of Dental Service in Wenzhou – Comparison of dental service market among selected regions" in this prospectus. As such, according to the Frost & Sullivan Report, there is large room for growth in China dental service market.

According to the Frost & Sullivan Report, among the top five private dental hospital groups in operation, there were a total of 16 branches in Wenzhou in 2021, while we operate five of them. Each of our Rui'an Branch Hospital and Longgang Hospital was the only private dental hospital in operation in Rui'an City and Longgang City, respectively, as at the Latest Practicable Date. Leveraging on our leading position in the dental service market with proven track record in Wenzhou and comfortable decoration and setup which offer soothing atmosphere to enhance patient experience, better equipped facilities, and more experienced dentists offering professional and holistic dental service bespoke to our patients' particular needs, we believe we can differentiate ourselves from our competitors and are well-positioned to capture the growing market as highlighted in the Frost & Sullivan Report.

OUR COMPETITIVE STRENGTHS AND OUR BUSINESS STRATEGIES

We attribute our success to the following competitive strengths:

- Largest private dental service provider in Wenzhou, with strong brand recognition and loyal patient base;
- Provision of professional and safe dental services supported by high-calibre dental professionals and comprehensive internal control protocols and risk-management measures;
- Our established infrastructure provides a great platform for retention of good talents within our professional team and our professional team develops long term relationship with our Group; and
- Experienced and professional key management team with strong execution capabilities.

For more details, please refer to section headed "Business – Our Competitive Strengths" in this prospectus.

We plan to implement the following strategies to consolidate and expand our market position in the PRC:

- Expanding our dental medical institutions network in the PRC;
- Renovation of Wenzhou Hospital to expand its children dental department;
- Acquiring new dental devices and consumables to improve the quality of our dental services offered; and
- Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services.

For more details, please refer to section headed "Business – Our Strategies" in this prospectus.

OUR PATIENTS

Our patients are individuals of all ages. Except Wenzhou Oral Care, each of our private dental hospitals has children department to offer dental services to children under 14 years old. The aggregate sales to our top five patients accounted for less than 1% of our total revenue during the Track Record Period. To the best knowledge of our Directors, all of our top five patients are Independent Third Parties. None of our top five patients was also our supplier during the Track Record Period.

Our high quality services and stringent safety controls have led to our low number of patient complaints and high number of repeat patients. During the Track Record Period and up to the Latest Practicable Date, we received a total of 38 complaints from our patients in relation to our provision of our dental services, representing less than 0.1% of the total number of dental treatments performed during the same period. Such rate is extremely low comparing with the industry average in Wenzhou, being around 1.0%, according to the Frost & Sullivan Report. Our Directors confirmed that all of these complaints were properly addressed as at the Latest Practicable Date. Our Directors confirmed that we were not involved in any litigation or arbitration proceedings in relation to those complaints as a defendant and, after consulting our PRC Legal Advisers, our Directors confirmed that we were not involved in any "medical incident" as defined under the Medical Incidents Regulations during the Track Record Period and up to the Latest Practicable Date. For details of our management of complaints, please refer to the section headed "Business – Patient Services and Patient Feedback – Management of complaints" in this prospectus. Our repeat patients accounted for approximately 31.9%, 43.7%, 33.6% and 37.9% of our active patient base for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

OUR MEDICAL PROFESSIONALS

The qualification and expertise of our dentists, nurses and other medical professionals are vital to the quality of our services and our competitiveness. Our dentists, nurses and other medical professionals are our employees and regularly practise at one of our dental hospitals on a full-time basis. Occasionally, some of our dentists and nurses also practise at more than one of our dental hospitals on an as-needed basis. We generally enter into employment contracts with our dentists, nurses and other medical professionals. As at 31 May 2022, we had 53 dentists, 74 nurses and 46 other medical professionals.

OUR SUPPLIERS

Our suppliers primarily include suppliers for pharmaceuticals, medical consumables customised products and dental tools. The aggregate purchases from our five largest suppliers in each year/period during the Track Record Period amounted to approximately RMB5.8 million, RMB5.0 million, RMB5.8 million and RMB3.6 million, respectively, accounting for approximately 50.1%, 45.5%, 47.5% and 62.2% of our total purchases for the respective year/period. Our purchases from our largest supplier in each year/period during the Track Record Period amounted to approximately RMB2.2 million, RMB2.3 million, RMB2.3 million and 1.3 million, respectively, representing approximately 19.2%, 20.5%, 18.7% and 22.6% of our total purchases for the respective year/period. To the best knowledge of our Directors, all our top five suppliers are Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers during the Track Record Period. None of our five largest suppliers was also our patient during the Track Record Period. For more details of our suppliers, please refer to section headed "Business – Our Suppliers" in this prospectus.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control. A detailed discussion of the risk factors that we believe are particularly relevant to us are set out in the section headed "Risk Factors" in this prospectus. Set out below are some of the major risks that may materially and adversely affect us:

- Our brand, market reputation and consumer perception contribute significantly to our continued success and growth. Any failure to maintain, or any damage to, our brand, market reputation and/or consumer perception could materially and adversely affect our results of operations and prospects.

- Our revenue has historically been entirely dependent on, and will remain heavily dependent on, our operations in Wenzhou. As such, we are especially sensitive to the local conditions and changes in Wenzhou, such as with respect to its economy, laws and regulations and occurrence of any natural disasters, acts of God and epidemics.

- The outbreak of the contagious COVID-19 in Zhejiang Province, the PRC and worldwide may have a material adverse effect on our business, results of operation, financial condition and prospects.

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

- Our expansion plans, particularly our plans to expand our business into various new geographic areas, are subject to uncertainties and risks, and we may not be able to successfully manage our expanded operations.

- The demand for our orthodontics and cosmetic dentistry services is subject to (i) the disposable income of our patients and their willingness to spend in such dental services, given that these services are not covered by the basic medical insurance programmes, and (ii) our patients' satisfaction of these dental services which is often multifaceted and more subjectively driven.

- We recorded accumulated losses historically.

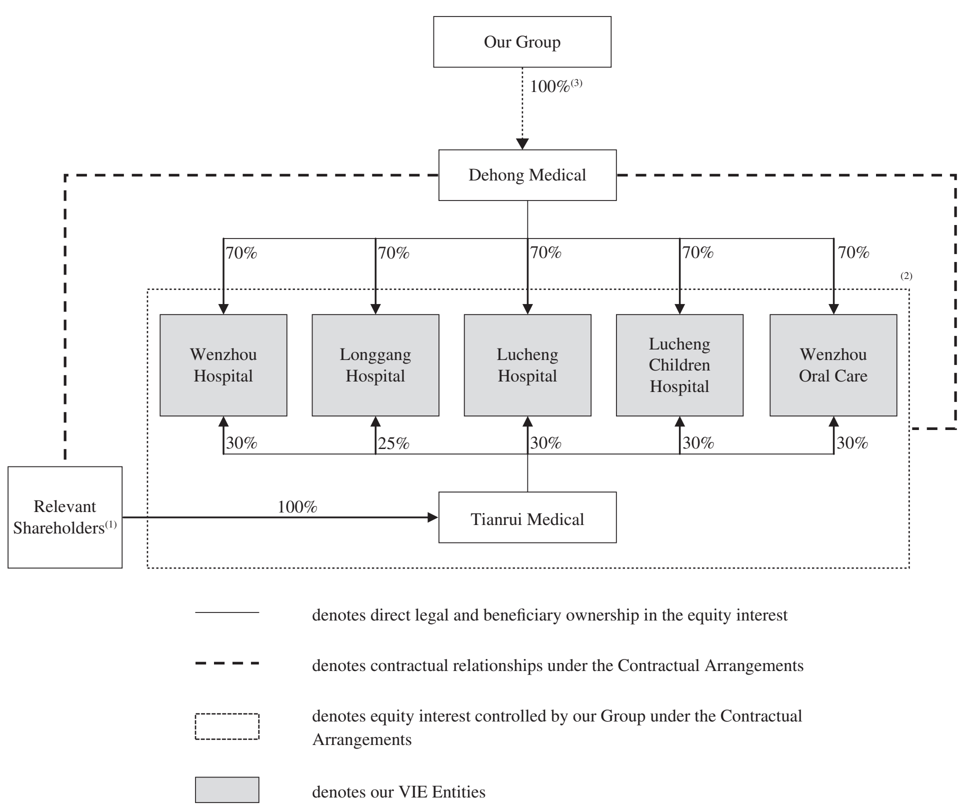
SHAREHOLDERS' INFORMATION

Immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options may be granted under the Share Option Scheme), JTC BVI, Ricon BVI and Meihao BVI will hold 56.25%, 7.5% and 7.5% of the issued share capital of our Company, respectively. Each of JTC BVI and Ricon BVI is directly wholly owned by Mr. Wang and Meihao BVI is directly wholly owned by Ms. Zheng. Each of Mr. Wang and Ms. Zheng is the spouse of each other. Mr. Wang and Ms. Zheng, through JTC BVI, Ricon BVI and Meihao BVI, will together control 71.25% of the issued share capital of our Company. Accordingly, Mr. Wang, Ms. Zheng, JTC BVI, Ricon BVI and Meihao BVI are regarded as a group of Controlling Shareholders under the Listing Rules. For more details, please refer to the section headed "Relationship with our Controlling Shareholders" in this prospectus.

CONTRACTUAL ARRANGEMENTS

Our Company is principally engaged in the provision of dental medical services through operating dental hospitals in Zhejiang Province. The operations of medical institutions are subject to foreign investment restrictions under the PRC laws and regulations as detailed below.

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



Notes:

(1) The Relevant Shareholders are Mr. Wang and Ms. Zheng, who hold 90% and 10% equity interest in Tianrui Medical, respectively.

(2) The Exclusive Operation Services Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Shareholders' Rights Entrustment Agreements, the Powers of Attorney, the Spouse Undertakings and the Supplemental Agreement together form the legal relationship under the Contractual Arrangements.

(3) Dehong Medical is an indirect wholly-owned subsidiary of our Group.

On 1 January 2020, the FIL and the FIL Implementing Regulation came into effect, which have become the legal foundation for foreign investment in the PRC. Although neither the FIL nor the FIL Implementing Regulation explicitly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. There is no assurance that the Contractual Arrangements and the business of the VIE Entities will not be materially and adversely affected in the future due to changes in the relevant PRC laws and regulations. Please refer to the section headed "Risk Factors – Risks Relating to our Contractual Arrangements – If the PRC government deems that the Contractual Arrangements in relation to our VIE Entities and their subsidiaries do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations" in this prospectus for further details.

PRE-IPO INVESTMENT

Pursuant to (i) the equity transfer agreement dated 10 December 2019 entered into between Mr. Wang and Health Dental HK (the then wholly-owned investment vehicle of Dr. Zheng Ying) and (ii) the acquisition agreement dated 10 December 2019 entered into among Mr. Wang, Ms. Zheng and Health Dental HK (together, the "**Investment Agreements**"), Health Dental HK agreed to acquire 5% equity interest in Dehong Medical from Mr. Wang at a consideration of RMB2,011,900. To reflect the investment of Health Dental HK at our Company's level, JTC BVI, at the instructions of Mr. Wang, transferred 500 Shares to HDS BVI (the wholly-owned investment vehicle of Dr. Zheng Ying) at par correspondingly on 30 January 2020. As part of the Reorganisation, Dr. Zheng Ying then transferred the entire issued share capital of Health Dental HK to our Company at par on 3 February 2020. Upon completion of the aforesaid transfer, Health Dental HK became a wholly-owned subsidiary of our Company. For more details of the Pre-IPO Investment, please refer to the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investment" in this prospectus.

KEY OPERATING STATISTICS

The following table sets forth certain operational data of our private dental hospitals:

	Dental hospitals	Approximate GFA for use as dental hospital	Year of commencement of operation	Location	Number of dentists[(1)]	Number of nurses[(2)]	Number of operation rooms	Number of service rooms[(3)]	Number of dental chairs	Our interests	Achieved breakeven[(4)]	Achieved investment payback[(5)(6)]	Gross profit margin: For the year ended 31 December 2019	2020	2021	For the five months ended 31 May 2022	Utilisation rate[(7)]: For the year ended 31 December 2019	2020	2021	For the five months ended 31 May 2022
		(sq.m)											%	%	%	%	%	%	%	%
1.	Wenzhou Hospital[(13)]	2,409	March 2011	Wenzhou City Area[(8)]	25	29	3	37	60	100%	Y	Y	62.0	66.8	69.1	66.1	64.5	81.9	68.2	69.9
2.	Longgang Hospital	1,614	October 2016	Longgang City[(9)]	3	10	2	34	20	95%[(11)]	Y	N	38.3	49.1	53.5	33.2	60.8	60.7	63.8	81.9
3.	Lucheng Hospital[(13)]	2,954	June 2017	Wenzhou City Area[(8)]	13	11	2	57	20	100%	Y	N	41.1	37.2	53.1	57.2	80.2	54.1	62.8	42.5
4.	Rui'an Branch Hospital	2,100	April 2018	Rui'an City[(10)]	2	5	2	23	11	100%	N	N	(7.3)	12.3	23.1	20.4	31.6	39.7	44.4	35.7
5.	Wenzhou Oral Care[(12)(13)]	6,942[(14)]	November 2021	Wenzhou City Area[(8)]	10	19	7	56	43	100%	N	N	N/A	N/A	55.5	28.6	N/A	N/A	N/A	26.3

Notes:

(1) Number of dentists is determined based on our internal staff record as at 31 May 2022. All of our dentists are qualified to practise at all of our dental hospitals and may practise at more than one of our dental hospitals on an as-needed basis.

(2) Number of nurses is determined based on our internal staff record as at 31 May 2022.

(3) The service rooms include independent treatment room, treatment area with multiple treatment cubicles, consultation room, radiology room, emergency room, staff room, supply room and waiting room.

(4) Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately four years for a new dental hospital to break even. As at 31 May 2022, Rui'an Branch Hospital and Wenzhou Oral Care have not yet achieved breakeven. It is expected that Rui'an Branch Hospital will take a longer period beyond four years to break even due to the outbreak of COVID-19 pandemic, which had adversely affected its performance in 2020 and early 2022, thereby slowing down its ramp-up stage. Based on the best estimate of our Directors taking into account the prevailing market conditions and environment, it is expected that Wenzhou Oral Care will take approximately three years to break even since its commencement of operation in November 2021.

(5) Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately seven years to recover the initial investment. As at 31 May 2022, save for Wenzhou Hospital, all of our dental hospitals had not yet achieved investment payback.

(6) During the Track Record Period, except Rui'an Branch Hospital and Wenzhou Oral Care (which commenced operation in November 2021), all of our other three dental hospitals were profit-making.

(7) For details of the calculation basis of the utilisation rate, please refer to the section headed "Business – Our Dental Hospitals – Utilisation rate of our dental hospitals" in this prospectus. According to the Frost & Sullivan Report, the method of calculation of utilisation rates of our dental hospitals is in line with the industry norm by adopting the same drivers, i.e. (i) the estimated actual number of hours of services delivered is calculated based on the total number of patient visits for the year/period; and (ii) the maximum service capacity for the respective year/period by the average of actual number of qualified dentists as at the end of each calendar month for each year/period, subject to certain variables, such as (i) the type of the dental services handled by the qualified dentists; (ii) the average duration of the treatments; and (iii) the maximum servicing hours of the qualified dentists.

(8) According to the Frost & Sullivan Report, there were a total of five private dental hospital groups in operations operating a total of 13 branches in Lucheng District of the Wenzhou City Area in 2021.

(9) According to the Frost & Sullivan Report, Longgang Hospital was the only private dental hospital in operation in Longgang City as at the Latest Practicable Date.

(10) According to the Frost & Sullivan Report, Rui'an Branch Hospital was the only private dental hospital in operation in Rui'an City as at the Latest Practicable Date.

(11) The remaining 5% equity interest in Longgang Hospital is held by Mr. Huang Wenbi (黄文筆), an Independent Third Party, as at the Latest Practicable Date.

(12) The service capacity and the estimated actual number of hours of services delivered of Wenzhou Oral Care are excluded from the above calculation of the annual utilisation rates of our dental hospitals as it only commenced business operation in November 2021.

(13) Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care are strategically located in the central business area of Lucheng District for various strategic considerations. For details, please refer to the section headed "Business – Our Dental Hospitals" in this prospectus.

(14) Wenzhou Oral Care has a total GFA of approximately 6,942 sq.m., structured with 7 operation rooms and 56 service rooms. As at the Latest Practicable Date, part of the first phase of Wenzhou Oral Care had been completed with a GFA of approximately 3,600 sq.m. currently in use, among which, 2 operation rooms and 18 service rooms were currently in operation. We had acquired 43 dental chairs for the first phase so far, among which, 23 of them were currently in operation as at the Latest Practicable Date. We plan to further develop the first phase of Wenzhou Oral Care and its second phase comprising Wenzhou Children Hospital and the dentistry training centre which are estimated to occupy a GFA of approximately 1,500 and 1,200 sq.m. of the premises of Wenzhou Oral Care, respectively. For details, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this prospectus.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The tables below present the summaries of selected consolidated financial information of our Group for the Track Record Period, which are derived from, and should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus, including the notes thereto.

Selected Items of Consolidated Statements of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Revenue	83,159	84,556	105,315	34,422	46,858
Cost of sales	(37,888)	(33,939)	(38,385)	(14,736)	(20,306)
Gross profit	45,271	50,617	66,930	19,686	26,552
Profit before tax	23,082	24,192	43,667	11,120	12,174
Income tax expense	(7,619)	(9,212)	(11,490)	(3,122)	(3,656)
Profit for the year/period	15,463	14,980	32,177	7,998	8,518

Non-HKFRS measures

We present the unaudited non-HKFRS measures to supplement our consolidated statements of profit or loss and other comprehensive income for the three years ended 31 December 2021 and the five months ended 31 May 2021 and 2022 that were prepared in accordance with HKFRS to provide additional information about our operating performance. Our Directors believe that the non-HKFRS measures will help our management and investors to assess our financial performance and financial condition as: (i) they are the non-HKFRS measures which are used by our management to evaluate our financial performance; and (ii) during the Track Record Period, we recorded significant listing expenses relating to the preparation of the Listing.

The unaudited non-HKFRS measures are not recognised terms under HKFRS. They do not have standardised meanings prescribed by HKFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as alternatives to other financial measures determined in accordance with HKFRS. We define (i) our adjusted net profit (non-HKFRS measures) as net profit for the year excluding the listing expenses; and (ii) our adjusted net profit margin (non-HKFRS measures) is calculated as the adjusted net profit (non-HKFRS measures) aforementioned as the percentage of the revenue for the same period. Our definition of adjusted net profit (non-HKFRS measures) and adjusted net profit margin (non-HKFRS measures) should not be considered in isolation or construed as alternatives to profit for the year or any other standard measures under HKFRS.

The use of the non-HKFRS measures has certain limitations. The non-HKFRS measures should be read in conjunction with our HKFRS measures. For more details about such limitations, the definitions of our non-HKFRS measures as well as reconciliation of such non-HKFRS measures to their respective most directly comparable financial measures, please refer to the section headed "Financial Information – Summary of Results of Operations – Non-HKFRS measures" in this prospectus.

The following table sets forth the reconciliations of our non-HKFRS measures for the three years ended 31 December 2021 and the five months ended 31 May 2021 and 2022 to the nearest measures prepared in accordance with HKFRS:

	For the year ended 31 December			**For the five months ended 31 May**	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
PROFIT FOR THE YEAR/PERIOD	15,463	14,980	32,177	7,998	8,518
Add: Listing expenses	7,471	10,693	2,217	1,678	2,949
Adjusted net profit for the year/period (non-HKFRS measures)	22,934	25,673	34,394	9,676	11,467
Adjusted net profit margin for the year/period (non-HKFRS measures)	27.6%	30.4%	32.7%	28.1%	24.5%

Our revenue increased by approximately RMB1.4 million or 1.7% from approximately RMB83.2 million for the year ended 31 December 2019 to approximately RMB84.6 million for the year ended 31 December 2020. Such increase was primarily due to (i) a pent-up demand accumulated after the temporary suspension of our dental hospitals since 29 January 2020, which was then released upon the partial and full resumption of our dental hospitals on the respective dates as confirmed by our Directors; (ii) the positive impacts from our enhanced marketing and promotion efforts, including but not limited to the provision of the complimentary services including examination, diagnosis and teeth cleansing during the fourth quarter of 2020 and maintaining active contact with our existing patient base upon the full resumption of the operations of our dental hospitals; and partially offset by (iii) the adverse impacts brought by the outbreak of COVID-19, including the temporary suspension of our dental hospitals since 29 January 2020 to the respective dates on which our Group's dental hospitals partially resumed operation in March 2020 and the prohibition of offering high risk dental services to our patients in accordance with the relevant notices issued by the PRC government authorities until full resumption of our operations since May 2020. Our revenue further increased by approximately RMB20.7 million or 24.5% to approximately RMB105.3 million for the year ended 31 December 2021, which was mainly attributable to (i) the increase in total number of visits due to the lifting of restrictions and social distancing measures in relation to the COVID-19 pandemic; (ii) our enhanced online marketing and promotion efforts, especially on Lucheng Hospital and Wenzhou Oral Care; and (iii) the organic growth of our dental hospitals. Our revenue increased by approximately RMB12.5 million or 36.3% from approximately RMB34.4 million for the five months ended 31 May 2021 to approximately RMB46.9 million for the five months ended 31 May 2022, which was mainly attributable to (i) the increase in revenue contribution from our implant dentistry; (ii) our enhanced online marketing and promotion efforts after increasing our capacity for implant dentistry; (iii) the organic growth of our dental hospitals; and partly offset by (iv) the adverse impacts brought by the Resurgence of regional outbreak of COVID-19. For details, please refer to the section headed "Financial Information – Period to Period Comparison of Results of Operations" in this prospectus.

Our gross profit increased by approximately RMB5.3 million or 11.7% from approximately RMB45.3 million for the year ended 31 December 2019 to approximately RMB50.6 million for the year ended 31 December 2020. Such increase was primarily attributable to the increase in our gross profit margin, partially offset by the adverse impacts on our revenue resulted from the outbreak of COVID-19 during the year ended 31 December 2020. Our gross profit further increased by approximately RMB16.3 million or 32.2% to approximately RMB66.9 million for the year ended 31 December 2021, mainly attributable to the increase in (i) our revenue by approximately 24.5% as a result of the alleviation of the COVID-19 pandemic and enhanced online marketing and promotion effort; and (ii) gross profit margin for the year. Our gross profit margin increased by approximately 5.5 percentage points to approximately 59.9% for the year ended 31 December 2020, which was mainly attributable to the decrease in our staff costs and depreciation expenses of approximately 12.0%, both of which were reallocated to administrative expenses primarily as a result of the temporary suspension of operation of our Group's dental hospitals. Our gross profit margin further increased by approximately 3.7 percentage points to approximately 63.6% for the year ended 31 December 2021, mainly as a result of (i) the increase in our revenue by approximately 24.5% for the year ended 31 December 2021 as compared to that of 2020; and (ii) the high level of operating leverage of our Group, which therefore generate a higher profit from each incremental sale. The high level of operating leverage was mainly due to our cost structure with high proportion of fixed cost in the operation, mainly represented (i) depreciation expenses and (ii) basic salaries and fixed staff costs, representing around half of the staff cost, the largest component in total cost of sales. Further, cost of inventories, consumables and customized products, which was our Group's major variable cost in cost of sales also increased to a much lesser extent than our revenue due to (i) lower external service cost of customised products as some of the simple products were produced in house in 2021; (ii) change in service mix in orthodontics and cosmetic dentistry with a lower proportion of patients opting for INVISALIGN®, which is customised and more expensive; (iii) bulk purchase discount secured for one of the implant materials for the year ended 31 December 2021; and (iv) stricter cost control after the COVID-19 pandemic on the use of consumables. Our gross profit margin remained relatively stable at approximately 57.2% and 56.7% for the five months ended 31 May 2021 and 2022. For details, please refer to the section headed "Financial Information – Period to Period Comparison of Results of Operations" in this prospectus.

Our profit for the year remained stable at approximately RMB15.5 million and RMB15.0 million for the year ended 31 December 2019 and 2020, respectively, then increased significantly to approximately RMB32.2 million for the year ended 31 December 2021. Our profit for the period further increased from approximately RMB8.0 million for the five months ended 31 May 2021 to approximately RMB8.5 million for the five months ended 31 May 2022. Our adjusted net profit for the year (non-HKFRS measures) increased from approximately RMB22.9 million for the year ended 31 December 2019 to approximately RMB25.7 million for the year ended 31 December 2020, then further to approximately RMB34.4 million for the year ended 31 December 2021. Our adjusted net profit for the period (non-HKFRS measures) increased from approximately RMB9.7 million for the five months ended 31 May 2021 to approximately RMB11.5 million for the five months ended 31 May 2022. Our adjusted net profit margin (non-HKFRS measures) also increased from approximately 27.6% for the year ended 31 December 2019 to approximately 30.4% for the year ended 31 December 2020, then further to approximately 32.7% for the year ended 31 December 2021. Such increases were mainly attributable to the increasing gross profit margin of our Group during the three years ended 31 December 2021. Our adjusted net profit margin for the period (non-HKFRS measures) decreased from approximately 28.1% for the five months ended 31 May 2021 to approximately 24.5% for the five months ended 31 May 2022, mainly due to the increase in selling expenses for our enhanced online marketing and promotion efforts.

Selected items of consolidated statements of financial position

	As at 31 December			**As at 31 May**
	2019	**2020**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Non-current assets	40,630	34,942	78,433	75,205
Current assets	58,481	63,423	55,433	61,075
Non-current liabilities	15,119	12,904	35,566	31,451
Current liabilities	64,122	67,095	47,757	45,768
Net current assets/(liabilities)	(5,641)	(3,672)	7,676	15,307
Net assets	19,870	18,366	50,543	59,061

Our Group recorded net current liabilities of approximately RMB5.6 million as at 31 December 2019, which was mainly due to (i) the dividend payable of approximately RMB16.2 million as a result of the special dividend of RMB32.0 million declared during the year, and (ii) the increase in other payables and accruals.

As aforementioned, our Group declared a special dividend (the "**Dividend**") of RMB32.0 million for the year ended 31 December 2019, of which RMB12.6 million was paid in the same year and RMB19.4 million was settled during the year ended 31 December 2020. As confirmed by our Directors, at the time of declaration of the Dividend back in September 2019, while our Directors had taken into account the stable and solid historical financial performance and the historical net cash flows generated from the operating activities of our Group for each of the two years ended 31 December 2018 and the six months ended 30 June 2019, our Directors did not expect the outbreak of COVID-19 since around January 2020, which took place long after such declaration, and had not considered its impact on our Group's business operations and financial position as a whole. Since the Dividend had already been fully settled which could not be reversed, in order to enhance our Group's financial position, Mr. Wang has advanced an interest-free shareholder's loan (the "**Shareholder's Loan**") in an aggregate amount of RMB8.45 million to our Group pursuant to a loan agreement dated 18 August 2020 entered into between Mr. Wang and our Group and Mr. Wang agreed to unconditionally and irrevocably waive the amount payable by our Group under such loan agreement with effect from 16 September 2020 (the "**Waiver**").

In March 2020, our Group obtained a loan in the sum of RMB25.0 million from a PRC individual (the "**Individual Loan**"), being an Independent Third Party, at an interest rate of 4.25% per annum for a term of 18 months in March 2020, which was treated as the current liabilities of our Group as at 31 December 2020. The Individual Loan was fully settled upon expiry in September 2021.

Our net current liabilities position decreased from approximately RMB5.6 million as at 31 December 2019 to approximately RMB3.7 million as at 31 December 2020, primarily attributable to the combined effect of (i) the absence of dividend payable of approximately RMB16.2 million; (ii) increase in cash and cash equivalents of approximately RMB8.8 million; (iii) increase in prepayments, other receivables and other assets of approximately RMB2.5 million resulting from (a) increase in prepayment due to lease payment for Wenzhou Oral Care; (b) increase in deferred listing expenses and partially offset by (c) decrease in other receivables and (iv) increase in interest-bearing other borrowing of approximately RMB25.9 million obtained from an individual as mentioned above.

Our net current position changed from net current liabilities of approximately RMB3.7 million as at 31 December 2020 to net current assets of approximately RMB7.7 million as at 31 December 2021. Such improvement in our net current position was primarily attributable to the repayment of the interest-bearing other borrowing amounted to approximately RMB25.9 million as at 31 December 2020 during the year upon the improvement of cash flow in 2021 from our profitable operating activities. Our net current asset further increased to approximately RMB15.3 million as at 31 May 2022 primarily attributable to (i) the increase in cash and cash equivalents of approximately RMB3.9 million and (ii) the decrease in tax payable of approximately RMB2.6 million.

Our net assets were relatively low at approximately RMB19.9 million and RMB18.4 million as at 31 December 2019 and 2020 as compared to that as at 31 December 2021 and 31 May 2022. Such relatively low level of net assets was mainly due to (i) the deemed distribution to the then controlling shareholders of approximately RMB35.9 million and RMB24.9 million in 2019 and 2020, respectively, as part of the Reorganisation; (ii) the declaration of special dividend of approximately RMB32.0 million in 2019; and partially offset by (iii) capital contribution of approximately RMB22.0 million as part of the Reorganisation and the Pre-IPO Investment in 2019. We were once at a net liabilities position in 2020, mainly attributable to (i) recognition of loss and total comprehensive income for the period as a result of the adverse impact brought by the outbreak of COVID-19; and (ii) the deemed distribution to the then shareholders. Our net liabilities position then improved and changed to net assets position as at 31 December 2020, primarily due to increase in total equity as a result of our net profit recorded during the respective period. Our net assets increased to approximately RMB50.5 million as at 31 December 2021 and further to approximately RMB59.1 million as at 31 May 2022, respectively. Such increase was mainly due to recognition of profit and total comprehensive income of approximately RMB32.2 million and RMB8.5 million for the year ended 31 December 2021 and for the five months ended 31 May 2022, respectively.

Summary of consolidated statements of cash flow

	For the year ended 31 December			**For the five months ended 31 May**	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Net cash flows from operating activities	19,378	27,454	46,560	8,789	11,229
Net cash flows from/(used in) investing activities	1,651	(690)	(18,408)	(9,250)	(2,105)
Net cash flows from/(used in) financing activities	17,934	(17,952)	(37,843)	(7,923)	(5,202)
Cash and cash equivalents at end of year/period	42,162	50,974	41,283	42,590	45,205

Our net cash flows from operating activities increased from approximately RMB19.4 million for the year ended 31 December 2019 to approximately RMB27.5 million for the year ended 31 December 2020, which was primarily as a result of (i) the increase of approximately RMB1.1 million in our profit before tax; and (ii) the decrease in the settlement of the tax payable and the EIT of approximately RMB3.6 million as compared to the year ended 31 December 2019. Our net cash flows from operating activities then increased to approximately RMB46.6 million for the year ended 31 December 2021, mainly attributable to the increase in profit before tax of approximately RMB19.5 million. For the five months ended 31 May 2022, our Group recorded net cash flows from operating activities of approximately RMB11.2 million, which was mainly a result of profit before tax of approximately RMB12.2 million.

For the year ended 31 December 2019, our Group had net cash flows from investing activities of approximately RMB1.7 million, primarily resulted from (i) sale of financial assets at fair value through profit or loss of approximately RMB25.8 million; and offset by (ii) purchases of items of property, plant and equipment of approximately RMB2.1 million; (iii) purchase of financial assets at fair value through profit or loss of approximately RMB22.3 million. For the year ended 31 December 2020, our Group had net cash flow used in investing activities of approximately RMB0.7 million, which was mainly attributable to (i) purchase of items of property, plant and equipment of approximately RMB3.4 million; (ii) lease payments made before the commencement date of a lease of approximately RMB3.2 million in relation to the lease agreement entered for Wenzhou Oral Care; offset by (iii) repayment of a loan from a related party of approximately RMB0.9 million; and (iv) sale of financial assets at fair value through profit or loss of approximately RMB5.0 million. For the year ended 31 December 2021, our Group had net cash flows used in investing activities of approximately RMB18.4 million, which was mainly attributable to the purchases of items of property, plant and equipment in relation to the establishment of Wenzhou Oral Care of approximately RMB16.9 million. For the five months ended 31 May 2022, our Group recorded net cash flows used in investing activities of approximately RMB2.1 million, which mainly attributable to purchase of items of property, plant and equipment of approximately RMB2.0 million.

For the year ended 31 December 2019, our Group had net cash flows from financing activities of approximately RMB17.9 million, mainly as a result of (i) capital contribution by the controlling shareholders of RMB20.0 million; (ii) repayment of loans to a director of approximately RMB58.4 million; and offset by (iii) advance of loans to directors of approximately RMB7.5 million; (iv) dividends paid by a subsidiary of approximately RMB12.6 million; (v) deemed distribution to a controlling shareholder of approximately RMB1.3 million; and (vi) acquisition of business pursuant to group reorganisation of approximately RMB35.9 million. For the year ended 31 December 2020, our Group had net cash flows used in financing activities of approximately RMB18.0 million, primarily attributable to the (i) dividend paid by a subsidiary of approximately RMB19.4 million; (ii) settlement of acquisition of 95% equity interest in Dehong Medical from the then controlling shareholders of approximately RMB24.9 million as part of the Reorganisation; (iii) advances of loans to directors of approximately RMB5.5 million; offset by (iv) proceeds from interest-bearing other borrowing of RMB25.0 million obtained in March 2020; and (v) Waiver from the repayment of the Shareholder's Loan of approximately RMB8.45 million. For the year ended 31 December 2021, our Group had net cash flows used in financing activities of approximately RMB37.8 million, primarily attributable to (i) the repayment of other borrowing amounted to approximately RMB25.0 million in September 2021; (ii) the principal portion of lease payments of approximately RMB9.5 million; and (iii) in aggregate of approximately RMB3.3 million of interest paid for the RMB25.0 million interest-bearing other borrowing and lease liabilities. For the five months ended 31 May 2022, our Group recorded net cash flows used in financing activities of approximately RMB5.2 million, which was mainly attributable to the principal portion of lease payments of approximately RMB4.4 million.

Key financial ratios

	As at/For year ended 31 December			As at/For the five months ended 31 May
	2019	2020	2021	2022
Current ratio[1]	0.9 times	0.9 times	1.2 times	1.3 times
Quick ratio[2]	0.9 times	0.9 times	1.1 times	1.3 times
Return on assets[3]	15.6%	15.2%	24.0%	N/A[6]
Return on equity[4]	77.8%	81.6%	63.7%	N/A[6]
Gearing ratio[5]	N/A	140.8%	N/A	N/A

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of respective year/period.

(2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of respective year/period.

(3) Return on assets is calculated by dividing net profit by total assets as at the end of the respective year and multiplied by 100%.

(4) Return on equity is calculated by dividing net profit by total equity as at the end of the respective year and multiplied by 100%.

(5) Gearing ratio was calculated based on total debts (being interest-bearing borrowings) divided by total equity as at the end of the respective year/period and multiplied by 100%. Since our Group did not have any interest-bearing borrowings as at 31 December 2019 and 2021 and 31 May 2022, the gearing ratio was not applicable.

(6) Return on assets and return on equity ratios for the five months ended 31 May 2022 are not meaningful as they are not comparable to annual ratios.

Current ratio and quick ratio

Our current ratio remained stable at approximately 0.9 times, 0.9 times, 1.2 times and 1.3 times as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. Our quick ratio demonstrated similarly at approximately 0.9 times, 0.9 times, 1.1 times and 1.3 times as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. The improvement in 2021 was due to the repayment of interest-bearing other borrowing.

Return on assets

Our return on assets remained stable at approximately 15.6% and 15.2% for the year ended 31 December 2019 and 2020 respectively. Our return on assets then increased to approximately 24.0% for the year ended 31 December 2021, mainly as a result of the significant increase in our net profit for the year.

Return on equity

Our return on equity increased slightly from approximately 77.8% for the year ended 31 December 2019 to approximately 81.6% for the year ended 31 December 2020, primarily attributable to the decrease in total equity due to the deemed distribution to the then shareholders as part of the Reorganisation. Our return on equity then decreased to approximately 63.7% for the year ended 31 December 2021, mainly due to (i) the lower balance of equity as at 31 December 2019 and 2020 from accumulated losses and the distribution and declaration of dividend; and (ii) the significant increase in equity as at 31 December 2021 as a result of the increase in our profit for the year.

Gearing ratio

Since our Group did not have any interest-bearing borrowings as at 31 December 2019 and 2021 and 31 May 2022, our gearing ratio was not applicable. Our gearing ratio as at 31 December 2020 was approximately 140.8%, which was primarily due to the Individual Loan obtained of approximately RMB25.0 million during the year ended 31 December 2020.

RECENT DEVELOPMENT

In November 2021, part of the first phase of our flagship hospital, Wenzhou Oral Care, has been completed and has since then commenced operation. As at the Latest Practicable Date, a GFA of approximately 3,600 sq.m. of Wenzhou Oral Care was in use with 2 operation rooms and 18 service rooms currently in operation. As at 31 May 2022, 10 dentists, 19 nurses, 8 other medical professionals and 16 administrative and supporting staff were hired and 43 dental chairs were acquired, among which, 23 were currently in operation for the first phase so far. Going forward, depending on its business performance, competitive landscape and market condition, we plan to further acquire additional advanced medical equipment and hire additional medical personnel for the development of the first phase of Wenzhou Oral Care. The second phase of Wenzhou Oral Care, which comprises two parts, namely the establishment of Wenzhou Children Hospital and a dentistry training centre in the same premises of Wenzhou Oral Care, is expected to commence operation in the fourth quarter of 2023. As at the Latest Practicable Date, we were in the course of applying for the Medical Institution Practising License for Wenzhou Children Hospital. Since the inception of the first phase of the Wenzhou Oral Care and up to 31 May 2022, it had recorded total number of patient visits of approximately 6,000. For further details, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" and "– Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services" in this prospectus.

Recent resurgence of regional outbreak of COVID-19

Since late July 2021, new regional COVID-19 outbreaks have recurred in certain provinces across China, and more recently, there have been regional outbreaks of COVID-19 variants, including highly transmissible Delta and Omicron, particularly in cities such as Shanghai and Beijing (the "**Resurgence**"). To contain the Resurgence, local governments in PRC have imposed various restrictions on business and social activities, including stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions, causing disruptions to business operations of dental service providers in major cities in the PRC to varying degrees according to Frost & Sullivan. As a result of the outbreak of COVID-19 in 2020 and the Resurgence, it is expected that Rui'an Branch Hospital will take approximately one year longer than the initial estimate by our Directors to break even as its ramp-up stage had been slowed down. In view of its relatively insignificant revenue contribution to our Group's total revenue during the Track Record Period, our Directors are of the view that the delay for Rui'an Branch Hospital to break even does not have a material adverse impact on our Group's financial performance. Nonetheless, our Directors are of the view that the impact of the Resurgence on our Group was manageable notwithstanding the Resurgence considering that (i) Wenzhou had only a few sporadic cases reported since the Resurgence and up to the Latest Practicable Date; (ii) we have developed the corresponding mechanism in response to the outbreak of COVID-19 and its possible recurrence to relieve its potential impact based on past experience; (iii) the relatively high overall vaccination rate in the PRC; and (iv) our business operations continued to grow as demonstrated by an upward trend in our results of operations and the total number of patient visits during the year of 2021 and the five months ended 31 May 2022 as compared to the same period in 2020 and 2021, respectively. As at the Latest Practicable Date, (i) there had been no material adverse impact on our Group's financial performance and business operation, including its expansion and acquisition plan in Zhejiang Province despite the Resurgence; and (ii) we did not experience any significant shortage of supplies which would materially and adversely affect our operations. For details, please refer to the paragraphs headed "Business – Impact of Outbreak of COVID-19 on our Operation in the PRC" and "Financial Information – Period to Period Comparison of Results of Operations – Year ended 31 December 2021 compared to year ended 31 December 2020" and "– Five months ended 31 May 2022 compared to five months ended 31 May 2021" in this prospectus.

Our Directors have conducted a holistic review on the impact of the outbreak of COVID-19 and the Resurgence on our operations and are of the view that the outbreak of COVID-19 and the Resurgence are not expected to have a material or sustained adverse impact on our Group considering that (i) the COVID-19 pandemic has been put under control across China since the second half of 2020 and remained stable in Wenzhou; (ii) the Resurgence has been effectively under control as a result of the heightened measures imposed by the relevant government authorities in response to the regional COVID-19 outbreaks; (iii) the vaccination coverage is expected to continue to rise on a national scale, and therefore our Directors do not expect the Resurgence will be as severe as previous waves which warranted suspensions of operations for a material term; and (iv) since the full resumption of operation of our Group's dental hospitals in May 2020 and up to the Latest Practicable Date, we had not received any correspondences or notices from any governmental authorities nor were our Directors aware of any laws, regulations, announcement or notices being issued by any governmental authorities imposing any controls or restrictions in relation to the outbreak of COVID-19 that may materially and adversely affect the operation of our Group.

We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. However, the COVID-19 pandemic remains an evolving situation. There remain significant uncertainties as to the future development of the COVID-19 pandemic. The development of the said epidemic in China and especially in Wenzhou, where all our dental hospitals located, remains an evolving situation which is beyond our control. Our Directors expect that, subject to the development of the epidemic and if the epidemic reoccurs and/or continues, such epidemic would adversely affect the business, results of operations and financial position of our Group. For details of the relevant risk, please refer to the section headed "Risk Factors – Risks Relating to our Business and Industry – The outbreak of the contagious COVID-19 in Zhejiang Province, the PRC and worldwide may have a material adverse effect on our business, results of operation, financial condition and prospects" in this prospectus.

Recent regulatory development

The Notice of the National Medical Insurance Administration on Carrying out Special Treatment of Oral Implantation Medical Service Charges and Consumables Prices (國家醫療保障局關於開展口腔種植醫療服務收費和耗材價格專項治理的通知) (the "**Notice**") that was newly issued on 8 September 2022, mainly aims to bring high prices in implant dental services down and guide medical institutions to achieve high-quality development through transparent prices, high-quality services, standardised management and good reputation. According to the Notice and the relevant explanatory documents, the Notice directly regulates the pricing policy of dental implant treatment of public medical institutions in China while prices of implant dental services in private medical institutions would then be adjusted by the market and shall be priced based on the principles of fairness, lawfulness, honesty and quality. Therefore, private medical institutions, including our Group, are permitted to price its implant dental services at its discretion. According to the Notice, private medical institutions shall compare with public medical institutions to formulate prices that are reasonable and in line with market competition and the expectations of the public.

As estimated by our Directors, it is currently expected that in respect of implant dental services, our Group's existing pricing would be comparable with the new pricing of public dental hospitals with a slight premium. Based on their understanding and knowledge of the dental service market, our Directors consider that such premium is reasonable and justifiable for the following reasons:

(i) as compared to public dental hospitals, private dental hospitals, such as our Group's, generally provide more customised dental treatments to patients tailormade to their needs, offering a wider range of implant material options; and

(ii) private dental hospitals generally charge patients with higher fees than public dental hospitals for their quality services and better patient experiences to attract middle to high income class consumers who are less price sensitive than mass consumers. Distinguished from public dental hospitals, as a private dental hospital group, our Group's dental hospitals are established with comfortable decoration and equipped with better facilities, offering soothing atmosphere and shorter waiting time to enhance patient experience.

Based on the above, taking into account the market force stemmed from the mechanism of price regulation might have an indirect impact on our Group's operation despite the Notice does not directly regulate the pricing policies of private medical institutions, our Directors are of the view that our Group's existing pricing is maintained at a competitive level, and the Notice shall not have any material adverse impact on our Group's pricing policy, as well as its operation and financial performance. In addition, as none of our service items offered in our implant dentistry are covered by the basic medical insurance programme operated by the relevant healthcare bureaux, our Directors are of view that the Notice shall not have any material adverse impact on such programme, and we, as private dental hospitals, remain entitled to set the prices for these dental services at our own discretion. As such, we will continue to adhere to our existing pricing policy and our Group has also made the price list of its dental services public in its dental hospitals in accordance with the requirement of the Notice in this regard. For further details of our pricing, please refer to the section headed "Business – Pricing" in this prospectus.

NO MATERIAL ADVERSE CHANGES

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save for the Listing expenses to be incurred as detailed in the paragraph headed "Listing Expenses" in this section and, therefore, the expected decrease in the net profit for the year ending 31 December 2022, (i) there were no material adverse changes in the market conditions or the industry environment in which we operate that materially and adversely affect our financial or operating position subsequent to the Track Record Period and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group subsequent to the Track Record Period and up to the date of this prospectus; and (iii) no event had occurred subsequent to the Track Record Period and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

DIVIDEND

During the Track Record Period, our subsidiaries declared dividends to the then shareholders in the aggregate amount of approximately RMB32.0 million, nil, nil and nil for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. The amount of the aforesaid dividends declared for the year ended 31 December 2019 had been settled by way of cash using our internally generated financial resources in January 2020. We currently do not have a dividend policy and may declare dividends by way of cash or other means that our Directors consider appropriate. A decision to declare any dividend in the future would subject to the discretion of the Board and require the approval of our Shareholders, and depending on, among others, results of our operations, working capital, financial position, future prospects and capital requirements, as well as any other factors which our Directors may consider relevant at the time of declaration of any dividend. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Articles of Association and the Cayman Companies Act and any other applicable laws. Currently, we do not have any predetermined dividend payout ratio. For further details, please refer to note 11 to the Accountants' Report set out in Appendix I to this prospectus.

KEY OFFERING STATISTICS

	Based on an Offer Price of HK$0.84 per Offer Share	Based on an Offer Price of HK$1.00 per Offer Share
Market capitalisation of our Shares(1)	HK$504.0 million	HK$600.0 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share as at 31 May 2022(2)	HK$0.29	HK$0.33

Notes:

(1) The calculation of market capitalisation is based on 600,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix IV – Statutory and General Information".

(2) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$50.6 million (assuming an Offer Price of HK$0.92 per Share (being the mid-point of the Offer Price range) and no exercise of the Over-allotment Option), representing approximately 36.7% of the total proceeds from the Global Offering, of which approximately RMB7.5 million, RMB10.7 million, RMB2.2 million and RMB2.9 million (equivalent to HK$8.8 million, HK$12.6 million, HK$2.6 million and HK$3.4 million, respectively) had been charged to profit or loss for each of the three years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022, respectively. Approximately HK$7.0 million will be charged to profit or loss for the seven months ending 31 December 2022, and approximately HK$16.2 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. Among the total estimated amount of approximately HK$50.6 million, approximately HK$5.5 million is underwriting-related expenses (including but not limited to commissions and fees); and approximately HK$45.1 million is non-underwriting-related expenses, which is further categorised into (i) fees and expenses of legal advisors and accountants of approximately HK$25.9 million; and (ii) other fees and expenses of approximately HK$19.2 million. Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose only and the actual amount to be recognised may differ from this estimation. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2022 will be materially and adversely affected by the listing expenses mentioned above.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses, and assuming an Offer Price of HK$0.92 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK$87.4 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 28.6%, or HK$25.0 million, will be used for potential strategic acquisition of two dental hospitals in the PRC;

- approximately 27.0%, or HK$23.6 million, will be used for funding the capital expenditure and initial operating costs for the development of Wenzhou Oral Care;

- approximately 14.1%, or HK$12.4 million, will be used for funding the capital expenditure and initial operating costs for establishing Lucheng Children Hospital in Wenzhou;

- approximately 10.0%, or HK$8.7 million, will be used for working capital and other general corporate purposes;

- approximately 8.6%, or HK$7.5 million, will be used for funding the capital expenditure and initial operating costs for establishing a dental clinic chain outside Wenzhou under a new trade name;

- approximately 5.4%, or HK$4.7 million, will be used for establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services;

- approximately 3.3%, or HK$2.9 million, will be used for acquiring new dental devices and consumables to improve the quality of our dental services offered; and

- approximately 3.0%, or HK$2.6 million, will be used for renovating our Wenzhou Hospital in order to expand its children dental department.

For more details, please refer to section headed "Future Plans and Use of Proceeds – Use of Proceeds" in this prospectus.

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the meanings set out below. Certain other terms are defined in the section headed "Glossary of Technical Terms" in this prospectus.

"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on 8 November 2022 with effect from the Listing Date and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Binda Investment"	Pingyang Binda Investment Management Partnership (LLP) (平陽賓大投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on 28 January 2019 which is owned as to 90% by Mr. Wang and 10% by Ms. Zheng
"Binda Oral Care"	Wenzhou Binda Stomatological Hospital Management Co., Ltd. (溫州賓大口腔醫院管理有限公司), a limited liability company established in the PRC on 31 July 2015 and our indirect wholly-owned subsidiary
"Board"	the board of Directors
"business day"	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Cangnan County"	Cangnan county (蒼南縣), a county under the administration of Wenzhou

"Capital Market Intermediaries"	Innovax Securities Limited, WE Securities Limited, Sinolink Securities (Hong Kong) Company Limited, Guotai Junan Securities (Hong Kong) Limited, CCB International Capital Limited, CMBC Securities Company Limited, Tiger Brokers (HK) Global Limited, CSFG International Securities Limited and HGNH International Securities Co., Limited
"Capitalisation Issue"	the allotment and issue of 449,990,000 Shares upon capitalisation of an amount of HK$4,499,900 standing to the credit of the share premium account of our Company as referred to under the paragraphs headed "Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 3. Written resolutions of all the Shareholders passed on 8 November 2022" in Appendix IV to this prospectus
"Cayman Companies Act" or "Companies Act"	the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participants"	collectively, a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Meihao Medical Group Co., Ltd (美皓醫療集團有限公司) (formerly known as China Dental Medical Group Co., Ltd (中國口腔醫療集團有限公司)), an exempted company incorporated in the Cayman Islands on 18 November 2019 with limited liability, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 January 2020
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	a series of contractual arrangements entered into by Dehong Medical, Tianrui Medical, the VIE Entities, and the Relevant Shareholders, details of which are described in the section headed "Contractual Arrangements" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Mr. Wang, Ms. Zheng, JTC BVI, Ricon BVI and Meihao BVI
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"COVID-19"	novel coronavirus (COVID-19), a coronavirus disease which has its outbreak in the PRC, Hong Kong and worldwide since around January 2020
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 8 November 2022 executed by our Controlling Shareholders with and in favour of our Company (for itself and as trustee for each of its subsidiaries) with particulars set out in the paragraphs headed "Statutory and General Information – E. Other Information – 1. Estate duty, tax and other Indemnity" in Appendix IV to this prospectus
"Deed of Non-competition"	the deed of non-competition dated 8 November 2022 entered into by our Controlling Shareholders with and in favour of our Company (for itself and as trustee for each of its subsidiaries) with particulars set out in the paragraphs headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in this prospectus
"Dehong HK"	Dehong (China) Co., Limited (德鴻(中國)有限公司), a company incorporated in Hong Kong with limited liability on 18 November 2019 and our indirect wholly-owned subsidiary
"Dehong Medical"	Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司), a limited liability company established in the PRC on 2 August 2019 and our indirect wholly-owned subsidiary
"Director(s)"	the director(s) of our Company
"Dr. Zheng Ying" or "Pre-IPO Investor"	Dr. Zheng Ying (鄭穎), the sole shareholder of HDS BVI and our pre-IPO investor
"EIT"	the PRC enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), issued on 16 March 2007 and effective on 1 January 2008 and most recently amended on 29 December 2018

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Foreign Investment Law"	the Foreign Investment Law of the PRC (中華人民共和國外商投資法) adopted by the second session of the 13th National People's Congress on 15 March 2019 and became effective on 1 January 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an Independent Third Party and an independent market research expert
"Frost & Sullivan Report"	the industry report prepared by Frost & Sullivan and commissioned by our Company, the content of which is quoted in this prospectus
"GDP"	gross domestic product
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Placing
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited
"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by them or their predecessors (as the case may be)
"HDS BVI"	HDS Group Holding Limited (康和集團控股有限公司), a limited liability company incorporated in the BVI on 27 November 2019, which is directly wholly owned by Dr. Zheng Ying

"Health Dental HK"	Health Dental Services Limited (康和牙科服務有限公司), a company incorporated in Hong Kong with limited liability on 24 October 2019 and our direct wholly-owned subsidiary
"HK$" or "HK dollars" or "cents"	Hong Kong dollars and cents, the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Offer Shares"	the 15,000,000 Shares initially being offered for subscription at the Offer Price pursuant to the Hong Kong Public Offering, subject to re-allocation as described in the section headed "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting – Hong Kong Underwriters" in this prospectus
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement dated 29 November 2022 in relation to the Hong Kong Public Offering entered into between, among others, our Company and the Hong Kong Underwriters

"Independent Third Party(ies)"	individual(s) or company(ies) who is(are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules
"International Placing"	the conditional placing of the International Placing Shares at Offer Price to selected professional, institutional and other investors as described in the section headed "Structure of the Global Offering" in this prospectus
"International Placing Shares"	the 135,000,000 Shares being initially offered for subscription pursuant to the International Placing, representing 90% of the initial number of the Offer Shares, subject to re-allocation and the Over-allotment Option as described in the section headed "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement
"International Underwriting Agreement"	the conditional international underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company and the International Underwriters on or about the Price Determination Date
"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors and Parties involved in the Global Offering" in this prospectus
"Joint Global Coordinators"	the joint global coordinators as named in the section headed "Directors and Parties involved in the Global Offering" in this prospectus
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors and Parties involved in the Global Offering" in this prospectus
"Joint Sponsors"	Innovax Capital Limited and Sinolink Securities (Hong Kong) Company Limited

"JTC BVI"	JTC (China) Co., LTD (健齿康(中国)有限公司), a business company incorporated in the BVI with limited liability on 8 November 2019, which is directly wholly owned by Mr. Wang, and one of our Controlling Shareholders
"Latest Practicable Date"	21 November 2022, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information referred to in this prospectus
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date on which dealings of the Shares on the Main Board of the Stock Exchange first commence, which is expected to be on or around Wednesday, 14 December 2022
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Longgang City"	Longgang City (龍港市), previously the Longgang Town subordinated to Cangnan County. In October 2019, Longgang Town became a county-level city under the administration of Wenzhou
"Longgang Hospital"	Longgang Stomatological Hospital Co., Ltd. (龍港口腔醫院有限公司) (formerly known as Cangnan Dental Hospital Co., Ltd. (蒼南牙科醫院有限公司) ("**Cangnan Hospital**")), a limited liability company established in the PRC on 24 August 2015, our indirect non wholly-owned subsidiary, which is a private dental hospital
"Lucheng Children Hospital"	Wenzhou Lucheng Children Stomatological Hospital Co., Ltd. (溫州鹿城兒童口腔醫院有限公司), a limited liability company established in the PRC on 29 October 2019 and our indirect wholly-owned subsidiary

"Lucheng Hospital"	Wenzhou Lucheng Stomatological Hospital Co., Ltd. (溫州鹿城口腔醫院有限公司), a limited liability company established in the PRC on 7 June 2016, our indirect wholly-owned subsidiary, which is a private dental hospital
"M&A Provisions"	the Provisions on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), jointly issued by the State-owned Assets Supervision and Administration Commission (國務院國有資產監督管理委員會), MOFCOM, SAT, SAIC, CSRC and SAFE on 8 August 2006 and effective as at 8 September 2006 and subsequently revised by MOFCOM on 22 June 2009
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
"Meihao BVI"	Meihao (China) Co., LTD (美皓(中国)有限公司), a business company incorporated in the BVI with limited liability on 8 November 2019, which is directly wholly owned by Ms. Zheng, and one of our Controlling Shareholders
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company adopted on 8 November 2022, a summary of which is set out in Appendix III to this prospectus, and as amended from time to time
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Wang"	Mr. Wang Xiaomin (王曉敏), an executive Director, the spouse of Ms. Zheng, one of our Controlling Shareholders, and one of the Relevant Shareholders
"Ms. Zheng"	Ms. Zheng Man (鄭鑾), an executive Director, the spouse of Mr. Wang, one of our Controlling Shareholders, and one of the Relevant Shareholders
"Nomination Committee"	the nomination committee of our Board

"Offer Price"	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in the section headed "Structure of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares to be issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters exercisable by the Overall Coordinator (for itself and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to 22,500,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to cover over-allocations in the International Placing (if any) as further described in the section headed "Structure of the Global Offering" in this prospectus
"Overall Coordinator"	Innovax Securities Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO
"PRC Legal Advisers"	Commerce & Finance Law Offices, legal advisers to our Company on PRC laws in connection with the Global Offering
"Pre-IPO Investment"	the pre-IPO investment in our Company undertaken by the Pre-IPO Investor, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Pre-IPO Investment" in this prospectus
"Price Determination Agreement"	the agreement to be entered into by the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date, expected to be on or about 6 December 2022, and in any event not later than 13 December 2022, on which the Offer Price is fixed for the purpose of the Global Offering
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Shareholder(s)"	Mr. Wang and Ms. Zheng, being the registered shareholders of Tianrui Medical
"Remuneration Committee"	the remuneration committee of our Board
"Reorganisation"	the reorganisation of our Group in preparation for the Listing, details of which are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus
"Ricon BVI"	Ricon (China) Co., LTD (瑞康(中国)有限公司), a business company incorporated in the BVI with limited liability on 8 November 2019, which is directly wholly owned by Mr. Wang, and one of our Controlling Shareholders
"RMB"	Renminbi, the lawful currency of the PRC
"Rui'an Branch Hospital"	Wenzhou Dental Hospital Co., Ltd. Rui'an Branch Company (溫州牙科醫院有限公司瑞安分公司), a branch company established in the PRC on 9 November 2017, and the operating branch (院區) (not an independent established medical institution) of Wenzhou Hospital in Rui'an City
"Rui'an City"	Rui'an City (瑞安市) is a county-level city under the administration of Wenzhou
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	State Administration of Industry and Commerce of PRC (中華人民共和國國家工商行政管理總局) or State Administration for Market Regulation of PRC (中華人民共和國國家市場監督管理總局)

"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of our Company
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 8 November 2022, a summary of the principal terms of which is set out in the paragraphs headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Stabilising Manager"	Innovax Securities Limited
"Stock Borrowing Agreement"	a stock borrowing agreement expected to be entered into on or about the Price Determination Date between the Stabilising Manager and JTC BVI pursuant to which JTC BVI will agree to lend up to 22,500,000 Shares to the Stabilising Manager on the terms set forth therein
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, the Exclusive Operation Services Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Shareholders' Rights Entrustment Agreements and the Supplemental Agreement, being the underlying contracts for the Contractual Arrangements, further details of which are set out in in the section headed "Contractual Arrangements" in this prospectus
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules

"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time
"Tianrui Medical"	Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司), a limited liability company established in the PRC on 2 August 2019 which is owned as to 90% by Mr. Wang and 10% by Ms. Zheng
"Track Record Period"	the three financial years ended 31 December 2021 and the five months ended 31 May 2022
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	the United States of America
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"VIE Entities" or "VIE Entity"	the entities that we control certain percentages of their shareholdings through the Contractual Arrangements which comprised, as at the Latest Practicable Date, Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital and Wenzhou Oral Care
"Wenzhou"	Wenzhou City (溫州市), a prefecture-level city in Zhejiang Province, the PRC
"Wenzhou City Area"	refers to the city area of Wenzhou, being Lucheng district (鹿城區), Ouhai district (甌海區), Longwan district (龍灣區) and Dongtou district (洞頭區) of Wenzhou
"Wenzhou Children Hospital"	Wenzhou Children Stomatological Hospital Co., Ltd. (溫州兒童口腔醫院有限公司), a limited liability company established in the PRC on 11 November 2016 and our indirect wholly-owned subsidiary

"Wenzhou Hospital"	Wenzhou Dental Hospital Co., Ltd. (溫州牙科醫院有限公司), a limited liability company established in the PRC on 8 March 2011, our indirect wholly-owned subsidiary, which is a private dental hospital
"Wenzhou Oral Care"	Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司), a limited liability company established in the PRC on 21 December 2015 and our indirect wholly-owned subsidiary, which is a private dental hospital
"WFOE"	Wenzhou Meihao Business Management Co., Ltd. (溫州美皓企業管理有限公司), a limited liability company established in the PRC on 20 December 2019 and our indirect wholly-owned subsidiary
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of the **White Form eIPO** Service Provider, **www.eipo.com.hk**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Yongkang BVI"	Yongkang (China) Co., LTD (永康(中國)有限公司), a business company incorporated in the BVI with limited liability on 20 November 2019 and our direct wholly-owned subsidiary
"Yuhai Hospital"	Rui'an Yuhai Stomatological Hospital Co., Ltd. (瑞安玉海口腔醫院有限公司), a limited liability company established in the PRC on 4 August 2015 which ceased to be our subsidiary upon the disposal on 8 March 2019 by Wenzhou Hospital
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data and information in this prospectus is as at the Latest Practicable Date.

The English names of the PRC entities, authorities, licences and permits mentioned in this prospectus are translations of their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

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

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"dental crown"	an artificial replacement that restores missing tooth structure by surrounding the remaining coronal tooth structure, or is placed on a dental implant. It is made of metal, ceramic or polymer materials or a combination of such materials. It is retained by luting cement or mechanical means
"general dentistry (口腔綜合治療科)"	one of our dental sectors focusing on the examination, diagnosis, prevention and treatment of disorders of the orofacial region
"GFA"	gross floor area
"implant dentistry (種植牙科)"	one of our dental sectors focusing on surgically placing fixture dental implant in patient's jaw bone as the foundation to replace the damaged or missing tooth with prosthetic tooth
"oral and maxillofacial surgery"	the specialty of dentistry which includes the diagnosis, surgical and adjunctive treatment of diseases, injuries and defects involving both the functional and aesthetic aspects of the hard and soft tissues of the oral and maxillofacial region (such as jaws and adjacent structures)
"orthodontics and cosmetic dentistry (牙齒正畸科)"	one of our dental sectors focusing on diagnosis, prevention, interception and correction of misalignment or incorrect relation between the teeth as well as skeletal abnormalities of developing or mature orofacial structures by applying different types of braces
"periodontal disease"	inflammatory process of the gingival tissues and/or periodontal membrane of the teeth, resulting in an abnormally deep gingival sulcus, possibly producing periodontal pockets and loss of supporting alveolar bone
"reparative dentistry (口腔修復科)"	one of our dental sectors focusing on restoring the function, integrity and morphology of missing tooth structure
"sq.km."	square kilometres
"sq.m."	square metres

Our Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. These forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", and "Financial Information", which are, by their nature, subject to risks and uncertainties.

In some cases, our Company uses the words "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "consider", "estimate", "going forward" and similar expressions or statements and the negative of these words to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our ability to implement such strategies;
- our operations and business prospects, including development plans for our existing and/or new businesses;
- future developments and competitive environment in the PRC and the markets in which we operate;
- the regulatory environment and industry outlook in general for the industries discussed herein;
- general political, economic, legal and social conditions in the PRC and the markets in which we operate;
- our business expansion plans;
- our ability to control and reduce cost;
- our financial condition and performance;
- macroeconomic measures taken by the PRC government to manage economic growth;
- factors that are described in the section headed "Risk Factors" in this prospectus; and
- other factors beyond our control.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of our Company. In addition, these forward-looking statements reflect the current views of our Company with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under the section headed "Risk Factors" and elsewhere in this prospectus.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our operations are conducted in the PRC and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our brand, market reputation and consumer perception contribute significantly to our continued success and growth. Any failure to maintain, or any damage to, our brand, market reputation and/or consumer perception could materially and adversely affect our results of operations and prospects.

We are committed to establish and maintain the market recognition of our brand. Over the years, our brand development has met with some success. For details, please refer to the section headed “Business – Awards and Recognitions” in this prospectus. We believe our success and continued growth depend substantially on our brand, market reputation and consumer perception. If we fail to maintain and enhance our brand image, or if there is any incident that damages consumers’ trust in the quality of our services, this could materially and adversely affect our brand, market reputation and consumer perception, thereby weakening their affinity to our brand and decreasing their demand for our services. Any negative publicity in relation to our services and products may, regardless of merit, damage our brand image and reputation in the industry.

In addition, our Group has always been using “溫州牙科”, “溫州鹿城口腔”, “溫州口腔” and “龍港口腔” (collectively, the “**Trade Names**”) together with our trademark “ ” registered in the PRC for our business operations. We were not successful in registering the Trade Names as trademarks in the PRC, as “溫州”, “鹿城” and “龍港” are the names of county-level or municipal-level administrative divisions in Zhejiang Province, the PRC. As advised by our PRC Legal Advisers, the Trademark Law of the PRC (中華人民共和國商標法) stipulates that geographical names of administrative regions of county level and above shall not be used as trademarks. In addition, to the best of our Directors’ knowledge and belief, and with reasonable enquiry, there is no registered trademark in our Trade Names in the category of dental services. We have also obtained a written confirmation from Wenzhou Market Supervision and Administration Bureau in 2020, confirming that it was not aware of the Group’s violation of relevant laws and regulations such as the Company Law of the PRC and the Administrative Provisions on the Registration of Business Names due to its usage of trade names such as “溫州牙科”, “溫州鹿城口腔” and “溫州口腔” and conducted consultation with China National Intellectual Property Administration, indicating that “溫州”, “鹿城” and “龍港” are geographical names of administrative regions and thus cannot be registered as trademarks. As such, we believe we are not likely to infringe third parties’ registered trademark. However, if our competitors somehow successfully register any of the Trade Names as registered trademark under the category of dental services in the PRC, or the relevant governmental authorities change their supervision practices, we may be unable to rely on the Trade Names and may even constitute passing off infringement, which may materially and adversely affect our business, results of operations and prospects.

We have registered and incorporated our dental hospitals in Lucheng District of Wenzhou, Rui'an City and Longgang City and using their respective company names, containing the respective Trade Names. According to the relevant PRC laws and regulations, the name of a newly incorporated company within the jurisdiction of competent registration authority shall not be the same as or similar to the registered enterprise from the same industry, thus within the place of business registration, our Group may exclude competitors from registering dental hospitals with company names containing our Trade Names. However, if somehow we are unable to continue using these Trade Names, or are unable to use them in the company name in these regions, or if we expand into regions outside of these places of incorporation, and that there are existing competitors operating dental services business under the Trade Names, we may be unable to register and incorporate under the Trade Names which may materially and adversely affect our business, financial conditions and results of operations.

We believe our success in the said regions are partly attributable to our patients' recognition of the Trade Names and that our continued success will depend largely on our ability to protect and enhance the value of the Trade Names. Any deterioration in the reputation relating to the Trade Names could have a material and adverse effect on our sales, profitability and implementation of growth strategy. Furthermore, if any other dental hospitals with the Trade Names are involved in a dispute, litigation or scandal, our patients may be confused and think that such institution is our affiliate, which confusion may cause adverse impact on our brand image and reputation materially.

Our revenue has historically been entirely dependent on, and will remain heavily dependent on, our operations in Wenzhou. As such, we are especially sensitive to the local conditions and changes in Wenzhou, such as, with respect to its economy, laws and regulations and occurrence of any natural disasters, acts of God and epidemics.

During the Track Record Period, we derived all our revenue from our private dental hospitals in Wenzhou. Going forward, we expect that a large part of our revenue will remain dependent on our private dental hospitals located in Wenzhou. We are therefore highly sensitive to the social, regulatory, economic, environmental, the competitive conditions as well as the healthcare industry landscape in Wenzhou. In recent years, there has been an increase in the total population and per capita nominal GDP in Wenzhou. However, there is no assurance that Wenzhou could sustain continual economic growth in the future. In the event that the average spending power of the population in Wenzhou decreases or the economic growth in Wenzhou slows down, demand for dental services may substantially decrease and our results of operation and profitability may be adversely affected. Furthermore, significant changes in the laws and regulations governing the healthcare industry in Wenzhou, such as those in relation to the medical professional licensing system, qualification and compliance requirements for medical institutions, may have a material effect on our business operations.

In addition, our business is also subject to the general social conditions in Wenzhou. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in Wenzhou. In particular, the occurrence of any outbreak of epidemics, such as COVID-19, SARS, H5N1 avian flu, H1N1, H7N9 influenza, in Wenzhou, depending on their scale, will cause different degrees of damage to the economy of Wenzhou, which may result in material disruptions to our operation, restrict patients from visiting our hospitals and/or generally reduce consumer spending willingness, which in turn may materially and adversely affect our results of operations and financial position.

The outbreak of the contagious COVID-19 in Zhejiang Province, the PRC and worldwide may have a material adverse effect on our business, results of operation, financial condition and prospects.

There had been an outbreak of COVID-19 since January 2020 across China and around the world and significantly disrupted travel and local economy. On 29 January 2020, the Health Commission of Zhejiang Province (浙江省衛生健康委員會) issued a notice (the "**Notice**") to all medical institutions in Zhejiang Province imposing controls on oral diagnosis and treatment carry out by medical institutions in light of the epidemic brought by COVID-19. According to the Notice, among others, private dental hospitals and the dental departments in public and private general hospitals, save and except for oral and maxillofacial surgery performing in emergency situation and in the circumstances where prevention and control measures for hospital infection are strictly implemented, shall suspend services; and such suspension shall continue until further notice from the Health Commission of Zhejiang Province subject to the development of the COVID-19 pandemic. In compliance with the Notice, the operation of all dental hospitals of our Group had temporarily suspended on 29 January 2020. On 22 February 2020, the Health Commission of Zhejiang Province issued a further notice (the "**Further Notice**") to all the medical institution regarding the gradual resumption of dental services in Zhejiang. According to the Further Notice, the dental emergency services could be resumed gradually in the cities where the infection risk of COVID-19 is low. With the permission of relevant governmental authorities, the operation of Wenzhou Hospital, Longgang Hospital, Lucheng Hospital and Rui'an Branch Hospital has been partially resumed on 1 March 2020, 6 March 2020, 15 March 2020 and 18 March 2020, respectively, where our Group was not allowed to offer high risk dental services, such as certain services under implant dentistry and reparative dentistry, to our patients, according to relevant governmental guidelines and notices. The development of the said epidemic in China and especially in Wenzhou, where all our dental hospitals located, are beyond our control. On 18 May 2020, the Health Commission of Zhejiang Province issued the third notice (the "**Third Notice**") to all the medical institution in Zhejiang Province allowing the full resumption of dental services in Zhejiang Province, and we had, pursuant to the Third Notice, fully resumed all of our dental services. For further details of the impact of COVID-19 on our business, please refer to the section headed "Business – Impact of Outbreak of COVID-19 on our Operation in the PRC" in this prospectus.

Since late July 2021, new regional COVID-19 outbreaks has recurred in certain provinces across China, and more recently, there have been regional outbreaks of COVID-19 variants, including highly transmissible Delta and Omicron. To contain such resurgence, local governments in PRC have imposed various restrictions on business and social activities, including stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions.

As the PRC government gradually lifted restrictions and quarantine measures in the PRC, we had resumed the operation of all dental hospitals since May 2020 and our revenue had demonstrated an upward trend during the year of 2021 as compared to the same period in 2020. For details, please refer to "Financial Information – Period to Period Comparison of Results of Operations – Year ended 31 December 2021 compared to year ended 31 December 2020" in this prospectus. However, we cannot assure you that our business and its growth rate will not be negatively affected by the pandemic in the future. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and the recent regional resurgence of COVID-19 cases in certain areas in the PRC. Should there be an escalation of the pandemic, the PRC government may again take strict emergency measures to contain the spread of the virus, including travel restrictions, mandatory cessations of business operations including dental hospitals and clinics, mandatory quarantines, work-from-home measure and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may adversely affect our business operation. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be reasonably estimated at this time. We are continuously monitoring the impact of the pandemic on our business, results of operations and financial condition, which we believe will depend on the duration of the pandemic and the relevant government measures in response to the pandemic. The potential downturn brought by COVID-19 and the duration of its outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. If the outbreak reoccurs, persists or escalates, we may be subject to further negative impact on our business operations, results of operations and financial condition.

We have taken, and will undertake, measures to control the risk of the spread of COVID-19 in our business operation, among which, we established an epidemic prevention and control working group and adopted various additional precautionary measures to maintain a safe and hygienic environment of our private dental hospitals, including imposing access control measures to our dental hospitals such as mandatory body temperature check and health code registration (健康碼), distributing sufficient protective equipment to our employees on a daily basis, disinfecting the premises of our dental hospitals at least twice daily and requiring our employees to report their travel history. However, if any of our employees, especially our dentists, has contracted or is suspected of having contracted any contagious disease or condition, local governments may require them to be quarantined and the related dental hospitals, offices, dental equipment and other premises to be closed and disinfected. As a result, our business operations would be materially and adversely affected.

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

We conduct our business in a heavily regulated industry and therefore incur on-going compliance costs and face potential penalties for non-compliance. The laws and regulations mainly relate to the requirements for medical institutions and equipment, and the licensing, qualifications and number of medical professionals. Please refer to the section headed "Regulatory Overview" in this prospectus for more details. Accordingly, our private dental hospitals and dentists are subject to periodic licensing renewal requirements and inspections by various government agencies and departments. In addition, any changes in laws and regulations, or any change of interpretation thereof, could require us to obtain additional licenses, permits, approvals or certificates, or result in the invalidation of our currently owned licenses, permits, approvals or certificates, or result in us being regarded as not in compliance with the relevant laws and regulations thereby subjecting us to penalties and/or other legal consequences.

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

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

Our expansion plans, particularly our plans to expand our business into various new geographic areas, are subject to uncertainties and risks, and we may not be able to successfully manage our expanded operations.

Our organisation may become larger and more complex with our intended plans to expand into new geographic areas, through a combination of acquisitions, organic growth and establishment of dental clinics. The execution of our expansion plans is expected to require management attention and efforts and incur additional expenditures. Our ability to successfully expand into new markets depends on many factors including, among others, our ability to:

- identify suitable geographic markets for the type of services we offer;

- identify local consumer preferences;
- address local market competition;
- negotiate acceptable lease terms;
- hire, train and retain a growing workforce of dentists and other personnel;
- successfully integrate new private dental hospital into our existing control;
- identify suitable infrastructure for operations, including our information technology systems; and
- secure financing or maintain sufficient capital to invest in new private dental hospitals or making acquisitions.

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

Opening of new private dental hospitals could result in fluctuations in our short-term financial performance.

Our operating results could be influenced by the timing of the opening of new private dental hospitals and the number of new private dental hospitals opened. New dental hospitals generally have lower income and higher operating costs during the initial stages of their operation. We also incur substantial expenses before opening new dental hospitals such as renovation costs, rental expenses and equipment costs. For instance, the total investment amount we incurred for the first phase of Wenzhou Oral Care amounted to approximately RMB28.6 million as at 31 May 2022 and we expect to further incur approximately RMB37.2 million for the further development of the first and second phase of Wenzhou Oral Care. For further details of the development of Wenzhou Oral Care, please refer to the paragraphs headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this prospectus. Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately four years for a new dental hospital to break even and approximately seven years to recover the initial investment. Accordingly, the number and timing of new dental hospital openings have, and may continue to have, an impact on our profitability. As a result, our results of operations may fluctuate from year to year. Therefore, period-to-period comparisons of our operating results during the Track Record Period may not be meaningful and you should not rely on them to predict the future performance of our operating results or the price of our Shares.

The demand for our orthodontics and cosmetic dentistry services is subject to (i) the disposable income of our patients and their willingness to spend in such dental services, given that these services are not covered by the basic medical insurance programmes, and (ii) our patients' satisfaction of these dental services which is often multifaceted and more subjectively driven.

We believe that orthodontic and cosmetic dentistry has strong growth potential in the dental service market in the PRC. Thriving on the rising awareness of dental care, the increasing desire for better personal appearance of the general population in the PRC and the fast growing per capita disposable income of urban residents in Wenzhou according to the Frost & Sullivan Report, we expect the demand for dental services under orthodontic and cosmetic dentistry to grow. To this end, we intend to further tap into the orthodontic and cosmetic dentistry by offering more comprehensive and advanced dental services under this dental specialty in our flagship dental hospital, Wenzhou Oral Care. While dental services offered under such service sector are comparatively expensive than those offered by us under other service sectors in general, the dental services under orthodontic and cosmetic dentistry are not covered by the basic medical insurance programmes. As a result, the demand for such dental services would depend on the disposable income of our patients and their willingness to spend in such dental services, which would therefore be more vulnerable to economic downturn or macroeconomic environment. Any decrease in our patients' affordability of such dental services may lead to reduced patient flow, which in turn could have a material adverse impact on our business, prospect, results of operations and prospects.

In addition, according to the Frost & Sullivan Report, people become more willing to spend on relatively expensive dental care programmes such as tooth whitening, dental implanting and orthodontics with their strong desire to improve personal image. These orthodontics and cosmetic dentistry services focus on improving personal aesthetics instead of dental caries, and the demand for these dental services is dependent on our reputation in providing quality orthodontics and cosmetic dentistry services to a large extent. This in turn is subject to patients' satisfaction of such dental services, which is often multifaceted and more subjectively driven. As such, our orthodontic and cosmetic dentistry services may be more susceptible to complaints by our patients associated with their satisfaction of the results rendered by our dentists irrespective of their proper performance of the dental treatments concerned. Any quality or satisfaction issues on our dental services may have a material adverse effect on our reputation, brand image, prospect, financial performance and lead to negative publicity.

Our future prospect is subject to the development of population structure in the PRC.

The growth of China's dental service industry is dependent on the population of children and elderly showing relatively high rate of caries, being the two most critical groups of patients of dental service market according to the Frost & Sullivan Report, which in turn, is affected by the total population and the population structure of the PRC. In Wenzhou, the number of dental patient visits under 14 years old reached approximately 416.5 thousand, accounting for 21.2% of the total dental patients visits in Wenzhou in 2021. In addition, it is expected that the continuous implementation of the two-child policy and the three-child policy by the PRC government would further boost the long-term population growth and improve the population structure of the PRC. In light of the lengthened life expectancy, ageing population and the steady growth in the healthcare expenditure, our Directors are of the view that there is a growing demand for healthcare services, including dental services, among the general public and such upward trend will continue. However, according to the National Bureau of Statistics, the birth rate in the PRC dropped from 13.57% in 2016 to 7.52% in 2021, with number of newborns declining to 10.6 million in 2021. If the birth rate in the PRC continues to remain at a relatively low level in the future, our business and prospects may be materially and adversely affected.

We lease premises in various place as our dental hospital premises and offices, to carry out our operations and certain of these leased properties are subject to land and title defects.

Certain of these leased properties were subject to land and title defects. Our PRC Legal Advisers are of the view that such defective leased properties may be affected by relevant governmental authorities or third parties' claims or challenge against the relevant leases, the relevant lease agreements may be deemed invalid. As a result we may be required to vacate the defective leased properties and relocate our dental hospitals. As at the Latest Practicable Date, we had not received any claims or notices or warning letters from the relevant governmental authorities or any third parties on the right to lease those properties by us. However, if any challenge from the PRC government authorities or third parties arises, our leases may be invalidated and our rights under these leases may be materially and adversely affected. In addition, if we are forced to relocate any affected premises, our operations may be severely disrupted or suspended. We may incur significant costs and time in securing alternative sites for relocation and relocating our operations to such alternative sites and we may lose income in regards to the affected operations during the relocation period. Further, the establishment of dental hospitals at new location involves regulatory approvals and reviews by various authorities in China, including relevant health authorities. We may not be able to obtain all the required approvals, permits or licenses for opening and acquisitions of dental hospitals in a timely manner or at all. All of these consequences could materially and adversely affect our business, financial condition and results of operations. Furthermore, as at the Latest Practicable Date, seven of our lease agreements in relation to our dental hospitals and offices had not been registered with the relevant PRC government authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect its validity. However, Our Group and the relevant landlords under their respective lease agreements entered into with us may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the specified time. For details, please refer to the section headed "Business – Properties – Defective leased properties" in this prospectus.

The newly opened and acquired private dental hospitals may not achieve normal operation as anticipated, which could adversely affect our business, results of operations, financial condition and prospects.

It typically takes the newly opened and acquired private hospitals a period of time, due to factors such as time needed to build patient awareness in the local community and to integrate such private dental hospitals' operations into our existing infrastructure. In addition, the opening and acquisition of the new private hospital involve regulatory approvals and reviews by various authorities in the PRC, including relevant health authorities. We may not be able to obtain all the required approvals, permits or licenses for opening and acquisition of the private dental hospitals in a timely manner or at all. We may not be able to immediately operate the newly opened or acquired private dental hospitals as anticipated due to our inability or material delay in obtaining the required approvals, permits or licenses and any substantial increase in costs to ramp up operations and utilisation. In addition, the operating results generated at the newly opened and acquired private dental hospitals may not be comparable to the operating results generated at any of our existing private dental hospitals. The newly opened and acquired private dental hospitals may even operate at a loss, which could adversely affect our operating results.

We depend on the continued service of our senior management team and other key employees, and our business, financial condition and results of operations will materially and adversely affected if we lose their services.

We have been, and will continue to be, heavily dependent on the continued services of our senior management team and other key employees, some of whom have been with us since our inception. In particular, we rely on the expertise, experience and leadership of our chairman and executive Director, Mr. Wang, our executive Director, Ms. Zheng and our senior management, Dr. Chen Haibing and Dr. Zheng Xiaofeng. For details of their biographies, please refer to the section headed "Directors and Senior Management" in this prospectus. We do not maintain key person insurance.

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

We may not be able to identify, capture or execute acquisition opportunities, which may materially and adversely affect our business, results of operations, financial conditions and prospects.

Organic development will have its limit when our business grows up to certain level so it is also necessary to expand our businesses, market shares and coverage by acquiring or investing into other dental hospitals. However, it is possible that we may not be able to identify desirable target institutions, or negotiate commercially acceptable terms for acquisitions, or smoothly integrate any acquired businesses in the future. Even if we were able to identify desirable target institutions, such acquisitions could be difficult, time-consuming and costly to execute and integrate. Financially, we may not be able to secure necessary financing, whether in the form of debt or equity, for such acquisitions. Institutions that we acquire, or any dentists, nurses or medical professionals thereof may have undisclosed, unknown or contingent liabilities, including medical liabilities, and liabilities for failure to comply with relevant laws, rules and regulations. Subject to our negotiation with the sellers by then, we may be required to assume any liabilities of the hospitals to be acquired and we could become liable for the past activities of the entities we acquire. We may not be able to enforce the indemnifications from the sellers in such acquisition even there are such relevant clauses in the acquisition documents.

In addition, future acquisitions and subsequent integration of newly acquired businesses into our own would require considerable attention from our management team, which could result in a diversion of resources from our existing business and in turn, may adversely affect our business operations. Finally, acquired businesses may not generate the financial results or synergies we anticipate.

We may be unable to retain our existing dentists and medical professionals or attract suitable dentists and medical professionals to join our Group.

Our future success depends on our ability to retain, attract and motivate a sufficient number of qualified and experienced dentists and other medical professionals, which is necessary to meet the demands of the services at our existing dental hospitals and our future expansion.

The number of qualified dentists and medical professionals with the necessary experience and qualifications that attain our Group's requirements in the market is limited in the near term, so the competition for these personnel is intense. Our ability to provide our services is reliant on these professionals. The ability to attract and retain them is dependent on several factors, such as our reputation, financial remuneration and job satisfaction. To compete with the other dental service providers for these personnel, we may need to offer more competitive terms, such as higher salary and other rewards, which would increase our costs of operation. We cannot guarantee that we will win the competition for these qualified and experienced dentists and medical professionals.

We may also subject to the constant risks that our competitors will poach our experienced dentists and other medical professionals with certain attractive incentives. Failure to retain, attract or motivate qualified and experienced dentists and other medical professionals could adversely affect our operations in the existing dental hospitals, and any material increases in the turnover rates of our dentists and other medical professionals could also have a material adverse effect on our business, results of operation and financial results and prospects.

We rely on the performance of our dentists, nurses and other medical professionals. Our dentists, nurses and other medical professionals may be subject to complaints, investigations, claims or legal proceedings relating to alleged malpractice in the services, which could harm our reputation, brand image and results of operations.

Our dentists', nurses' and other medical professionals' treatment performance, communication and relationship with our patients are deemed to be vital to our business, particularly due to their position as the front-line staff which have high degree of interactions with our patients.

We rely on our dentists, nurses and other medical professionals in our private dental hospitals to make proper decisions regarding the services provided to our patients. Any incorrect decisions on the part of our dentists, nurses and other medical professionals, or any failure by us to properly manage our private dental hospitals' activities may result in undesirable or unexpected outcomes, including complications, injuries and even deaths in extreme cases. We are subject to complaints, claims or legal proceedings initiated by our patients as a result of any negative physical reaction to our services. We have been and will continue to be susceptible to complaints associated with our services from time to time. Although rare, incidents have occurred in hospitals in the past in the PRC where dissatisfied patients carried out extreme actions or even violence against hospital staff or other patients. Any such incident, if occurs, would harm our reputation, impair our ability to recruit and retain medical professionals and staff, and cause us to incur substantial costs.

Furthermore, our dentists, nurses and other medical professionals represent our Group's image and reputation. As such, the unsatisfied performance of treatment and operation of equipment by our dentists, nurses and other medical professionals could affect our reputation and we may lose existing clients and be unable to attract new clients or both, which could decrease our sales and may be materially and adversely affect our business, results of operations and financial conditions.

During the Track Record Period and up to the Latest Practicable Date, we received a total of 38 complaints from our patients in relation to our provision of our dental services, representing less than 0.1% of the total number of dental treatments performed during the same period, and our Directors confirm that all of these complaints were properly addressed as at the Latest Practicable Date. As at the Latest Practicable Date, no member of our Group is involved in any legal proceedings, litigation or arbitration related to those complaints as a defendant. However, we cannot guarantee we will not be subject to such patient complaints or that we can successfully prevent or address all patient complaints in the future. Any complaint, claim or legal proceeding, regardless of merit, if widely disseminated, could affect our reputation in the industry. In addition, any legal proceeding which may be brought against us could divert management resources and cause us to incur extra costs to handle these proceedings and any possible judgment made against us. A settlement or successful claim against us can also result in legal costs, damages, compensation and reputational damage to us and may adversely affect our business, results of operations, financial condition and prospects.

We derive a portion of our revenue from healthcare services and products provided to patients covered under basic medical insurance programmes. If we fail to maintain our designated status under basic medical insurance programme, our business, results of operations and prospects may be materially and adversely affected.

We receive a certain portion of payments for our medical bills from relevant PRC government authorities, principally through basic medical insurance programmes, represented approximately 4.4%, 6.8%, 6.4% and 1.6% of our revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. The medical fee of patients for healthcare services and products covered under such programmes is generally paid by relevant PRC government authorities to our hospitals. Our participation in basic medical insurance programmes is dependent on our hospitals' maintaining the relevant "designated" status, which is subject to stringent regulatory scrutiny of, among other things, (i) the skills of medical professionals; (ii) the quality and quantity of the medicines and medical equipments; (iii) the medical insurance settlement system shall satisfy the demands of the patients covered by basic medical insurance in Wenzhou; and (iv) having an operating history of no administrative penalty record within one year before application. As at the Latest Practicable Date, except Wenzhou Oral Care, all of our private dental hospitals are "medical insurance designated" (醫療保險定點) hospitals under the basic medical insurance programme operated by the relevant healthcare bureaux. We cannot assure you that each of our hospitals will be able to maintain such status as a "designated" hospital under any of basic medical insurance programmes in which we currently participate. The loss of the "designated" status of our hospitals will not only result in a reduced volume of patients visiting our hospitals for healthcare services and products covered by the relevant basic medical insurance programmes but also affect our reputation. According to the Frost & Sullivan Report, designated hospitals connected to the basic medical insurance have higher level of acceptance and preference among patients than other private dental service providers without "designated" status. The loss of such "designated" status would therefore affect potential patient's confidence in our dental hospitals and thus our ability to attract new patients, which in turn adversely affect our business, results operations and prospects. Further, the PRC government may alter its reimbursement policies in coverage plans in the future such that: (i) certain healthcare services and products provided by us will no longer be covered; or (ii) more stringent thresholds on existing coverage may be imposed. Any reduction in the rates paid or the scope of services covered may reduce patient accessibility to our hospitals and may lead to reduced patient flow and fees received by us. Both the loss of our "designated" status and any alternation in the PRC government's reimbursement policies in basic medical insurance programmes could have a material adverse effect on our business, results of operations and prospects.

We operate in a highly competitive industry, and if we do not compete successfully against new or existing competitors, our business, financial condition and results of operations may be adversely affected.

We compete primarily with private dental hospitals, out-patient departments and clinics as well as dental departments in public and private general hospitals located in the same geographic areas as our dental hospitals. We will also compete with future market entrants as the rapid growth of the dental service industry in the PRC may attract more players to enter. Due to continuous technological upgrades and advancements, the dental service industry is characterised by intense competition and rapidly changing market trends. Our patients are constantly looking for innovative and quality performance dental services at reasonable prices. As a result, we are in constant competition with other dental service providers in aspects such as quality and scope of services, comprehensiveness and diversity of medical service devices as well as pricing. Some of our competitors may be able to foresee the upcoming market trends more accurately or may be more responsive to new technologies or evolving patient preferences. They may also have greater financial and other resources than we do, thus allowing them to provide similar services at a lower price. We cannot assure you that we will be able to successfully compete against new or existing competitors. If we are unable to compete successfully with our competitors, we may experience a reduction of market share and experience a slowdown in growth or a decline of our operations, and this may in turn adversely affect our business, results of operations, financial condition and prospects.

Certain of our PRC subsidiaries did not make adequate contributions to housing provident fund and social insurance and additional payment may adversely and materially affect our results of operation and financial condition.

Under the applicable PRC laws and regulations, our PRC subsidiaries are required to register with the relevant authorities in respect of housing provident fund and social insurance and to contribute housing provident fund and social insurance for their employees. During the Track Record Period, certain of our PRC subsidiaries failed to comply with the relevant PRC laws and regulations in relation to social insurance and housing provident fund, in particular, we failed to open accounts promptly and make adequate social insurance and housing provident fund for our employees. Please refer to the section headed "Business – Legal Proceedings and Non-compliance – 1. Failure to comply with the relevant PRC legal requirements in relation to social insurance and housing provident fund" in this prospectus for details. If an employer fails to pay its social insurance contributions in accordance with Social Insurance Law of the PRC (中華人民共和國社會保險法), the regulator may demand that the employer to pay all outstanding social insurance contributions within a prescribed time limit. The employer may also be subject to a surcharge at a daily rate of 0.05% on the outstanding amount, accruing from the date when the social insurance funds are due. If the employer fails to make such payment within a prescribed time limit, the relevant authority may impose an additional fine of one to three times the outstanding amount. If an employer fails to pay its housing provident fund contributions in accordance with the Administrative Regulations on the Housing Provident Fund of the PRC (中華人民共和國住房公積金管理條例), the regulator has the power to order the employer to make contribution within a prescribed time limit and if the employer fails to act accordingly, an application of compulsory enforcement can be made to the People's Court of the PRC. For the two years ended 31 December 2020 and the five months ended 31 May 2022, we made provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB1.3 million, RMB0.1 million and RMB0.6 million, respectively. For the year ended 31 December 2021, we recorded a reversal of provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB0.6 million. In the event that we are required to pay the outstanding of social insurance and housing provident fund or be penalised as a result of our failure to make contribution to the social security insurance and housing provident fund in respect of all of our employees by relevant governmental authorities, our operating expenses will increase and consequently our results of operation and financial condition will be adversely and materially affected.

Our investments in financial products may be subject to certain counterparty risks and market risks.

During the Track Record Period, our Group purchased financial products from licensed financial institutions in the PRC. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the balance of financial assets at fair value through profit or loss represented the financial products with principal of RMB5.0 million, nil, nil and nil, respectively. Accordingly, we are subject to the risks that any of our counterparties, such as the licensed financial institutions that issued financial products, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the financial products we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these financial investments. Accordingly, any material decline in the fair value of these investments may have a material adverse effect on our results of operations.

We recorded net current liabilities as at 31 December 2019 and 2020.

We recorded net current liabilities of approximately RMB5.6 million as at 31 December 2019. Furthermore, despite (i) having recorded profit for the year of approximately RMB15.0 million despite the adverse impacts brought by the outbreak of COVID-19 on our financial performance in the first half of 2020; and (ii) the Waiver from the repayment of the Shareholder's Loan amounted to RMB8.45 million, we still recorded net current liabilities of approximately RMB3.7 million as at 31 December 2020 primarily due to the deemed distribution to the Controlling Shareholders, being the acquisition of subsidiaries from the then controlling shareholders, of approximately RMB24.9 million as part of the Reorganisation. For more details, please refer to the section headed "Financial Information – Net Current Assets/(Liabilities)" in this prospectus.

We cannot assure you that we will not record net current liabilities or net liabilities in the future. A net current liabilities or net liabilities position exposes us to liquidity risks. Our future liquidity, the payment of trade and other payables will primarily depend on our ability to generate adequate cash inflows from our operating activities. If we experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which, in turn, may adversely affect our results of operations and financial position.

We recorded accumulated losses historically.

As at 1 January 2020, our accumulated losses amounted to approximately RMB6.2 million as a result of (i) the deemed distribution to the then shareholders resulted from the Reorganisation in 2019; and (ii) the dividend declared by Wenzhou Hospital of RMB32.0 million in 2019. The accumulated losses position of our Group further exacerbated to approximately RMB8.1 million as at 31 December 2020 due to the combined effect of (i) the recognition of listing expenses of approximately RMB10.7 million for the year ended 31 December 2020; and (ii) the settlement of the consideration of the acquisition of 95% equity interest of Dehong Medical from the then controlling shareholders as part of the Reorganisation of approximately RMB24.9 million during the year ended 31 December 2020. For further details of our accumulated losses position, please refer to the section headed "Financial Information – Summary of Results of Operations" in this prospectus.

The amount of our future profits or losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues. We cannot assure you that we will be able to generate net profits and will not incur accumulated losses again in the future. If we are not able to continue to improve our financial performance in the future or if we incur further losses in the future, our business, results of operations and prospects may be materially affected. So far as the accumulated losses remain, we may not be able to distribute dividends.

We are subject to credit risks with respect to our prepayments, other receivables and other assets.

During the Track Record Period, our prepayments, other receivables and other assets mainly consisted of (i) rental deposits; (ii) prepayments, primarily being prepayment to our suppliers; (iii) other receivables; and (iv) deferred listing expenses. As at 31 December 2019, 2020 and 2021 and 31 May 2022, our prepayments, other receivables and other assets were amounted to approximately RMB8.3 million, RMB11.0 million, RMB14.3 million and RMB14.6 million, respectively.

There is no guarantee that our lessor and/or suppliers will perform their obligations in a timely manner and we are subject to credit risk in relation to deposits and prepayments. If we are not able to recover the deposits and prepayments as scheduled, we may be required to recognise an impairment loss against our prepayments, other receivables and other assets, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We might not be able to fulfil our obligation in respect of contract liabilities, which might have impact on our cash/liquidity position.

Our recognition of contract liabilities as revenue is subject to future performance obligations and may not be representative of revenues for future periods. During the Track Record Period, our contract liabilities primarily represented advance payment received (i) from five-session service plans we offer to our patients, and (ii) for services to be provided under orthodontics and cosmetic dentistry, which generally involves multiple treatment sessions spanning over one to two years. After we provide relevant underlying services, contract liabilities will be recognised as revenue. For further details of our contract liabilities, please refer to the section headed "Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Contract liabilities" in this prospectus.

Due to the absence of expected timeframe for subsequent utilisation of the five-session service plans and the potential future changes in treatment session schedules, contract liabilities at any particular date may not be representative of actual revenue for any current or future period. In addition, we cannot guarantee that all the treatment sessions purchased by clients through our multiple sessions service plans can be delivered which may result in not all contract liabilities recorded for multiple sessions services plans can be recognised as revenue. Any failure to fulfil the obligations in respect of contract liabilities may have an adverse impact on our results of operations and cash/liquidity position.

If we fail to attract new patients cost-effectively, or at all, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In order for us to grow our business, we must be able to attract new patients. In order to attract new patients, we may rely on referrals by existing patients and need to incur additional expenditures or make additional investment in our marketing and advertising efforts, which may be more costly and/or less effective or successful as we anticipate.

There is no assurance that we will be able to attract sufficient number of new patients to substantiate our continuous business development. If we fail to attract new patients, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our insurance coverage may be insufficient to cover all risks involved in our business operations.

We are exposed to potential liabilities that are inherent to the provision of dental services. We currently do not maintain any form of medical liability insurance for our private dental hospitals or our dentists. Therefore, we may be subject to losses and liabilities for any future claims against us. While we have obtained property insurance to cover properties damage that are generally associated with our business operations, employee liability insurance and public liability insurance to cover third party bodily injury in our premises, the insured amount may not be sufficient to cover and damages and/or losses, or to restore our operations when insured event occurs. Therefore, there is no assurance that our existing insurance coverage will be able to cover all types of risks involved in our business operations, or be sufficient to cover the full extent of losses, damages or liabilities arising therefrom. In addition, there are certain types of risks, such as acts of god, for which insurance coverage is generally not available on commercially acceptable terms or at all. If we suffer any losses, damages or liabilities in the course of our business operations, we will have to bear all of such losses, damages or liabilities. Further, even if we have maintained insurance coverage for a specific area of business operations, there is no assurance that we will be able to successfully claim for compensation under the relevant insurance policy or the claim will be fully insured within the maximum amount of our insurance coverage. In such circumstances, our business operations, financial condition and results of operations may be materially and adversely affected.

Any substantial increase in rent or non-renewal of lease agreements may affect our business operations and financial.

As all our private dental hospitals are currently situated at leased properties, we are particularly susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with our respective lessors. As at the Latest Practicable Date, the term of the lease agreements for our private dental hospitals varies from one year to nine years. For details of the expiry date of each lease, please refer to the section headed "Business – Properties" in this prospectus. There is no assurance that our existing leases would be renewed on similar or favourable terms, in particular with respect to the amount of rent and the term of the lease, or at all. Any substantial increase in the rent of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability.

There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term. In the event that we are required to relocate our private dental hospitals, there is no assurance that we will be able to identify comparable locations in a timely manner or at all, and that we will secure a lease on comparable terms. We may also incur substantial reinstatement, relocation and renovation costs. Any non-renewal of lease of either of our private dental hospitals may have a material adverse effect on our business, results of operations and financial condition.

We maintain limited control over the quality of our dental devices, medical consumables and pharmaceuticals and may be subject to product liability claims.

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

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

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

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

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

We also receive and maintain certain personal information about our patients during our business operation. If our network security is compromised and such information is stolen or obtained by unauthorised persons or used inappropriately, we may become subject to litigation or other proceedings. Any such proceedings could distract our management from running our business and cause us to incur significant unplanned losses and expenses. Consumer perception of our Group and our brands could also be negatively affected by these events, which could further adversely affect our business and results of operations.

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

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

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

Our profitability may be materially and adversely affected by the potential increase in depreciation expenses and staff costs.

Our business strategies and use of proceeds include acquisition of new dental equipment and devices to improve our capacity and hiring more personnel to cater for our business expansion plan. Please refer to the section headed "Business – Our Strategies" in this prospectus for the more details. As a result of the intended purchase of additional dental equipment and devices and hiring more personnel to cater for our business expansion plan, it is expected that our depreciation expenses and our staff costs will be substantially increased for the three years ending 31 December 2025. Such depreciation expenses and staff costs will be charged to our consolidated statements of profit or loss and other comprehensive income and will affect our financial performance after the Listing. Accordingly, our profitability may be adversely affected if we fail to improve our revenue or profit margin.

There are uncertainties in the recoverability of our deferred tax assets.

As at 31 December 2019, 2020 and 2021 and 31 May 2022, we recorded deferred tax assets of RMB3.1 million, RMB2.7 million, RMB3.6 million and RMB4.3 million, respectively, arising from the deductible temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax basis as well as unused tax losses. Based on our accounting policies, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised. If the expected profitability is not met by us in the future, we may not have sufficient taxable profits to recover our deferred tax assets in full, or at all, which may materially and adversely affect our business, results of operations, financial condition and prospects.

There is no assurance that we will be able to successfully enforce the non-competition undertakings contained in the agreements we have entered into with our dentists.

In the PRC, restrictive covenants are enforceable only when the contractual terms restricting a contracting party's activities during or after the termination of his/her agreement are reasonable in all circumstances to protect the legitimate business interests of the other contracting party, i.e. our Group. Despite there are non-competition undertakings contained in the employment agreements we have entered into with our dentists, there is no assurance that they will not, upon termination of their respective agreements with us, engage in business activities that compete with our business in Wenzhou. In circumstances where our dentists engage in competing business activities in Wenzhou, we cannot assure you that we will be able to successfully enforce such non-competition undertakings under the laws of the PRC. If our dentists engage in competing business activities in Wenzhou and we are unable to enforce the relevant non-competition undertakings, our business, results of operations and financial condition may be materially and adversely affected.

We may be unable to protect our patients' information from leakage or improper use, which could expose our Group and our dentists and staff to claims, regulatory actions or litigations.

We acknowledge that our patients' personal information and privacy are particularly essential to private dental hospitals, and our patients expect us to keep their information strictly confidential. Our dentists are required by the relevant professional code of conducts not to disclose any medical information of our patient to any third party without the patient's consent other than in certain special circumstances. We are also subject to, among others, regulations on personal information protection in the PRC which limits the use of personal information of our patients collected by us for such purposes for which they were collected or for a directly related purpose. In addition, we have implemented our owned policy to safeguard our patients' personal information. We believe our current usage of patients' medical information is in compliance with applicable laws and regulations governing the use of such information. For further details of our measures to protect our patients' personal information, please refer to the section headed "Business – Patients' Data Privacy Management" in this prospectus. However any change in relevant laws and regulations could impose more stringent data protection requirements and thus affect our ability to use medical data and may also incur additional costs and labors.

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

Uncertainties in the interpretation and enforcement of the laws and regulations regarding data privacy and protection in China may have a material and adverse impact on our business.

The laws and regulations regarding data privacy and protection in China are generally complex and evolving, with uncertainty as to the interpretation and application thereof. On 28 December 2021, the Cyberspace Administration of China (the "**CAC**"), jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (網絡安全審查辦法) (the "**CAC Measures**"), which became effective from 15 February 2022. According to the CAC Measures, a cybersecurity review is required when national security has been or may be affected where a critical information infrastructure operator (the "**CIIO**") purchases network products and services, and an online platform operator carries out data processing activities. Moreover, the CAC Measures also provide that an online platform operator possessing personal information of more than one million users that applies for listing abroad, shall make declaration for cybersecurity review with the Office of Cybersecurity Review. On 30 July 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the "**CII Regulation**") which came into effect on 1 September 2021. Pursuant to the CII Regulation, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As at the Latest Practicable Date, the responsible authorities had not specifically promulgated any implementation provisions or identification rules which include dental services in the relevant scope of "critical information infrastructure". In addition, as at the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions by any governmental authorities on such basis. There remain uncertainties regarding the interpretation and implementation of the CAC Measures. Meanwhile, the CAC Measures grants the CAC and other competent authorities the right to initiate a cybersecurity review without application, if any member organisation of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities influences or may influence national security.

On 14 November 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draft Data Security Regulations**"). Pursuant to Article 13 of the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the activities including (i) seeking to be listed in Hong Kong that will affect or may affect national security; and (ii) other data processing activities that will affect or may affect national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for "affect or may affect national security" and the PRC government authorities may have wide discretion in the interpretation of "influence or may influence national security". As at the Latest Practicable Date, the Draft Data Security Regulations had been released for consultation purposes, as such, there remain uncertainties as to its final content, anticipated adoption or effective date, final interpretation and implementation, and other aspects, and we had not been notified by any authorities of being classified as a data processor carrying out data processing activities that influence or may influence national security, neither had we been subject to any cybersecurity review, enquiry, investigation or notice by the CAC or any other authorities in connection with the proposed Listing. We will continue to closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review when and once the Draft Data Security Regulations is formally promulgated.

Even if we endeavour to comply with relevant laws and regulations, we may not always be able to do so due to a lack of detailed implementation rules by relevant government authorities. In addition, some government authorities (including local government authorities) may not consistently apply regulatory requirements issued by themselves or other PRC government authorities, making strict compliance with all regulatory requirements impractical, or in some circumstances, impossible. These uncertainties could have a material and adverse impact on our business, financial condition, results of operations, prospects and future growth.

If we fail to properly manage the employment or conduct of dentists and other medical professionals, we may be subject to penalties, fines, loss of licenses, or an order to cease practice, which could materially and adversely affect our business.

The practising activities of dentists and other medical professionals are strictly regulated under the PRC laws and regulations. Dentists and other medical professionals who practise at medical institutions must hold practising licenses and register their licenses at the specific medical institutions, and may only practise within the scope of their licenses. We cannot assure you that our dentists and other medical professionals will not practise outside the permitted scope of their respective licenses. We are subject to PRC laws, rules and regulations relating to dental service fraud and risks in relation to actions taken by us or our employees that constitute violations of PRC laws. Any failure by us to comply with these laws, or effectively manage our employees in this regard, could severely damage our reputation and materially and adversely affect our business, financial condition, results of operations and prospects. Failure to properly manage the employment or conduct of dentists and other medical professionals may subject us to administrative penalties, fines, loss of licenses, or an order to cease practice, any of which could materially and adversely affect our business and reputation.

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

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

Failure to comply with the PRC's anti-corruption laws and regulations could subject us and/or our dentists, staff and hospital administrators to investigations and administrative or criminal penalties, which could harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We have adopted policies and procedures designed to ensure that the dentists, nurses, other medical professionals and hospital administrators comply with the PRC's anti-corruption laws and regulations. For more details on our anti-corruption policies and procedures, please refer to the section headed "Business – Risk Management and Internal Control" in this prospectus. However, we operate in a sector that poses elevated risks of violations of anti-corruption laws and regulations, and the PRC government has recently increased its anti-bribery efforts to prevent improper payments and other benefits received by dentists, nurses, other medical professionals and hospital administrators in connection with the procurement of pharmaceuticals and medical devices and the provision of healthcare services. Although we have established anti-corruption policies and procedures and have not been subject to any government investigation relating to anti-corruption violations, there is no assurance that these policies and procedures will effectively prevent non-compliance with the PRC's anti-corruption laws arising from actions taken by the dentists, nurses, other medical professionals and hospital administrators without our knowledge. If this occurs, we and/or our dentists, nurses, other medical professionals and hospital administrators may be subject to investigations and administrative or criminal penalties, and our reputation could be significantly harmed by any negative publicity stemming from such incidents, which may materially and adversely affect our business, financial condition and results of operations.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics, such as novel coronavirus.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm or drought. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The reoccurrence of SARS, H5N1 avian flu, H1N1, H7N9 influenza or an outbreak of any other epidemics in China, including the spread of COVID-19, especially in the cities in which we operate, may result in material disruptions to our operation, restricting patients from visiting our hospitals and/or generally reducing consumer spending willingness which reducing the demand of our services, which in turn may materially and adversely affect our results of operations and financial position.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

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

Foreign ownership of certain business in the PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, the Macau Special Administrative Region and Taiwan, foreign investors are not allowed to own 100% of the equity interests in a healthcare institution. Although foreign investors are allowed to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture, the establishment of equity joint venture or cooperative joint venture shall meet certain requirements and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. The aforementioned requirements and equity percentage and establishment criteria may be relaxed where the foreign-invested medical institution is to be established in Central and Western China or areas inhabited by more elderly, ethnic-minorities and poorer demographics. For further details of the restrictions of foreign investments, please refer to the section headed "Regulatory Overview – Applicable Laws and Regulations to our Business in the PRC – Domestic regulations on establishment of foreign invested hospitals" and "Contractual Arrangements – PRC Laws and Regulations relating to Foreign Ownership Restriction" in this prospectus.

As an exempted company incorporated in the Cayman Islands, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly-owned PRC subsidiary, Dehong Medical, is a foreign-invested enterprise. On 16 January 2020 and 26 August 2021, a series of contractual arrangements have been entered into by Dehong Medical, Tianrui Medical, the VIE Entities and the Relevant Shareholders. For a detailed description of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this prospectus. Through our shareholdings and the Contractual Arrangements, Dehong Medical has acquired (i) effective control over the financial and operational policies of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and has become entitled to all the economic benefits from their operations; and (ii) effective control over the financial and operational policies of Longgang Hospital and has become entitled to 95% of the economic benefits from its operations.

As advised by our PRC Legal Advisers, save as disclosed in this prospectus, our Group's current Contractual Arrangements are legal, valid and binding upon the parties thereto under the current laws and regulations. For more details, please refer to the section headed "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Legality of the Contractual Arrangements". However, our PRC Legal Advisers have also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations and there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisers. Accordingly, we cannot assure you that some of the PRC regulatory authorities will not ultimately take a view which is contrary to that of our PRC Legal Advisers. If we are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities may exercise its discretion to deal with such violations, including possibly:

- levying fines on us;
- confiscating our income or the income of our PRC subsidiaries, variable interest entities or their subsidiaries;
- revoking the business and operating licences held by the VIE Entities;
- ruling the agreements under the Contractual Arrangements as unlawful, invalid or unenforceable;
- imposing economic penalties;
- restricting our right to collect revenues;
- discontinuing or restricting the operations of the VIE Entities or our Group;
- imposing conditions or requirements with which we or the VIE Entities may not be able to comply;

- restricting or prohibiting our use of proceeds from this offering to finance our business and operations in the PRC;

- requiring us or the VIE Entities to restructure our ownership or operations; or

- taking other regulatory or enforcement actions that may be prejudicial to our business.

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

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

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

The shareholders of our VIE Entities may have conflict of interest with us, which may materially and adversely affect our business, financial condition and results of operations.

In connection with our operations in the PRC, we rely on the Relevant Shareholders and the shareholders of our VIE Entities, to abide by the obligations under the Contractual Arrangements. Any one of them may potentially have conflict of interest with us and breach any of their contracts or undertakings with us if it would further any of their own interests or if any of them otherwise acts in bad faith. We cannot assure you that when conflict of interest arise between our Company and them, any of them will act completely in our interest or that the conflict of interest will be resolved in our favour. In the event that such conflict of interest cannot be resolved in our favour, we may have to rely on legal proceedings which may disrupt our business operations and subject us to uncertainties as to the outcome of such legal proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

Our Contractual Arrangements provide for the resolution of disputes through arbitration in accordance with the arbitration rules of the Wenzhou Arbitration Commission (温州仲裁委員會). Our Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interest and property interest and other assets of our VIE Entities, injunctive relief or order the winding up of our VIE Entities. In addition, our Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisers that the abovementioned provisions may not be enforceable. Under PRC laws, a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our VIE Entities and in addition, interim remedies or enforcement orders granted by overseas courts, such as Hong Kong, BVI and Cayman Islands may not be recognisable or enforceable in the PRC. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in our Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in China in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against an entity as interim remedies to preserve the assets or shares in favour of any aggrieved party.

Our Contractual Arrangements may not be as effective in providing control over the VIE Entities as direct ownership.

We rely on the Contractual Arrangements with our VIE Entities to operate our dental medical services in the PRC in which foreign investment is restricted. For a description of these Contractual Arrangements, please refer to the section headed “Contractual Arrangement” in this prospectus. These Contractual Arrangements may not be as effective as direct ownership in providing us with control over our VIE Entities. If we had direct ownership of the VIE Entities, we would have been able to exercise our rights as an equity holder directly to effect changes in the boards of directors of those entities, which could effect changes at the management and operational level. Under the Contractual Arrangements, we may not be able to directly change the members of the boards of directors of these entities and would have to rely on the VIE Entities and Tianrui Medical to perform their obligations in order to exercise our control over the VIE entities. The variable interest entity equity holders may have conflicts of interest with us or our shareholders, and they may not act in our best interests or may not perform their obligations under the Structured Contracts. If there is any dispute relating to the Contractual Arrangements, we will have to enforce our rights under the Contractual Arrangements through the operations of PRC law and arbitral or judicial agencies, which may be costly and time-consuming and will be subject to uncertainties in the PRC legal system. Consequently, the Contractual Arrangements may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership.

The Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustments.

The agreements under the Contractual Arrangements were negotiated and executed based on an equal standing and reflect the true commercial intention of the VIE Entities, the relevant equity-owned subsidiaries of our Company and other relevant parties thereto. Further, we entered into the agreements under the Contractual Arrangements only in respect of those businesses which are subject to foreign ownership restrictions under the laws and/or regulations of PRC. However, if the PRC tax authorities determine that the agreements under the Contractual Arrangements were not entered into based on arm's length negotiations and therefore constitute unfavourable transfer pricing arrangements, we may face material adverse tax consequences. Unfavourable transfer pricing arrangements may, among other things, result in an upward adjustment of the amount of tax we are required to pay. In addition, the PRC tax authorities may impose interest on late payments on the VIE Entities or our Group for the adjusted but unpaid taxes.

We are not in a position to predict what position the PRC tax authorities may take in connection with the Contractual Arrangements. Our results of operations may be materially and adversely affected if the VIE Entities' tax liabilities increase significantly or if they are required to pay interest on late payments.

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

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

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

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises in the PRC, any foreign loan procured by our PRC subsidiaries is required to be registered with the SAFE or its local branches, and our PRC subsidiaries may not procure foreign loans which exceed the difference between their registered capital and their total investment amount. Any medium or long term loan to be provided by us to our PRC subsidiaries must be registered with the SAFE or its local branches and other relative authorities. We may not complete such legal procedures on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such legal procedures, our ability to use the net proceeds from the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely affect the liquidity of our PRC subsidiaries and our ability to fund and expand our business.

Currently, according to the Circular on Further Promoting Cross-border Trade and Investment Facilitation (國家外匯管理局關於進一步促進跨境貿易投資便利化的通知), or SAFE Circular 28, which was implemented on 23 October 2019, apart from foreign-invested enterprises engaged in investment business, foreign-invested enterprises engaged in other businesses are also permitted to make domestic equity investments with their capital funds under the condition that the negative list is not violated and the relevant domestic investment projects are true and complied with. Since SAFE may promulgate regulations to administrate the payment and settlement of foreign currency capital of foreign invested enterprise, and the regulations and practice of administration of the payment and settlement of foreign currency capital of foreign invested enterprise may be different from time to time, these regulations may significantly limit our ability to convert, transfer and use the net proceeds from the Global Offering and any offering of additional equity securities in the PRC, which may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

A lack of growth in the consumer market or a general economic slowdown or downturn may materially and adversely affect our business performance and results of operations.

Our business performance depends on the sustainable growth of consumer spending on dental services. However, there is no assurance that the local economy in the PRC, Zhejiang Province, Wenzhou, Rui'an City, Longgang City or any other places we operate can sustain a continuously stable growth in consumer spending. Further, any economic slowdown, recession or downturn may result in a decrease in consumer spending on dental services as well as deter consumer spending willingness, thus reducing the overall demand for our services. Any of the foregoing circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

Ongoing regulatory reforms in the PRC are unpredictable. Changes in the PRC's regulatory regime for dental service industry, particularly changes in dental service reform policies, could have a material adverse effect on our business operations and future expansion.

The PRC's regulatory regime governing the dental service industry may undergo reform, and new regulations and policies may be promulgated. It is uncertain what impact these new regulations and policies would have on our competitiveness, operations and corporate structure. In recent years, the PRC government has gradually reduced regulatory hurdles for establishing and investing in non-public hospitals, in particular by private capital, and encouraged development of hospital management groups. Our business operations and future expansion are largely driven by the PRC government's policies, which may change significantly and are beyond our control. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations on healthcare services or foreign investments, or strengthen and tighten supervision and management of medical institutions including hospitals, in particular, non-public hospitals, or implement stricter or more comprehensive regulations on the distribution of pharmaceutical products, medical devices and medical consumables.

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

We may be required to complete the filing with the CSRC for the Listing and subject to additional regulatory requirements if certain new draft regulations in relation to overseas listing are implemented in China.

On 24 December 2021, the CSRC, released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively, the "**Draft Regulations on Listing**") for public comments until 23 January 2022. The Draft Regulations on Listing, if adopted in their current form, will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. There are uncertainties regarding the final form of the Draft Regulations on Listing as well as the interpretation and implementation thereof after promulgation. If the Draft Regulations on Listing become effective in their current form before the Listing is completed, we may be required to go through the filing procedures with the CSRC with respect to the Listing. Any failure to comply with the rules and regulations relating to overseas listing may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial conditions as well as our ability to complete the Listing. As at the Latest Practicable Date, the Draft Regulations on Listing had yet to come into force.

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

All of our businesses, assets, operations and revenues are located in or derived from our operations in the PRC and, as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the PRC's macro economy through fiscal and monetary policies.

The PRC economy has undergone a transition from a planned economy to a market oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce state ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over the PRC's economic growth through the allocation of resources, the monetary policies and preferential treatments to particular industries or enterprises. Our performance has been and will continue to be affected by the PRC's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the PRC's economic growth. While China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and there is no assurance that such growth can be sustained.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may adversely affect our business and operations as well as our financial performance.

Uncertainties in the Chinese legal system and government policies may adversely affect our business and limit the legal protection available to you.

Our subsidiaries and operations are located in the PRC and are subject to PRC laws and regulations. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, the PRC's statutes are subject to the interpretation by the legislative bodies, judicial authorities and enforcement bodies, which increases the uncertainty. Since 1978, when the PRC government started economic reforms, the PRC has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and uncertainties in implementation and interpretation. There may also be new laws and regulations to cover new economic activities in the PRC. We cannot predict the future developments in the Chinese legal system. For example, the Chinese government has formulated policies in the past few years encouraging non-public hospitals to procure professional hospital management services, such as the Notice of the State Council on Forwarding the Opinions of the NDRC, the Department of Health (now known as the NHFPC) and other Departments on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions (國家發改委、衛生部(國家衛生計生委)等部門關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知). We cannot assure you that these favourable governmental policies will not be revoked, suspended or discontinued in the future or that the PRC laws and regulations regulating our business will continue to be interpreted in conformity with these policies. Any unfavorable regulatory developments or court decisions regarding non-public hospitals' procurement of hospital management services or substantial changes in the interpretation of the laws and regulations relevant to our business model could have a material adverse effect on our business and financial position. These uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

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

The Circular of the SAFE on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on 4 July 2014, and the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知), issued on 13 February 2015 and became effective on 1 June 2015, requires a PRC individual resident (the "**PRC Resident**") to register with the local banks before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local banks for any major change in respect of the Overseas SPV, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the Overseas SPV, or any increase or reduction of the Overseas SPV's registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Overseas SPV's Chinese subsidiary to distribute dividends to its overseas parent.

It is unclear how SAFE Circular No. 37 and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategies. As at the Latest Practicable Date, to the best knowledge of our Directors, our PRC resident shareholders, namely, Mr. Wang and Ms. Zheng, with offshore investments in our Group had completed initial registration with banks as to their offshore investments in JTC BVI, Ricon BVI and Meihao BVI in accordance with SAFE Circular No. 37. Any failure by our PRC resident shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant PRC resident shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our Chinese subsidiaries' ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operations and liquidity as well as our ability to pay dividends or make other distributions to our shareholders may be materially and adversely affected.

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

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

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

RISKS RELATING TO THE GLOBAL OFFERING

As there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price of our Offer Shares is the result of negotiations between us and the Overall Coordinator (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no assurance that an active, liquid public trading market for our Shares will develop, or, if it does develop, that it will be sustained following completion of the Global Offering, or that the trading price of the Shares will not decline below the Offer Price. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

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

The price and trading volume of our Shares may fluctuate widely in response to factors beyond our control. The factors that could cause significant market price change include but do not limit to the following:

- changes in our results of operations, earnings and cash flows, and securities analysts' estimates of our financial performance;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- political, economic, financial and social developments in China and worldwide;

- regulatory developments, and our inability to obtain or renew necessary licenses and permits;
- changes in our senior management;
- fluctuations of the general stock market, particularly fluctuations in stock prices of other companies that operate mainly in the PRC and are listed on the Stock Exchange; and
- material litigation or regulatory investigations affecting us or our senior management.

These broad market and industry fluctuations may adversely affect the market price of the Shares.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

During the Track Record Period, our subsidiaries declared dividends to the then shareholders in an aggregate amount of approximately RMB32.0 million, nil, nil and nil for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. The amount of dividends we have paid historically is not indicative of our future performance or the amount of dividends that may be paid in the future. Any decision to declare any dividend in the future would be subject to the discretion of our Board and require the approval of our Shareholders and depending on results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Articles of Association and the Cayman Companies Act and any other applicable laws. For details of our dividends distribution, please refer to the section headed "Financial Information – Dividends" in this prospectus. We cannot guarantee if and when we will pay dividends in the future.

You may have difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

We are a Cayman Islands company and our corporate affairs are governed by the Articles, Cayman Companies Act and common law applicable in the Cayman Islands. The laws of Cayman Islands relating to the protection of the interest of minority shareholders may differ from those under statutes and judicial precedent in existence in Hong Kong or other jurisdictions. Therefore, remedies available to the minority shareholders of our Company may be different from those they would have under the laws of Hong Kong or other jurisdictions. Further information is set forth in Appendix III to this prospectus.

There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of the Shares after trading begins could be lower than the Offer Price.

The application for the Hong Kong Offer Shares will commence on Wednesday, 30 November 2022 through Tuesday, 6 December 2022. Such time period is longer than the normal market practice of around three and a half days. The application monies (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) will be held by the receiving bank on behalf of our Company and the refund monies, if any, will be returned to the applicant(s) without interest on Tuesday, 13 December 2022. Investors should be aware that the dealings in our Shares on the Stock Exchange are expected to commence on Wednesday, 14 December 2022. Investors may not be able to sell or deal in our Shares during the period between the Price Determination Date, which is expected to be on or around Tuesday, 6 December 2022, and, in any event, not later than Tuesday, 13 December 2022, and the Listing Date. Our Shareholders are therefore subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the Price Determination Date and the Listing Date.

Future sales of substantial amounts of the Shares or the availability thereof in the public market may adversely affect the prevailing market price of the Shares and our Group's ability to raise further capital.

Except pursuant to the Global Offering, the Capitalisation Issue, possible issue of new Shares under the Over-allotment Option and the Share Option Scheme, our Company has undertaken to the Joint Sponsors, the Overall Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters not to issue any of the Shares or securities convertible into or exchangeable for the Shares within six months from the Listing Date without the prior written consent of the Joint Sponsors and the Overall Coordinator (for itself and on behalf of the Underwriters). Further, Shares held by our Controlling Shareholders and the Pre-IPO Investor are subject to certain lock-up undertakings in respect of their Shares. Please refer to the sections headed "History, Reorganisation and Corporate Structure – Pre-IPO Investment" and "Underwriting" in this prospectus for a more detailed discussion of restrictions that may apply to future issuances and sales of the Shares.

After these restrictions lapse, the market price of our Shares may decline as a result of the future issuance of new Shares or other securities relating to the Shares, sales of substantial amounts of the Shares or other securities relating to the Shares in the public market, or the perception that such issuances or sales may occur. This may also materially and adversely affect our Group's ability to raise capital in the future at a time and at a price we deem appropriate.

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

Upon the completion of the Global Offering, approximately 71.25% of our Shares will be held by our Controlling Shareholders, assuming that the Over-allotment Option is not exercised. After the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the price of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

RISKS RELATING TO INFORMATION CONTAINED IN THIS PROSPECTUS

Investors should not place undue reliance on facts, statistics and data contained in this prospectus with respect to the economies and our industry.

Certain facts, statistics and data in this prospectus are derived from various official government publications that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Whilst our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, our Controlling Shareholder(s), the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Lead Managers, the Joint Bookrunners, the Underwriters or any of their respective directors, officers, affiliates or advisers (other than our independent industry consultant, Frost & Sullivan). Therefore, none of them (other than Frost & Sullivan) makes any representation as to the accuracy or completeness of such facts, statistics and data. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the relevant statistics relating to the economies and our industry in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Global Offering.

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

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are "forward-looking" and uses forward looking terminology, such as "aim", "anticipate", "believe", "continue", "expect", "intend", "may", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would", "consider", "estimate", "going forward" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward looking statements in this prospectus should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements.

Our Company does not undertake any obligations to update publicly or release any revisions of any forward looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking Statements" in this prospectus for further details.

For the purpose of the Listing, our Company has sought the following waivers from the Stock Exchange in relation to certain requirements from the Listing Rules from the Stock Exchange.

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that our management, business and operation are primarily located, managed and conducted in the PRC, it would be practically difficult and commercially unfeasible for us to either relocate two of our executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong in order to comply with the requirements under Rule 8.12 of the Listing Rules.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

(i) our Company will appoint two authorised representatives pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Wang, an executive Director and Mr. Lee Chung Shing (李忠成) ("**Mr. Lee**"), our Company's company secretary, who will act as Company's principal channel of communication with the Stock Exchange. Mr. Lee is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorised representatives is authorised by our Board to communicate on behalf of our Company with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Mr. Lee has been authorised to accept service of legal process and notice in Hong Kong on behalf of our Company;

(ii) each of our Company's authorised representatives has means to contact all members of our Board (including the independent non-executive Directors) and of the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorised representatives and our Directors, our Company will implement a number of policies, whereby (i) each Director shall provide his/her mobile phone numbers, office phone numbers, fax numbers and email addresses to the authorised representatives; (ii) in the event that such Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorised representatives; and (iii) all our Directors and authorised representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange. We shall promptly inform the Stock Exchange of any changes to the contact details of the authorised representatives of our Company and our Directors;

(iii) Innovax Capital Limited has been appointed as our Company's compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorised representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules and publishes its annual report in respect of its first full financial year commencing after the Listing Date. The contact person of the compliance adviser will be fully available to answer enquiries from the Stock Exchange;

(iv) each of our Directors (including independent non-executive Directors) not ordinarily resident in Hong Kong has confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong upon reasonable notice;

(v) Mr. Ng Ming Chee (黃晞華) ("**Mr. Ng**"), as one of the independent non-executive Directors, who will make himself available to meet with the Stock Exchange in Hong Kong upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. In the unlikely event that Mr. Ng resigns as an independent non-executive Director during his term of office or he is no longer ordinarily resident in Hong Kong, our Company will ensure that its board composition will at all times maintain at least one Director with ordinary residence in Hong Kong to ensure that such function will not be disrupted;

(vi) our Company will also appoint other professional advisers (including its legal advisers in Hong Kong) after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange; and

(vii) our Company will designate one of its staff members as the communication officer at its headquarters after the Listing, who will be responsible for maintaining day-to-day communication with Mr. Lee, Mr. Ng and our professional advisers in Hong Kong, including its legal advisers in Hong Kong and its compliance adviser, to keep abreast of any correspondences and/or enquiries from the Stock Exchange and report to the executive Directors to further facilitate communication between the Stock Exchange and our Company.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to non-exempt continuing connected transactions. Details of such non-exempt continuing connected transactions and the waiver are set out in the section headed "Contractual Arrangements" and the paragraphs headed "Connected Transactions – Non-exempt Continuing Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which our Directors (including any proposed director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, any of their respective directors, agents, employees or advisers, or any other parties involved in the Global Offering.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus sets out the terms and conditions of the Hong Kong Public Offering.

The listing of, and permission to deal in, the Shares on the Stock Exchange is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and the International Placing is expected to be fully underwritten by the International Underwriters pursuant to the International Underwriting Agreement and are subject to our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

Further details about the Underwriters and the underwriting arrangements are set out in the section headed "Underwriting" in this prospectus.

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and stabilisation are set out in the sections headed "Underwriting" and "Structure of the Global Offering" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which is expected to be determined by our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date. **If our Company and the Overall Coordinator (for itself and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on or before Tuesday, 13 December 2022, the Global Offering will not become unconditional and will lapse.**

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of the Shares to, confirm that he/she is aware of the restrictions on offers and sales of the Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the granting of the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), any Shares to be issued under the Capitalisation Issue, and any Shares which may be issued upon exercise of any option granted or may be granted under the Share Option Scheme. Save as disclosed in this prospectus, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

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

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements and how such arrangements will affect your rights and interests as such arrangements may affect your rights and interests.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal share registrar, Ogier Global (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong, and only securities registered on the Hong Kong register of members may be traded on the Stock Exchange unless the Stock Exchange otherwise agrees. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing or holding of and dealing in the Offer Shares. None of our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries, any of their respective directors, agents, employees or advisers, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to, the Shares.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 14 December 2022. The Shares will be traded in board lots of 5,000 Shares each.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

EXCHANGE RATE CONVERSION

Unless otherwise specified and for the purpose of this prospectus, amounts denominated in RMB are translated into HK$ at the rate of RMB0.8519 to HK$1.00. No representation is made that any amounts in RMB have been, would have been or may be converted at the above rate or any other rates or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Wang Xiaomin (王曉敏)	Room 401, Block 3 Zhongrui Manha Tun Dongming Road Wuma Street Lucheng District Wenzhou City Zhejiang Province PRC	Chinese
Ms. Zheng Man (鄭蠻)	Room 401, Block 3 Zhongrui Manha Tun Dongming Road Wuma Street Lucheng District Wenzhou City Zhejiang Province PRC	Chinese
Independent non-executive Directors		
Mr. Ng Ming Chee (黃晞華)	Room D, 7/F, Block 2 23 Fat Kwong Street Homantin, Kowloon Hong Kong	Malaysian
Ms. Tam Hon Shan Celia (譚漢珊)	Flat B2, 11/F Universal Towers 18-26 Kin Wah St Hong Kong	Chinese
Dr. Zhou Jian (周健)	Room 601, Block 29 69 Meishan Road Laoshan District Hefei City Anhui Province PRC	Chinese

For further information regarding our Directors, please refer to the section headed "Directors and Senior Management" in this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Innovax Capital Limited
Room B, 13/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong
A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06, 25/F
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong
A corporation licensed to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO

Overall Coordinator

Innovax Securities Limited
Unit A-C, 20/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Joint Global Coordinators

Innovax Securities Limited
Unit A-C, 20/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

WE Securities Limited
26/F, OVEST
77 Wing Lok Street
Sheung Wan
Hong Kong

Joint Bookrunners and Joint Lead Managers

Innovax Securities Limited
Unit A-C, 20/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

WE Securities Limited
26/F, OVEST
77 Wing Lok Street
Sheung Wan
Hong Kong

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06, 25/F
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
26/F-28/F
Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central, Hong Kong

CMBC Securities Company Limited
45/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

Tiger Brokers (HK) Global Limited
1/F, FWD Financial Centre
308 Des Voeux Road Central
Hong Kong

CSFG International Securities Limited
Room 701, 7/F Southland Building
48 Connaught Road Central
Hong Kong

HGNH International Securities Co., Limited
17/F, Centre Point
181-185 Gloucester Road
Wanchai
Hong Kong

Legal Advisers to our Company

As to Hong Kong law:
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Commerce & Finance Law Offices
12-14th Floor, China World Office 2
No. 1 Jianguomenwai Avenue
Beijing 100004
PRC

As to Cayman Islands law:
Ogier
11th Floor, Central Tower
28 Queen's Road Central
Hong Kong

Legal Advisers to the Joint Sponsors and the Underwriters

As to Hong Kong law:
David Lo & Partners
Suite 402, 4/F., Nan Fung Tower
88 Connaught Road Central
Hong Kong

	As to PRC law: **Jingtian & Gongcheng** 45/F, K. Wah Centre 1010 Huaihai Road (M) Xuhui District Shanghai PRC
Auditors and reporting accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Industry consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 PRC
Receiving bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Central Hong Kong

Registered office in the Cayman Islands	89 Nexus Way Camana Bay Grand Cayman KY1-9009 Cayman Islands
Head office and principal place of business in the PRC	197 Fuqian Street Lucheng District Wenzhou City Zhejiang Province PRC
Principal place of business in Hong Kong	46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company's website address	**www.meihaomedical.com** *(The contents on this website do not form part of the prospectus)*
Company secretary	**Mr. Lee Chung Shing** (李忠成) *(HKICPA, ACCA)* 46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Authorised representatives	**Mr. Wang Xiaomin** (王曉敏) Room 401, Block 3 Zhongrui Manha Tun Dongming Road Wuma Street Lucheng District Wenzhou City Zhejiang Province PRC **Mr. Lee Chung Shing** (李忠成) 46/F, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

Audit Committee	Mr. Ng Ming Chee (黄晞華) *(Chairman)* Dr. Zhou Jian (周健) Ms. Tam Hon Shan Celia (譚漢珊)
Remuneration Committee	Ms. Tam Hon Shan Celia (譚漢珊) *(Chairperson)* Mr. Ng Ming Chee (黄晞華) Mr. Wang Xiaomin (王曉敏)
Nomination Committee	Mr. Wang Xiaomin (王曉敏) *(Chairman)* Dr. Zhou Jian (周健) Ms. Tam Hon Shan Celia (譚漢珊)
Cayman Islands principal share registrar and transfer office	**Ogier Global (Cayman) Limited** 89 Nexus Way Camana Bay Grand Cayman KY1-9009 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance adviser	**Innovax Capital Limited** Room B, 13/F Neich Tower 128 Gloucester Road Wan Chai Hong Kong
Principal bank	**Bank of Wenzhou, Huihai Branch** 1st, 2nd Yinlong Building Shishuiliao Wenzhou City Zhejiang Province PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the Global Offering. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinator, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, Underwriters, any of their respective directors and advisers, or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market researcher and consultant, to produce a report on the Wenzhou dental service market at a fee of RMB1,120,000. Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The Frost & Sullivan Report includes information on data of Wenzhou dental service market.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered certain industry key drivers.

In preparing the Frost & Sullivan Report, Frost & Sullivan has adopted a market engineering forecasting methodology which integrates several forecasting techniques with its market engineering measurement-based system. It relies on the expertise of its analyst team in integrating the critical market elements investigated during the research phase of the Frost &Sullivan Report. These elements include: expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The bases and assumptions for the projections in the Frost & Sullivan Report include the following:

(i) the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of China and Wenzhou dental service market; and

(ii) the related industry key drivers are likely to drive the China and Wenzhou dental service market in the forecast period, such as the sustainable growth of macro economy, increasing consumption demand, and increasing number of dental patient visits, etc.

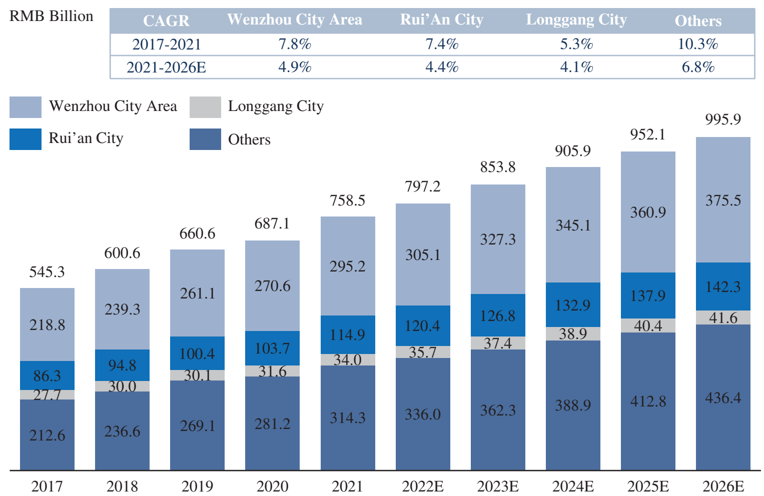
Based on the above, our Directors consider that the payment of the commission fee does not affect the fairness of conclusion drawn in the Frost & Sullivan Report and are satisfied that the disclosure of future projection and industry data included in this section is reliable and not misleading. Also, after taking reasonable care, our Directors are of the view that there has been no material adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

OVERVIEW OF MACRO ECONOMY IN WENZHOU

Nominal GDP and Per Capita Nominal GDP

Nominal GDP in Wenzhou experienced stable growth between 2017 and 2021, increasing from approximately RMB545.3 billion to RMB758.5 billion and representing a CAGR of 8.6%, slightly higher than the growth rate of national nominal GDP. Accordingly, the per capita nominal GDP in Wenzhou increased from approximately RMB66.1 thousand in 2017 to RMB90.7 thousand in 2021 with a CAGR of 8.2%, exceeding the national per capita nominal GDP which increased from RMB59.9 thousand to RMB81.0 thousand in the same period. Looking forward, the nominal GDP and per capita nominal GDP in Wenzhou are expected to increase to approximately RMB995.9 billion and RMB117.4 thousand by 2026, respectively. In general, Wenzhou City Area includes Lucheng district, Ouhai district, Longwan district and Dongtou district, and its nominal GDP increased from approximately RMB218.8 billion in 2017 to RMB295.2 billion in 2021 with a CAGR of 7.8%. Rui'an City is a county-level city in Wenzhou with a nominal GDP increased from approximately RMB86.3 billion to RMB114.9 billion with a CAGR of 7.4% in the same period. Besides, on the other hand, the nominal GDP in other areas which include Yueqing city, Cangnan County, Yongjia county, Pingyang county, Wencheng county and Taishun county, increased from approximately RMB212.6 billion to RMB314.3 billion with a CAGR of 10.3% in the same period.

Nominal GDP and Breakdown by Geographic Area (Wenzhou), 2017-2026E

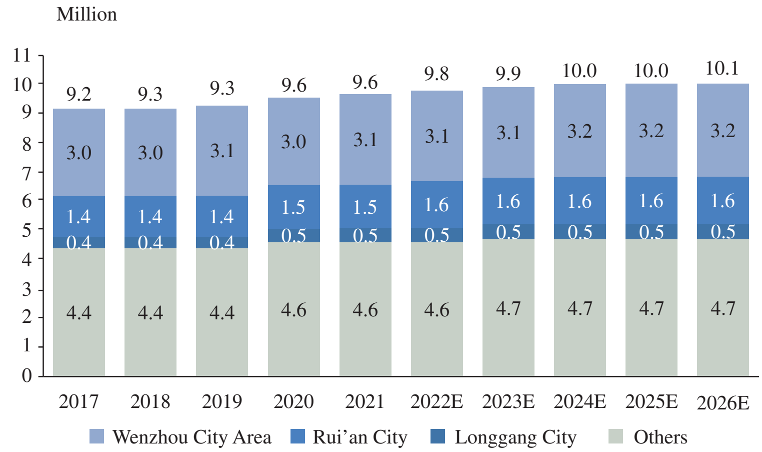


Source: Statistic Bureau of Zhejiang; Frost & Sullivan Analysis and Estimates

Total Population and Breakdown by Geographic Area

Resident population in Wenzhou demonstrated slight growth with a CAGR of 1.1% between 2017 and 2021, and reached approximately 9.6 million by the end of 2021. Wenzhou city area includes Lucheng district, Ouhai district, Longwan district and Dongtou district, and its population increased from approximately 3.0 million to 3.1 million between 2017 and 2021 with a CAGR of 0.4%. Rui'an City is a county-level city in Wenzhou with a population increased from approximately 1.43 million in 2017 to 1.53 million in 2021 with a CAGR of 1.7%. The population of Longgang city increased from approximately 0.4 million in 2017 to 0.5 million in 2021 with a strong CAGR of 5.4%. Other area includes Yueqing city, Cangnan County, Yongjia county, Pingyang county, Wencheng county and Taishun county, and its population showed stable increase from approximately 4.4 million to 4.6 million in the same period. In addition, Yueqing City is a county-level city and an industrial town which was renowned as the Capital of Electrical Appliances in China (中國電器之都). In the near future, resident population in Wenzhou is expected to continue to grow stably at a CAGR of 0.9% between 2021 and 2026, and is expected to reach approximately 10.1 million by 2026. The growth of population in Wenzhou has laid a solid foundation for the customer base of dental care services.

Total Population and Breakdown by Geographic Area (Wenzhou), 2017-2026E



CAGR	2017-2021	2021-2026E
Total	1.1%	0.9%
Wenzhou City Area	0.4%	0.9%
Rui'An City	1.7%	1.3%
Longgang City	5.4%	2.8%
Others	1.1%	0.6%

Source: Statistic Bureau of Wenzhou; Frost & Sullivan Analysis

OVERVIEW OF DENTAL SERVICE IN WENZHOU

Dental services refer to the services to maintain the health of teeth, which are usually provided by dental care service providers including the dental departments of general hospitals, dental hospitals and dental clinics. Dental services cover primarily four types including (i) general dentistry; (ii) reparative dentistry; (iii) implant dentistry; and (iv) orthodontics and cosmetic dentistry.

(A) ***General dentistry*** focuses on the examination, diagnosis, prevention and treatment of disorders of the orofacial region. The dental services include teeth filling and root canal treatment.

(B) ***Reparative Dentistry*** is a treatment to restore the function, integrity and morphology of missing tooth structure. Relative dental services include repairing damaged teeth by dental crown or removable denture.

(C) ***Implant dentistry*** refers to dental implant surgery to place fixture dental implant in the patient's jawbone as the foundation to replace damaged or missing tooth with prosthetic teeth, and serves as a more durable option for patient wishing for teeth replacement as it would not slip, make noise or cause bone damage that denture may cause.

(D) ***Orthodontics and cosmetic dentistry*** focus on diagnosis, prevention, interception and correction of misalignment or incorrect relation between the teeth as well as skeletal abnormalities of developing or mature orofacial structures by different types of braces. In clinical practice there are teeth dislocation, twist and irregular such as underbite or facial protrusion etc.

Comparison of Different Types of Dental Service Providers

There are primarily four types of dental service providers, namely dental departments of general hospitals, public dental hospitals, private dental hospitals and private dental clinics. The four types of dental service providers have different competitive edges in multiple aspects including talents, equipment, service scope and customer services etc. Well-established private dental hospitals usually offer better hospital environment with more advanced equipment and less crowded patients, more professional and flexible customer service systems and more diverse dental care programs compared with dental departments of general hospitals and public dental hospitals. Compared with private dental clinics, private dental hospitals usually gather a larger number of dental experts and provide comprehensive promotion scheme for talents. In addition, some private dental hospitals have acquired approval from local healthcare bureau and become designated hospitals connected to the basic medical insurance, achieving higher acceptance and preference than other private dental service providers. For the dental departments of general hospitals and public dental hospitals, they mainly located in tier-1 and tier 2 cities and some relatively developed tier-3 and tier-4 cities, possessing a group of highly skilful dentists and medical professionals, offering diverse and comprehensive dental services to the patients. Similarly, private dental hospitals locate mostly in tier-1, tier-2 and some relatively developed lower tiered cities, possessing a group of experienced dentists and medical professionals and offering various dental services to the patient with favourable hospital environment and advanced medical equipment. In comparison, for private dental clinics, they are widely distributed in both urban and rural areas with only a handful of experienced dentists and medical professionals, providing limited dental services to the patients in neighboring communities. As at the end of 2021, the dental departments of general hospitals and public dental hospitals served in aggregate of approximately 855.4 thousand patients; while private dental hospitals served approximately 546.4 thousand patients, private dental clinics served approximately 562.8 thousand patients in Wenzhou, respectively. On average, the staff costs of these four types of market players range from 30% to 50% of the total sales generated for the year ended 31 December 2021. In general, dental hospitals and dental clinics must obtain the Medical Institution Practising License, and the relevant rules regarding the staff member, medical premises, medical facilities and capital resources to carry out business vary. Compared to dental hospitals, dental clinics have less rigid requirements in relation to the regulatory and operational aspects. With relatively abundant resources, dental hospitals are capable to provide various comprehensive dental services to patients while some dental clinics are only to offer basic dentistry services due to their limited resources. Normally, it takes approximately one year to two years for dental clinics to reach the point of breakeven and three to four years to recover initial investment while it takes approximately four years for dental hospitals to reach the point of breakeven and seven years to recover initial investment. The extensive geographic coverage and relatively high recognition among patients of general hospitals and public dental hospitals lead to an enormous number of visits of patient, which may strain the medical resources. Patients not only require to make appointment in advance, but also may spend more time during each visit. Most private dental hospitals and private dental clinics are not "designated" hospitals under the social insurance programs. The differences between these four types of dental service providers are as follows:

	General Hospitals	Specialised Hospitals/Clinics		
	Dental Departments of General Hospitals	Public Dental Hospitals	Private Dental Hospitals	Private Dental Clinics
Geographic Distribution	Most hospitals in both urban and rural area have dental departments	Located mostly in Tier 1 & 2 cities and some relatively developed Tier 3 & 4 cities	Located mostly in Tier 1 & 2 cities and some relatively developed Tier 3 & 4 cities	Widely distributed in both urban and rural area
Hardware and Equipment	Relatively diverse and comprehensive	More diverse and comprehensive compared with dental departments of general hospitals	Better environment and are better-equipped, and more diverse, comprehensive and relatively advanced compared with public dental hospitals	Limited categories of hardware and equipment
Talent Skill and Career Development	Relatively skillful; provide reasonable promotion scheme	Highly skillful and have large number of industry experts; Have reasonable promotion scheme	Highly skillful and have some industry experts; have reasonable promotion scheme	Less skillful as dental departments of general hospitals, nor public and private dental hospitals; few promotion scheme
Service Scope	Common dental diseases	Diverse and comprehensive dental diseases; Complicated Symptoms	Diverse and comprehensive dental diseases; more cosmetic and chronic care program	Limited categories of common dental diseases
Target Patients	Local residents	Larger patient base across cities and regions	Larger patient base across cities and regions	Community residents
Customer Service	Established a relatively simple and busy customer service system with rigid and limited services period	Established a relatively comprehensive and professional customer service system with relatively rigid and limited services period	Established a comprehensive and professional customer service system focused on patients, and provided more flexible and friendly, and 7/24	Usually lack of comprehensive and professional customer service system
Average Number of Dentists	Between 5-20	Between 20-50	Between 20-50	Between 1-5

Source: Frost & Sullivan Analysis

As of 2021, there are five dental departments of general hospital and one private dental group under operation in Rui'an city area. In the future, to meet the increasing demand of local residents on oral health, the number of dental service providers in Rui'an is expected to experience further increase. With further increase in personal disposable income and macro economy of citizen in Rui'an city area, the market size of dental service is also expected to experience a further increase. Based on the number of dental service providers under operation in Wenzhou, dental medical resources are primarily concentrated in the Wenzhou City Area. The Wenzhou City Area includes Lucheng district, Ouhai district, Longwan district and Dongtou district. In 2021, the per capita disposable income of urban residents in Lucheng district reached approximately RMB78.1 thousand which is higher than the average per capita disposable income of urban residents in Wenzhou. The relatively higher disposable income of urban residents in the Wenzhou City Area is a key reason to the increasing dental demand, which further drives the development of the dental service market in the Wenzhou City Area.

The total number and market size in terms of four types of dental service providers of Wenzhou in 2021 are as follows:

Total Number of Dental Service Providers Under Operation (Wenzhou), 2021

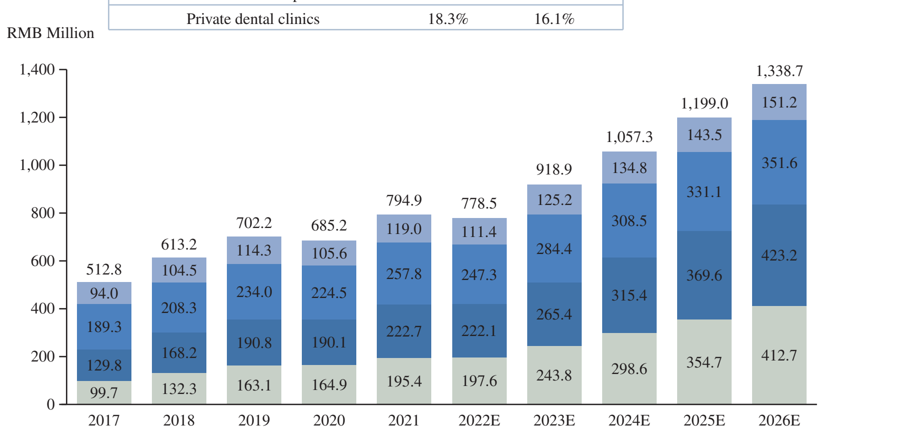
	Dental Departments of General Hospital	Public Dental Hospital Groups	Private Dental Hospital Groups	Private Dental Clinics
	(Unit)	(Unit)	(Unit)	(Unit)
Wenzhou City Area	42	1	6	242
Rui'An City	5	0	1	45
Longgang City	1	0	1	13
Others	28	0	7	132
Total	76	1	15	432

Note: Wenzhou City Area includes Lucheng district, Ouhai district, Longwan district and Dongtou district. Others includes Yueqing City, Cangnan County, Yongjia county, Pingyang county, Wencheng county and Taishun county.

Source: Frost & Sullivan Analysis

Market Size of Dental Service Market By Type of Dental Service Providers (Wenzhou), 2017-2026E

CAGR	2017-2021	2021-2026E
Total market size of dental service market	11.6%	11.0%
Dental departments of general hospitals	6.1%	4.9%
Public dental hospitals	8.0%	6.4%
Private dental hospitals	14.4%	13.7%
Private dental clinics	18.3%	16.1%



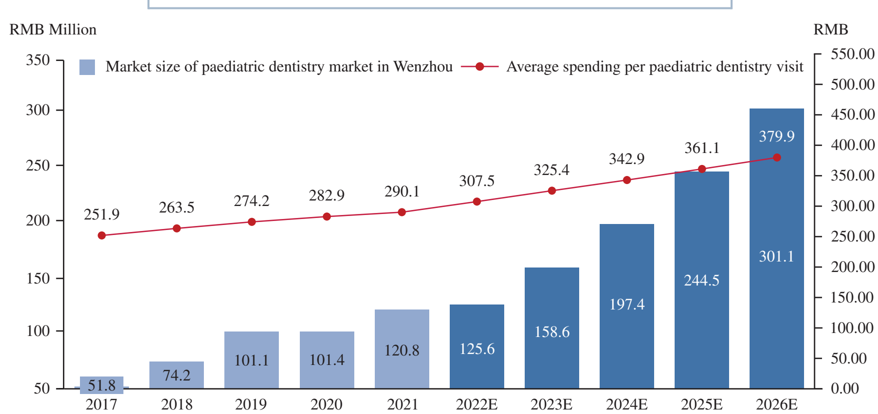
Source: Frost & Sullivan Analysis

Among four groups of dental service providers, private dental service providers including private dental hospitals and private dental clinics demonstrated relatively faster growth in their dental service market size between 2017 and 2021. Normally, private dental service providers charge premium fees by offering a shorter waiting time, a better hospital environment and services in order to make profits to support their business operation. On the contrary, public dental hospitals and dental departments of other general public hospitals/ dental clinics in Wenzhou generally target customers who have oral disease, offering basic dental services at an affordable and relatively fixed price, which is normally supervised by the local government authorities. Usually, the waiting time for dental treatment in public dental service providers is much longer than the waiting time in private dental service providers. As private dental hospitals become more accepted by residents with their more advanced equipment, diverse healthcare programs and less crowded environment, the market of dental service market provided by private dental hospitals experienced remarkable growth from approximately RMB129.8 million in 2017 to RMB222.7 million in 2021 with a CAGR of 14.4%, while its percentage in total market size of dental service market in Wenzhou increased from approximately 25.3% to 28.0% in this period. In the future, with more well-established private dental hospitals continuing to expand their business in more areas, the figure is estimated to further grow and reach approximately RMB423.2 million by 2026 with a CAGR of 13.7% between 2021 and 2026, taking up approximately 31.6% of the dental service market in Wenzhou. In addition, it is an industry norm to not take out medical liability insurance for market players since there are not many suitable insurance programs available currently.

Market Size of Paediatric Dentistry Market in Wenzhou and Average Spending Per Visit

Market Size of Paediatric Dentistry Market and Average Spending Per Visit (Wenzhou), 2017-2026E

CAGR	2017-2021	2021-2026E
Market Size of Paediatric Dentistry Market	23.6%	20.0%
Average Spending per Paediatric Dentistry Visit	3.6%	5.5%



Source: National Bureau of Statistics; Frost & Sullivan Analysis and Estimates

In Wenzhou, the number of dental patients visits under 14 years old reached approximately 416.5 thousand, accounting for approximately 21.2% of the total dental patients visits in Wenzhou in 2021. In addition, the market size of paediatric dentistry segment demonstrated a strong growth rate of 23.6% from 2017 to 2021, while the market size increased from approximately RMB51.8 million to approximately RMB120.8 million during the period. From the demand perspective, with the execution of "Outline of the Healthy China 2030 Plan" which enhances the work of prevention and cure of stomatosis and carry out a free check of oral diseases and dental caries filling treatment with reduced or exempted medical expenses for children, the awareness of dental care is expected to strengthen continuously going forward. Specifically, the free check of oral diseases and dental caries filling treatment with reduced or exempted medical expenses for children are sponsored by the PRC government and related foundations. Moreover, Chinese Stomatological Association also released the result of a survey of 25,392 Chinese children in 2015 that the prevalence of malocclusion for deciduous, mixed, and permanent tooth groups in 2015 are 51.8%, 71.2% and 72.0%, respectively. In such case, stable demand for paediatric dentistry services in Wenzhou will elevate the development of local paediatric dentistry market. Though many dental services providers in Wenzhou offer dental services to children, there is no public or private children dental hospitals specialise in this area to specifically fulfil the increasing demands. In the meantime, the supply-demand gaps urge private dental hospitals to revise their future expansion strategy, focusing more on the development of paediatric dentistry by investing adequate funding and human resources. Some of leading market players may also intend to set up children dental hospitals or specialise the children dental departments in order to acquire the first mover advantages and establish strong brand presence. In such case, growing demand for paediatric dentistry in Wenzhou is estimated to cultivate vast market potentials for different types of dental service providers especially the specialized paediatric dentistry hospitals. According to the 7th Census, the population of under 14 in Wenzhou City Area was approximately 381.4 thousand, accounting for 26.1% of the total population of under 14 in Wenzhou which indicates that Wenzhou City Area may make the biggest contribution to the paediatric market. Thus, in the foreseeable future, the market size is estimated to reach approximately RMB301.1 million by 2026, representing a CAGR of 20.0% from 2021 to 2026 which is growing faster than the overall dental service market in Wenzhou.

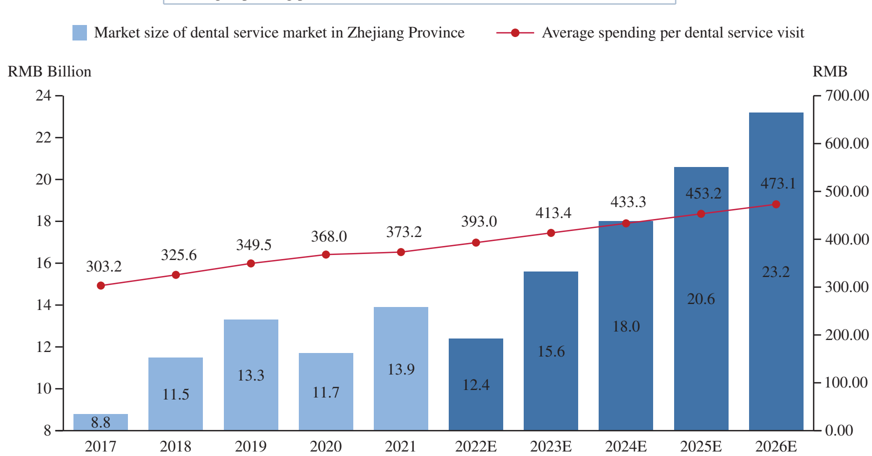
In addition, the favourable government policies will promote the development of dental services form traditional basic treatment to more diverse dental services. The 13th Five-year Health Plan states that it is necessary to widely mobilise the society-wide forces, give full play to the positive role of non-governmental organisations, and enhance the degree of awareness of dental health, encourage society-wide forces to provide services to meet diverse customer demands, and allow society-wide forces to establish new institutes to satisfy multi-level medical service demand. Moreover, the Action Plan of Oral Healthcare 2019-2025 also encourages, guides and supports society-wide forces found oral medical and health service institutions to participate in the prevention and treatment of oral diseases and oral health management services.

Market Size of Dental Service Market in Zhejiang and Average Spending Per Visit

Zhejiang Province has shown strong economic performance across China with its nominal GDP being reached approximately RMB7.4 trillion in 2021, ranking the fourth among all provinces. Between 2017 and 2021, the disposable income of urban residents in Zhejiang increased from approximately RMB51.3 thousand to RMB68.5 thousand with a CAGR of 7.5%. The economy of Zhejiang province is also featured by robust performance of private economy. Under such case, the dental service market in Zhejiang Province benefits from the relatively high level of disposable income and sound development of entrepreneurship. The market size of dental service market in Zhejiang province demonstrated strong growth between 2017 and 2021, increasing from approximately RMB8.8 billion to RMB13.9 billion with a CAGR of 12.1%. Looking forward, the recurrence of coronavirus in 2022 is expected to negatively impact the dental service market in Zhejiang from time to time. Zhejiang Province was among the early groups to implement the Three-child Policy and the ageing population would continuously promote demand for dental services, the market size of dental service market is expected to further increase to approximately RMB23.2 billion by 2026, with a CAGR of 10.9% between 2021 and 2026.

Market Size of Dental Service Market and Average Spending Per Visit (Zhejiang), 2017-2026E

CAGR	2017-2021	2021-2026E
Market Size of Dental Service Market	12.1%	10.9%
Average Spending per Dental Service Visit	5.3%	4.9%



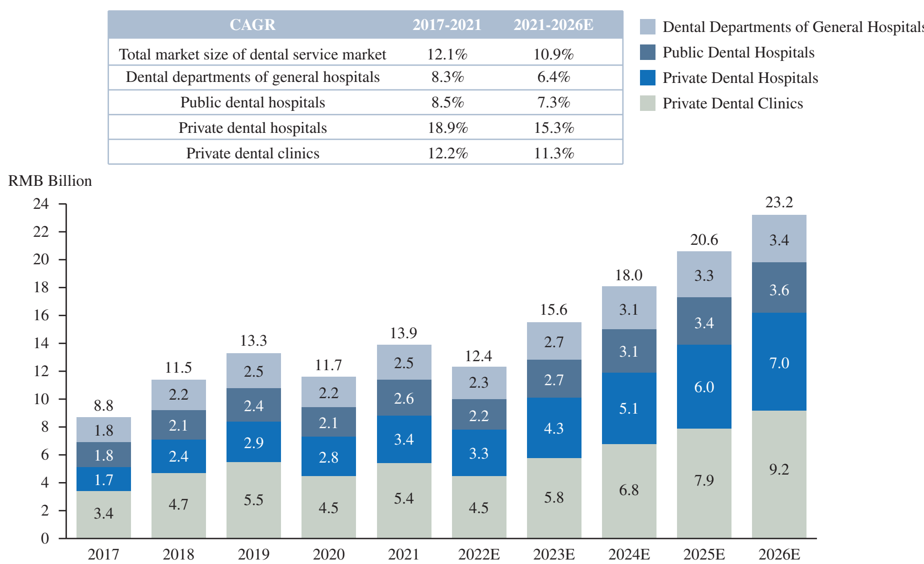
Note: The market size refers to the sum of revenue of dental services earned by dental service providers including dental departments of general hospitals, public dental hospitals, private dental hospitals and private dental clinics.

Source: Frost & Sullivan Analysis

Market Size of Dental Service Market by Type of Dental Service Providers

Market Size of Dental Service Market
By Type of Dental Service Providers (Zhejiang), 2017-2026E

CAGR	2017-2021	2021-2026E
Total market size of dental service market	12.1%	10.9%
Dental departments of general hospitals	8.3%	6.4%
Public dental hospitals	8.5%	7.3%
Private dental hospitals	18.9%	15.3%
Private dental clinics	12.2%	11.3%



Note: The market size refers to the sum of revenue of dental services earned by dental service providers including dental departments of general hospitals, public dental hospitals, private dental hospitals and private dental clinics.

In Zhejiang Province, from 2017 to 2021, the market size of private dental hospitals and private dental clinics increased from approximately RMB1.7 billion and RMB3.4 billion, respectively, to approximately RMB3.4 billion and RMB5.4 billion, respectively, with a CAGR of 18.9% and 12.2% during this period, leading the major growth among four types of dental service providers. Attributable to the remarkable performance of economic growth of Zhejiang, residents preference of resolving dental problems pivot away from sticking to public dental service providers toward private dental service providers. The new customer behaviors are going to accelerate the development of private dental services. In the foreseeable future, the market size of private dental hospitals is expected to reach approximately RMB7.0 billion at a CAGR of 15.3% during 2021 and 2026.

As a well-developed city in Zhejiang Province, Wenzhou showed a higher level of disposable income of its urban residents than the average level of Zhejiang Province in the last five years. Accordingly, Wenzhou residents are able to spend more for single dental service visit, which increased from approximately RMB329.2 in 2017 to RMB404.6 in 2021 and exceeded the average level of approximately RMB303.2 to RMB373.2 for overall Zhejiang Province in the same period. Paralleled with arising awareness of dental healthcare and expanding population base with higher level of disposable income, Wenzhou residents' have shown growing demands for dental services and dental service providers are striving to expand business area and improve operational capability to cater for such trend, cultivating a sound development environment for Wenzhou dental service market. Attributed to the prosperous development of Wenzhou dental service market and the increase of number of dental patient visits and average spending per visit, the market size of dental service market in Wenzhou experienced remarkable growth between 2017 and 2021, increasing from approximately RMB512.8 million to RMB794.9 million with a CAGR of 11.6%. Under a stable economic environment, the market size is forecasted to continue to grow, reaching approximately RMB1,338.7 million by 2026 with a CAGR of 11.0% between 2021 and 2026.

In general, compared to other more well developed cities like Shanghai and Hangzhou, Wenzhou has relatively lower average overall salary across various industries. The average spending per visit in Wenzhou is estimated to increase at a CAGR of 3.5% from 2021 to 2026. The forecasted slower growth rate of the average spending per visit in Wenzhou from 2021 to 2026 is in line with the forecasted slower growth rate of annual average disposable income of urban residents in Wenzhou from 2021 to 2026. Even though the dental service market was critically affected by COVID-19 in the first half of 2020, the demand of dental service especially general dentistry picked up substantially in the second half. For some of the leading dental service providers in Wenzhou, the dental scaling services were fully booked during the second half. In addition, the average annual remuneration for nurses in Wenzhou for the years from 2019 to 2021 remained relatively stable at approximately RMB51.6 thousand, RMB52.0 thousand, and RMB55.0 thousand at the end of 2019, 2020 and 2021, respectively. The average annual remuneration for other medical professionals in Wenzhou for the years from 2019 to 2021 remained relatively stable at approximately RMB42.0 thousand, RMB43.0 thousand, and RMB45.2 thousand, at the end of 2019, 2020 and 2021, respectively. However, the overall salary for dentists vary significantly from thousands to tens of thousands depends on their performance, years of working, expertise, position in the hospital and professional titles.

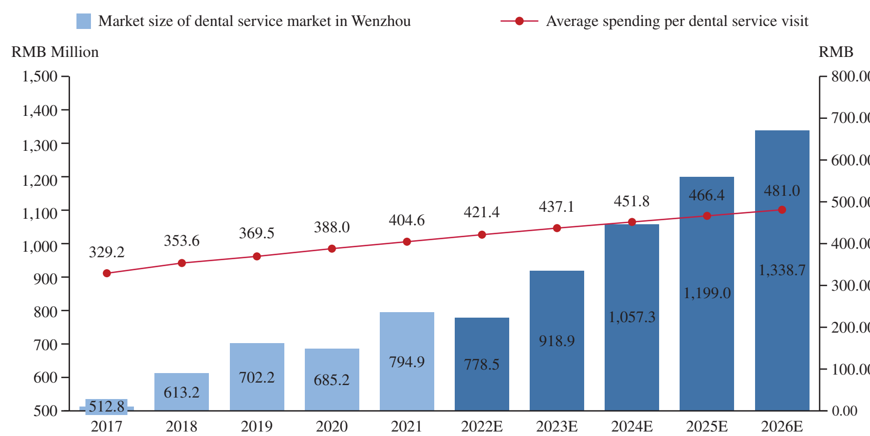
At the end of 2021, the average customer spending on orthodontics and cosmetic dentistry, reparative dentistry, implant dentistry and general dentistry services are RMB6,075.9, RMB3,873.0, RMB6,054.6 and RMB406.9, respectively in Wenzhou. In fact, the customer spending on these dentistry services vary significantly from hundreds to tens of thousands , depending on a combination of factors which mainly include the materials and brands of the materials used in each treatment.

Along with the growth of the dental service market in Wenzhou, the market size of different types of dental service have also experienced promising growth for the past five years. From 2017 to 2021, the market size of general dentistry and other dental service increased from approximately RMB229.2 million to approximately RMB363.9 million with a CAGR of 12.2%. In 2021, the revenue from orthodontics and cosmetic dentistry, implant dentistry, reparative dentistry and general dentistry and other services accounted for approximately 25.6%, 10.1%, 18.5% and 45.8% respectively of the total revenue of dental services earned by dental services providers in Wenzhou.

Driven by the fact that consumers pay more attention to their oral health, the total number of dental patients visits increased from 1,557.6 thousand in 2017 to 1,964.6 thousand in 2021 with a CAGR of 6.0% in Wenzhou. Since general dentistry and other dental service focus on demand of majority of the consumers which include examination, diagnosis, prevention, treatment of disorders of the orofacial region and dental scaling services and etc., the total number of patient visits of general dentistry and other service accounted for approximately 95.7% of the total patient visits in 2021. Comparing to the average spending per visit on spending on orthodontics and cosmetic dentistry, implant dentistry and reparative dentistry, the average spending per visit on general dentistry and other service is far lower. Even though the dental service market was critically affected by COVID-19 in the first half of 2020, the demand of dental service especially general dentistry picked up substantially in the second half. For some of the leading dental service providers in Wenzhou, the dental scaling services were fully booked during the second half.

Market Size of Dental Service Market and Average Spending Per Visit (Wenzhou), 2017-2026E

CAGR	2017-2021	2021-2026E
Market Size of Dental Service Market	11.6%	11.0%
Average Spending per Dental Service Visit	5.3%	3.5%



Note: The market size refers to the sum of revenue of dental services earned by dental service providers including dental departments of general hospitals, public dental hospitals, private dental hospitals and private dental clinics.

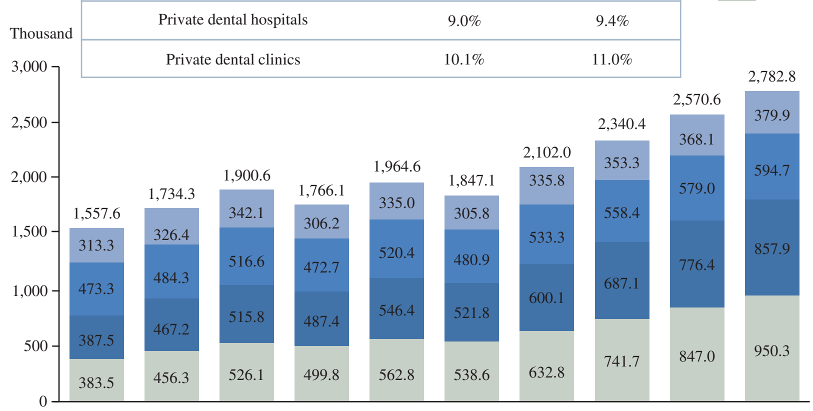
Source: Frost & Sullivan Analysis

In the last five years, the number of dental patient visits in Wenzhou witnessed fast growth, increasing from approximately 1,557.6 thousand in 2017 to 1,964.6 thousand in 2021 with a CAGR of 6.0%. During the registration process of dental patient visits, the patients will be required to pay a nominal registration fee in accordance with industry practice, which contributes to the market growth. At the end of 2021, the dental departments of general hospitals and public dental hospitals served in aggregate of approximately 855.4 thousand patients. Private dental service providers including private dental hospitals and private dental clinics demonstrated relatively faster growth in their dental patient visits in this period. The figure for private dental hospitals increased from approximately 387.5 thousand to 546.4 thousand between 2017 and 2021 with a CAGR of 9.0%, accounting for approximately 27.8%

of the total number of dental patient visits in Wenzhou in 2021. Furthermore, in 2021, the average spending per dental service visit in Wenzhou is approximately RMB404.6, nearly 0.6% of the per capita disposable income of urban residents in Wenzhou, which is approximately RMB69.7 thousand. The high per capita disposable income of urban residents in Wenzhou suggests that urban residents in Wenzhou are able to afford private dental services charging a higher price. In the future, the number of dental patient visits in Wenzhou is expected to further grow and reach approximately 2,782.8 thousand by 2026 with a CAGR of 7.2% between 2021 and 2026. And the number for private dental hospitals is estimated to reach approximately 857.9 thousand in the same year. On average, the staff costs of these four types of market players range from 30% to 50% of the total sales generated for the year ended 31 December 2021. There are sufficient number of suitable dental hospital in Zhejiang for acquisition by our Group as at the Latest Practicable Date. In addition, as at the Latest Practicable Date, there is no dental hospital which specialised in and solely provides dental services to children in Lucheng District of Wenzhou City Area. Children and elderly are the two most critical groups of patients of dental service market, since incidences of dental illnesses of these two age groups are relatively higher than the other age groups. Along with an ageing population and the implementation of three-child policy, the population base of children and old people, which showed relatively high rate of caries, is expected to grow and much likely to bring substantial demands for dental services in the PRC. In Wenzhou, the number of dental patient visits under 14 years old reached to approximately 416.5 thousand, accounting for 21.2% of the total dental patients visits in Wenzhou in 2021.

Total Number of Dental Patient Visits by Type of Dental Service Providers (Wenzhou), 2017-2026E

CAGR	2017-2021	2021E-2026E
Total patient visits	6.0%	7.2%
Dental departments of general hospitals	1.7%	2.5%
Public dental hospitals	2.4%	2.7%
Private dental hospitals	9.0%	9.4%
Private dental clinics	10.1%	11.0%



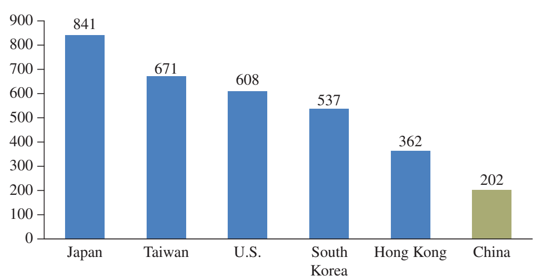
Note: The total number refers to number of patients accepted services or treatment in dental departments of general hospitals, public dental hospital, private dental hospitals and private dental clinics.

Source: Frost & Sullivan Analysis

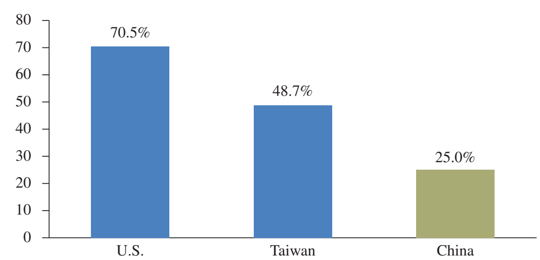
Comparison of Dental Service Market among Selected Regions

Dentists are actual service providers of dental services and they are the core asset facing the customers and representing the brand image of dental service providers. The number of licensed dentists in a region has a direct reflect on its quality and development of dental service market. In regions such as Hong Kong, Japan, Taiwan, U.S. and South Korea, number of dentists per million population was between 362 and 841 in 2021, while the figure for Wenzhou and China were only 207 and 202, respectively. Similarly, the penetration of dental services in China was approximately 25.0% in 2021, largely less than other regions such as the U.S. and Taiwan. In such case, there has been large growth room for China dental service market.

Number of Dentists per Million Population (Selected Regions), 2021



Penetration of Dental Services (Selected Regions), 2021



Note: The penetration of dental services refers to percentage of population with at least a dental visit in 2021.

Source: Frost & Sullivan Analysis

Major Market Drivers of Dental Service Market in China

(1) The supply of dental services falls short of its demand

According to the 4th National Oral Health Survey (sampled over 170 hundred interviewees across 31 provinces in China, similar findings for Wenzhou) released by the National Health and Family Planning Commission, the prevalence of common dental diseases showed growing trend among children and middle-aged adults. Between 2005 and 2015, the rate of caries of 5-year-old children and 12-year-old children increased by 5.8 and 7.8 percentage points, respectively, and the detectable rate of gingival bleeding of 35-44 years old increased by 10.1 percentage point. However, the rates of caries treated across four age groups of 5-year-old, 12-year-old, 35-to 44-year-old and 65- to 74-year-old in 2015 only accounted for an insignificant portion of their corresponding rates of caries. The rate of caries for the age group between 3- to 5-year-old, 12- to 15-year-old, 35- to 44-year-old and 65- to 74-year-old was approximately 62.5%, 41.9%, 89.0% and 98.0%, respectively, while the rate of caries treated accounted for approximately 19.4%, 49.4%, 56.9% and 69.1% of the corresponding rate of caries of the corresponding age group, respectively. As a result, there is an obvious gap between the dental disease prevalence rate and the corresponding rate of dental disease treated. In addition, the rate of caries illustrated by the 4th National Oral Health Survey showed a growing trend compared to that of the 3rd National Oral Health Survey especially for the children. In the recent years, the PRC government has been urging to improve dental health infrastructure and raise people's awareness regarding dental health issues. According to the "Outline of the Healthy China 2030 Plan", the State Council proposed to advocate healthy oral lifestyle and aim to lower the rate of caries for Children to fall under 25% until 2030. Apart from supportive government policies, as well as the growing concerns for children's health issue of many Chinese parents, echoed with their increasing disposable income level and consumption power, the dental service markets across China are expected to grow further given the substantial demands. Along with an ageing population and the implementation of two-child policy, it is expected that the population base of children and old people, which showed relatively high rate of caries, will grow, thereby bringing substantial demands for dental services in China. Similar to the situation nationwide, the rates of caries treated across four age groups of 5-year-old, 12-year-old, 35- to 44-year-old and 65- to 74-year-old in Wenzhou only accounted for an insignificant portion of their corresponding rates of caries, and the gap between the dental disease prevalence rate and the rate of dental disease treated is expected further drive the development of the industry in Wenzhou. In developed countries such as Hong Kong, Japan, Taiwan, U.S. and South Korea, the number of dentists per million populations was in the range of 362 and 841 in 2021. On the other hand, in Wenzhou, the supply of licensed dentists fell short as compared to those of the developed countries with the number of dentists per million population of approximately 207 only.

(2) Consumption upgrade and rising awareness of dental care

With continuously increasing disposable income and years of wealth accumulation, there has developed a scalable base of middle class in China, who are driving the consumption upgrade trend and are more affordable to dental services. In this case, people become more willing to consume some relatively expensive dental care programs such as tooth whitening, dental implanting and orthodontics with their strong demand to improve personal image for pursuing fashion and career development. The average disposable income level of urban residents in Wenzhou reached RMB69.7 thousand in 2021, showing their strong purchasing power and is likely to spent more on dental services. In addition, young parents and education institutions are paying more attention to children's oral health, developing a rising awareness of dental care from an early age. The increase in per capita disposable income of urban residents along with the increase in attention paid to children's oral health by young parents and education institutions, thus developing a rising awareness of dental care from an early age drives the growth of health consciousness of urban residents, who tend to spend more on all types of medical services. The per capita consumption expenditure on medical service in Wenzhou increased from approximately RMB1,152 in 2017 to RMB2,174 in 2021 with a CAGR of 17.2%, accounting for approximately 4.0% and 5.4% of the total per capita consumption expenditure in Wenzhou, respectively. Accordingly, Wenzhou residents are able to spend more for single dental service visit with their higher spending per visits increased from approximately RMB329.2 in 2017 to RMB404.6 in 2021. Paralleled with the rising awareness of health care and the aforesaid increase in per capita consumption expenditure on medical service in Wenzhou, Wenzhou residents' have shown growing demands for dental services which drives the dental service providers to expand their business area and improve operational capacity to cater for such trend, thus driving the dental service market in Wenzhou.

(3) Favourable policies promote more diverse dental services

Since the 21st century, the government has accelerated the release of favourable policies for private healthcare institutions. In February 2019, the National Health Commission of the PRC announced the "Healthy Oral Action Plan 2019-2025", striving to increase residents' awareness of oral health, improve overall dental service level, and reduce dental disease rate. Compared to other specialised healthcare categories such as obstetrics and gynaecology and ophthalmology, dental services are more standardized and their capital threshold is relatively low. They are able to create well-equipped and quiet hospital environment and are also maintained appointed hospital license of national health insurance, which has extensively improved customers' experience.

Major Entry Barriers

(1) Business Qualification

Establishing a dental service institution needs to acquire the Practicing License of Medical Institution and meet requirements on medical equipment, department standards, staff qualification and covered area etc. to pass the examination of health administrative departments and continue to operation. In addition, appointed hospitals of national medical insurance have higher barriers because the insurance projects are paid by the government and patients can pay less.

(2) Medical Talent

Medical talents are the core asset of dental service providers to decide their professional level and customer experience. Due to people's preference for experienced and skilful medical experts, well-established dental service providers are actively seeking collaboration with education and research institutions to develop their talent team and attract more patients.

(3) Medical Equipment

Medical equipment is necessary asset for dental service providers, which includes a large number of categories for different departments, such as dental treatment chairs, sterilizing equipment, operating tables and relative profile management systems etc. The number of equipment usually decides the business scale of dental service providers, and set a barrier for new entrants.

(4) Local Reputation

Since dental service providers have relatively large difference in their professional levels and safety precautions, local reputation is a critical concern for customers when choosing dental service providers. If a customer has chosen a dental service provider and is satisfied with its services, the consumer would tend to repeatedly consume in this dental service provider. As a result, existing dental service providers has developed customer base and strong local reputation, setting a barrier for new entrants.

Market Trends

(1) Compared to other regions, China's dental service industry has great growth room

During 1975 to 1994, dental service industry in Taiwan experienced the rapidest growth at a CAGR of approximately 10%, along with its annual per capita GDP increased from approximately USD985 to USD12,160. The dental service industry in U.S. experienced prosperous growth between 1967 and 1981, with a CAGR of approximately 11.4%, also with rapid increase in per capita GDP from approximately USD4,327 to USD13,943. China's per capita GDP reached approximately USD12.0 thousand in 2021, which has largely exceeded the taking off level of other regions. Compared with other developed economies where the average number of dentists per 1 million populations has reached 362 to 841, the figure for China was only 202 at the end of 2021, and there is still great growth room for China's dental service industry.

(2) Demand and resources of dental services further penetrate to tier 2 & 3 cities

Nowadays, tier 1 cities and some developed tier 2 cities has seen a large number of dental service providers, contributing to fierce competition for market players. With a nearly saturated dental service industry in developed cities, demands and resources of dental services are gradually penetrating to tier 2&3 cities. The average annual disposable income in tier 2&3 cities also experienced more rapid growth in recent years, supporting their rising consumption expenditure on dental services. It is expected that more dental service resources will relocate to tier 2&3 cities.

(3) Private dental services would continue rapid growth and become major players

Private dental service industry has witnessed robust growth in recent years. Some well-established private dental hospitals have become appointed hospitals of national healthcare insurance. They are also able to provide experienced expert team, better customer experience and more advanced medical equipment. In addition, the government has continuously released policies to encourage private investment in dental service industry. As a result, more demands for public dental services are expected to transfer to private institutions.

(4) The capacity of dental service institutions in the Wenzhou City Area during peak season may fall short in the future

In 2021, while the average utilisation rate and utilisation rate during peak season of private dental hospitals in Wenzhou was approximately 45% and 60%, respectively, the private dental hospitals in the Wenzhou City Area recorded relatively higher average utilisation rate and utilisation rate during peak season of approximately 55% and 65%, respectively, indicating a relatively higher level of demand for dental services existed in the Wenzhou City Area.

In view of the fact that the total number of dental patient visits in Wenzhou is expected to increase from approximately 1,964.6 thousand in 2021 to 2,782.8 thousand in 2026, given that most of the private dental groups are located in the Wenzhou City Area with higher average utilisation rate and peak season utilisation rate as stated above, the capacity of private dental hospital in the Wenzhou City Area in peak season may experience shortage in the near future. Players of the private dental service market may seize the opportunity to establish new hospitals in the Wenzhou City Area in the future to fulfil patients' demand.

Competitive Landscape

The market size of dental service market in terms of revenue in Wenzhou amounted to approximately RMB794.9 million in 2021. The public sector of dental service market in Wenzhou includes one public dental hospital group and 76 dental departments of general hospital, accounted for 32.4% and 15.0% of the market size in Wenzhou in 2021, respectively.

Private dental service market in Wenzhou experienced substantial development since 2010, and has become an increasingly critical component of dental service in Wenzhou. The market size of private dental service in terms of revenue in Wenzhou increased from approximately RMB229.5 million in 2017 to RMB418.1 million in 2021 with a CAGR of 16.2%, accounting for approximately 44.8% and 52.6% of the total market size in 2017 and 2021, respectively. In addition, the number of private dental service providers in Wenzhou also experienced rapid expansion, increasing from 342 to 447 in the same period. The number of private dental hospital groups increased from 12 to 15, and the number of private dental clinics increased from approximately 330 to 432. In general, private dental hospitals tend to have larger number of dentists, service capability and business scale. And many well-established dental service providers have accumulated loyal customer base and reputable brand images, posing high entry barrier for subsequent entrants. By the end of 2021, the top five private dental service providers in Wenzhou earned revenue of approximately RMB187.0 million, taking up approximately 44.7% of the total market size of private dental service market in Wenzhou. Our Group, which was established in 2011 and has all branches been "designated" under the social insurance programs operated by the Wenzhou Healthcare Bureau, was the largest private dental service provider in Wenzhou with a revenue of RMB105.3 million and a market share in terms of revenue of approximately 25.2% in 2021. In addition, our Group accounted for approximately 0.1% in the overall private dental service provider market in the PRC in 2021. The table below sets forth the details of hospitals operated by the top five private dental hospital groups in terms of revenue in Wenzhou as at 31 December 2021:

Name of the dental hospital groups		Number of dental hospital(s)/ branches operated as at 31 December 2021
1.	Our Group	5
2.	Group A	1
3.	Group B	3
4.	Group C	6
5.	Group D	1

Source: Frost & Sullivan Analysis

Ranking of Leading Private Dental Service Provider Groups (Wenzhou), 2021

Ranking	Service Provider	Revenue (RMB Million)	Market Share of Private Dental Service Market	Market Share of Dental Service Market
1	Our Group	~105.3	~25.2%	~13.2%
2	Company B	~31.8	~7.6%	~4.0%
3	Company A	~31.2	~7.5%	~3.9%
4	Company C	~10.1	~2.4%	~1.3%
5	Company D	~8.6	~2.1%	~1.1%
	Top 5	~187.0	~44.7%	~23.5%

Source: Frost & Sullivan Analysis

Notes:

(1) Founded in 1993, Company A is a leading private dental services provider, headquartered in Beijing, that targets at middle to high income class with full cycle of dental services, including general dentistry, reparative dentistry, implant dentistry and orthodontics and cosmetic dentistry, along with medical insurance service.

(2) Founded in 2010, Company B is a leading private dental services provider, headquartered in Suzhou, Jiangsu province, that targets at middle to high income class with full cycle of dental services, especially implant dentistry and cosmetic dentistry.

(3) Founded in 1982, Company C is a leading private dental services provider, headquartered in Wenzhou, Zhejiang province, that targets at middle income class with full cycle of dental services, especially implant dentistry, orthodontics and cosmetic dentistry.

(4) Founded in 2010, Company D is a Wenzhou-based local private dental services provider that targets at middle income class with full cycle of dental services, including general dentistry, reparative dentistry, implant dentistry and orthodontics and cosmetic dentistry.

(5) Frost & Sullivan has conducted primary market research by conducting interviews with industry experts, and the revenue of the above companies are derived by making reasonable estimations based on the aforesaid interviews. As Frost & Sullivan has entered into confidentiality agreements with the industry expert interviewees, pursuant to which the identities of such peers is prohibited to be publicly disclosed, any disclosure without the consent of such peers might breach the confidentiality between parties.

APPLICABLE LAWS AND REGULATIONS TO OUR BUSINESS IN THE PRC

Regulations on the reform of healthcare institutions

Opinions on Deepening the Reform of the Medical and Healthcare System

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

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

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

Several Opinions on Promoting the Development of Healthcare Service Industry

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

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

The Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (關於加快發展社會辦醫的若干意見), which was promulgated on 30 December 2013 by the National Health and Family Planning Commission (the "**NHFPC**") and the State Administration of Traditional Chinese Medicine (the "**SATCM**"), stipulate the policies that support the development of private-invested healthcare institutions, including but not limited to the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

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

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

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

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

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

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2021-2025) (國家衛生健康委員會關於印發醫療機構設置規劃指導原則(2021-2025年)的通知), which was promulgated by the National Health Commission (the "**NHC**") on 12 January 2022, encourages the establishment of medical institutions by social capital and stipulates no planning restrictions on the total number and space for establishment of medical institution with social capital.

Notice on Carrying out Special Treatment of Oral Implant Medical Service Charges and Consumables Prices

The National Healthcare Security Administration promulgated the Notice on Carrying out Special Treatment of Oral Implant Medical Service Charges and Consumables Price (關於開展口腔種植醫療服務收費和耗材價格專項治理的通知) (the "**Notice**") on 8 September 2022 to guarantee the general public access to high-quality, efficient and affordable repair service for missing teeth. According to the Notice, public medical institutions shall mainly adopt a separate pricing method of "service items plus special consumables" when providing oral implant medical services and policy guidance on the pricing of oral medical services in public medical institutions shall be strengthened. The prices of services such as oral implants provided by private medical institutions could be adjusted by the market and should be reasonable and in line with the rules of market competition and the expectation of the mass public.

Regulations on the administration and classification of medical institutions

Administrative Measures on Medical Institutions and its Implementation Measures

The Administrative Measures on Medical Institutions (醫療機構管理條例), which was promulgated on 26 February 1994 by the State Council and came into effect on 1 September 1994 and last amended on 29 March 2022, and the Implementation Measures of the Administrative Measures on Medical Institutions (醫療機構管理條例實施細則), promulgated by the Ministry of Health of the PRC ("**MOH**") on 29 August 1994 and came into effect on 1 September 1994 and last amended on 21 February 2017 by the NHFPC, stipulate that any entity or individual that intends to establish a medical institution must comply with the relevant application and approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證). Medical institutions are classified into, among others, general hospitals, specialised hospitals, clinics and other diagnosis and treatment institutions and the setup of any medical institution shall be in compliance with the plan for setting up medical institutions and the basic standards for medical institutions. According to the Basic Standards for Medical Institutions (trial) (醫療機構基本標準(試行)) promulgated by the MOH on 2 September 1994 and the Basic Standards for Clinics (診所基本標準) promulgated by the MOH on 2 August 2010, among others, the dental hospital shall be equipped with a certain number of dental treatment chairs and inpatient beds while the clinics, which only provide diagnosis and treatment services for common and frequently occurring diseases that are easy to diagnose, are without inpatient beds and shall be equipped with at least one dental comprehensive treatment unit.

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

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (醫療機構校驗管理辦法(試行)) (the "**Administrative Measures for Examination**"), which was promulgated by the MOH and came into effect on 15 June 2009, stipulate that a medical institution's Medical Institution Practicing License (醫療機構執業許可證) is subject to periodic examinations and verifications by the registration authorities. The examination conclusion includes "Pass" and "Suspension". For the examination that conclusion of "suspension", the suspension period should be determined. And Medical Institution Practicing License will be cancelled if such healthcare institution fails to pass the re-examination or fails to apply for re-examination within the prescribed time limit after the expiry of the suspension period.

Opinions on Implementing Classification Administration of Urban Medical Institutions

The Opinions on Implementing Classification Administration of Urban Medical Institutions (關於城鎮醫療機構分類管理的實施意見), jointly promulgated by the MOH, SATCM, Ministry of Finance (the "**MOF**") and National Development and Reform Commission (the "**NDRC**") on 18 July 2000 and came into effect on 1 September 2000, provide that not-for-profit and for-profit medical institutions shall be classified based on their business objectives, service purposes and implementation of divergent financial, taxation, pricing and accounting policies.

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

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

Administrative Measures for the Clinical Application of Medical Technologies

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

Provisions on the Administration of Radiological Diagnosis and Treatment

According to the Provisions on the Administration of Radiological Diagnosis and Treatment (放射診療管理規定), which were promulgated by the NHFPC on 24 January 2006, came into effect on 1 March 2006 and amended on 19 January 2016, medical institutions engaged in the radio diagnosis and radiotherapy shall be equipped with the conditions required for conducting radio diagnosis and radiotherapy, and apply for the Radiation Treatment License (放射診療許可證) issued by the competent health administrative authorities. After obtaining the Radiation Treatment License, medical institution shall undertake registration of the relevant diagnosis and treatment subject with health administrative and registration authorities, which issued the Medical Institution Practising License. Medical institutions shall not conduct radio diagnosis and radiotherapy if failing in obtaining License for radiotherapy or not registering the diagnosis and treatment subject. During the course of radiotherapy, medical institutions shall take protective measures in accordance with the relevant laws and regulations. Where a medical institution provides any services in relation to radiological diagnosis and treatment without obtaining a Radiation Treatment License, the relevant health administrative departments at or above the county level may issue a warning to the medical institution in violation and order the medical institution to take corrective measures within a prescribed time limit, and may impose a fine not exceeding RMB3,000 depending on the circumstances. If the violation is serious, the relevant health administrative departments have the power to revoke the medical institution's Medical Institution Practising License.

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

According to Regulations on the Safety and Protection of Radioisotopes and Radiation Devices (放射性同位素與射線裝置安全和防護條例), which were promulgated by the State Council on 14 September 2005, came into effect on 1 December 2005 and revised on 29 July 2014 and 2 March 2019, respectively, and Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (放射性同位素與射線裝置安全許可管理辦法), which were promulgated by Ministry of Environmental Protection on 18 January 2006 and revised on 6 December 2008, 20 December 2017, 22 August 2019 and 4 January 2021 stipulate that any entity engaging in the production, sale or use of radioisotopes or radiation devices of different categories shall obtain a Radiation Safety License (輻射安全許可證). If any entity is engaged in the production, sale or use of radioisotopes or radiation devices without a Radiation Safety License, the relevant department of ecology and environment at or above the county level may order such entity to stop the violation and take corrective measures within a prescribed time limit. If the entity fails to take any corrective actions within the prescribed time limit, the entity may be ordered to suspend production or business operation. Further, if any income had been generated from such violation, such income shall be confiscated, and if such income amounts to RMB100,000 or above, a fine of one to five times of the amount of such income may be imposed; if no such income had been generated or such income is less than RMB100,000, a fine of RMB10,000 to RMB100,000 may be imposed.

Regulations on the supervision over pharmaceuticals and medical equipment in healthcare institutions

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

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

Prescription Management

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

Laws and regulations on medical personnel of healthcare institutions

Law on Doctors of the PRC

The Law on Medical Practitioners of the PRC (中華人民共和國執業醫師法) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 26 June 1998 was repealed by the Law on Doctors of the PRC (中華人民共和國醫師法), which was issued by the SCNPC on 20 August 2021 and came into effective on 1 March 2022. The Law on Doctors of the PRC provides that physicians in the PRC, including licensed physicians and licensed assistant physicians, must obtain qualification certificates for their medical profession. Qualified physicians and qualified assistant physicians must register with the competent health authorities at or above the county level. After registration, physicians may practice in medical institutions at their registered location and under the category and scope of practice as registered and engage in the corresponding medical and health services. On 28 February 2017, the NHFPC promulgated the Administrative Measures for the Registration of Medical Practitioners (醫師執業註冊管理辦法) (the "**Medical Practitioners Registration Measures**"), which became effective on 1 April 2017, further stipulate that medical practitioners shall obtain the Practicing Certificate to practise upon registration and provide in detail the requirements and procedures for the registration and the modifications to be made to such registration upon occurrence of certain prescribed circumstances.

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

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

Insurance Regulatory Commission on 5 November 2014, stipulate that the clinical, dental and traditional Chinese medicine practitioners are allowed to practise in multiple places. According to the Medical Practitioners Registration Measures, for any other institution in which the medical practitioner intends to practise, such medical practitioner shall apply to the health administrative authority for approval on the practice of such institution for separate registration, in which the name of such institution shall be indicated.

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

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

Regulations on Nurses

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

Administrative Measures for the Registration of Practising Nurses

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

Laws and regulations on medical malpractice

Civil Code of the PRC

The Civil Code of the People's Republic of China (民法典), which was promulgated by the National People's Congress on May 28, 2020 and became effective on January 1, 2021, requires that, if a healthcare institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the healthcare institution will be liable for compensation. Healthcare institutions and their medical personnel should protect the privacy and personal information of their patients. Whoever divulges the patients' private or personal information or discloses medical records without consent shall bear tortious liability.

Regulations on Handling Medical Malpractice

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

Regulations on Medical Advertising in the PRC

Advertisement Law of the PRC

The Advertisement Law of the PRC (中華人民共和國廣告法) (the "**Advertisement Law**"), which was promulgated by the SCNPC on 27 October 1994 and came into effect on 1 February 1995 and further amended on 24 April 2015 and 26 October 2018 and 29 April 2021, provides that advertisements shall not contain false statements and be deceitful or misleading to consumers. Advertisements legally required to receive censorship, including those that are relating to pharmaceuticals and medical devices, shall be reviewed by relevant authorities in accordance with relevant rules before being published.

Interim Measures for the Administration of Internet Advertisement

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

Administrative Measures on Medical Advertisement

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

Regulations on environmental protection related to healthcare institutions

Administrative Measures for Pollutant Discharge Licensing

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

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

Regulations on the Management of Medical Waste and its Implementation Measures

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

Regulations on Urban Drainage and Sewage Treatment

The Regulations on Urban Drainage and Sewage Treatment (城鎮排水與污水處理條例), which were promulgated by the State Council on 2 October 2013 and came into effect on 1 January 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

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

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

Laws and regulations related to intellectual property rights

Trademark

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

Domain Names

On 18 June 2019, the China Internet Network Information Centre (the "**CNNIC**") issued the Implementing Rules for the Registration of National Top-level Domain Names (國家頂級域名註冊實施細則) which took effect on 18 June 2019 setting forth the detailed rules for registration of domain names. Pursuant to the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) promulgated on 24 August 2017 and became effective on 1 November 2017, registration of domain name shall follow the principle of "first apply, first register". The Measures for the Resolution of Disputes over National Top-level Domain Names (國家頂級域名爭議解決辦法), implemented by the CNNIC on 18 June 2019, require domain name disputes to be submitted to domain name dispute resolution agencies authorised by the CNNIC for resolution.

Laws and regulations related to data privacy, data security and cyber security

Data Privacy

The SCNPC promulgated the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法) on 20 August 2021 and it came into force on 1 November 2021. The Personal Information Protection Law sets forth detail rules on personal information protection requirements, including but not limited to more specific inform and consent requirements in various contexts, enhanced individual' rights, more protective obligations on personal data processors, and enhanced liability of violation of Personal Information Law and privacy litigation. According to the Personal Information Protection Law, personal information refers to all kinds of information relating to identified or identifiable natural persons recorded by electronic or other channel and methods, excluding the information processed anonymously. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, and deletion of personal information.

Data Security and Cyber Security

The Data Security Law of the PRC (中華人民共和國數據安全法), which was promulgated by the SCNPC on 10 June 2021 and took effect from 1 September 2021, introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of persons or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides for a security review procedure for the data activities which may affect national security. Violation of Data Security Law may subject the relevant entities or individuals to warnings, fines, suspension of operations, revocation of permits or business licenses, or even criminal liabilities.

The Cyber Security Law of the PRC (中華人民共和國網絡安全法), promulgated by the SCNPC on 7 November 2016 and effective on 1 June 2017, requires that when constructing and operating a network, or providing services through a network, technical measures and other necessary measures shall be taken in accordance with laws, administrative regulations and the compulsory requirements set forth in national standards to ensure the secure and stable operation of the network, to effectively cope with cyber security events, to prevent criminal activities committed on the network, and to protect the integrity, confidentiality and availability of network data. The Cyber Security Law emphasizes that any individuals and organizations that use networks should not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others.

To support the implementation of the Data Security Law, on 28 December 2021, the Cyberspace Administration of China (the "**CAC**"), jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (網絡安全審查辦法) (the "**CAC Measures**"), which became effective from February 15, 2022. According to the CAC

Measures, a cybersecurity review is required when national security has been or may be affected where a critical information infrastructure operator (the "**CIIO**") purchases network products and services, and an online platform operator carries out data processing activities. Moreover, the CAC Measures also provide that the online platform operators possessing personal information of more than one million users who are applying for listing abroad, shall make declaration for cybersecurity review with the Office of Cybersecurity Review (original text read as follows: "掌握超過100萬用戶個人信息的網絡平台運營者赴國外上市, 必須向網絡安全審查辦公室申報網絡安全審查"). Meanwhile, the CAC Measures grants the CAC and other competent authorities the right to initiate a cybersecurity review without application, if any member organisation of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities influences or may influence national security.

On 14 November 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draft Data Security Regulations**"). The Draft Data Security Regulations set out general guidelines, protection of personal information, security of important data, security management of cross-border data transfer, obligations of online platform operators, supervision and management, and legal liabilities. Pursuant to Article 13 of the Draft Data Security Regulations, data processors shall, in accordance with relevant state provisions, apply for cyber security review when carrying out the activities including (i) seeking to be listed in Hong Kong that will affect or may affect national security and (ii) other data processing activities that will affect or may affect national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for "affect or may affect national security". As at the Latest Practicable Date, the Draft Data Security Regulations had not been formally adopted yet.

Laws and regulations related to foreign investment in the PRC

Company Law of the PRC

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

Foreign Investment Law of the PRC

On 15 March 2019, the National People's Congress, promulgated the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "**FIL**"), which came into effect on 1 January 2020 and replaced the trio of laws regulating foreign investment in the PRC, namely, The Law on Sino-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), the Wholly Foreign-Owned Enterprise Law (中華人民共和國外資企業法) and the Cooperative Joint Venture Law (中華人民共和國中外合作經營企業法). Its implementation of regulations promulgated by the State Council on 26 December 2019 also came into effect on 1 January 2020. The FIL, by means of legislation, establishes the basic framework for the access, promotion, protection and administration of foreign investment in view of investment protection and fair competition.

According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (the "**Foreign Investors**"), including the following: (i) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (ii) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (iii) Foreign Investors investing in new projects in China alone or collectively with other investors; and (iv) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council.

The Measures for the Reporting of Foreign Investment Information

The Provisional Measures for the Filing Administration of Establishment and Changes of Foreign-Invested Enterprises (2018 Revision) (外商投資企業設立及變更備案管理暫行辦法(2018年修正)), which was promulgated by the MOFCOM on 29 June 2018 and implemented on 30 June 2018, was terminated and replaced by the Measures on Reporting of Foreign Investment Information (外商投資信息報告辦法) on 1 January 2020.

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

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

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (關於外商投資企業境內投資的暫行規定), jointly promulgated by the Ministry of Foreign Trade and Economic Cooperation of the PRC and the SAIC on 25 July 2000 and amended on 28 October 2015, stipulates that a foreign-invested enterprise (the "**FIE**") are not permitted to invest in any sector prohibited to foreign investment. Where the FIE makes investment in a restricted sector, the FIE must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant laws and regulations, decide whether or not to approve the registration. If the registration is approved, a Business License will be issued. The FIE is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

Domestic regulations on establishment of foreign invested hospitals

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

Investment in the PRC conducted by foreign investors and foreign-owned enterprises shall comply with the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) (the "**Catalogue**"), which was first issued in 1995 and amended from time to time. The currently valid Catalogue promulgated by the MOFCOM and the NDRC on 27 December 2020 and came into effect on 27 January 2021 (the "**2020 Catalogue**"), contains specific provisions guiding market access of foreign capital and stipulates in detail the areas of entry pertaining to the categories of encouraged foreign investment industries. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**2021 Negative List**"), jointly promulgated by the NDRC and MOFCOM on December 27, 2021 and came into effect on January 1, 2022, listed the restrictive measures for the entry of foreign investment in a unified manner and stipulate that foreign investors may not invest in prohibited foreign investment industries as provided by the 2021 Negative List. According to the 2021 Negative List, medical institutions are limited to the form of equity joint ventures. Additionally, according to Article 6 of the 2021 Negative List, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.

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

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

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

Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors

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

Laws and regulations related to overseas listing

On 24 December 2021, the CSRC released the Administrative Provisions of the State Council on the Overseas Offering and Listing of Securities by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) and the Administrative Measures for the Overseas Offering and Listing of Securities Record-filings by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (collectively, the "**Draft Regulations on Listing**") for public comments until 23 January 2022.

Pursuant to the Draft Regulations on Listing, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings (i) that are prohibited by specific laws and regulations, (ii) that constitute threat to or endanger national security as reviewed and determined by competent authorities, (iii) that involve material ownership disputes, (iv) where the PRC domestic companies, their controlling shareholder or actual controller are involved in certain criminal offence, or directors, supervisors and senior management of the issuer involved in certain criminal offence or administrative penalties (together, the "**Prohibited Circumstances**"), among other circumstances, are explicitly forbidden. Failure to complete the filing under the Draft Regulations on Listings may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, that PRC domestic company may be ordered to suspend its business, or its permits or businesses license may be revoked. Based on the public searches conducted by our PRC Legal Advisers against our PRC-incorporated subsidiaries, our Controlling Shareholders, our Directors and senior management, and to the best of our knowledge, during the Track Record Period, none of them had been involved in criminal offenses or material administrative penalties stipulated which would prohibit us from seeking an overseas offering and listing under the Draft Regulations on Listing. To our best knowledge, and after our PRC Legal Advisers' public searches, we believe that we do not fall within any of the Prohibited Circumstances which would prohibit us from conducting overseas offering and listing under the Draft Regulations on Listing. Therefore, if the Draft Regulations on Listing become effective in their current forms, subject to the specific filing procedures and requirements expected to be detailed in implementation rules subsequently, our Directors do not foresee any material impediment for us to comply with the Draft Regulations on Listing in any material aspects.

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

Our PRC Legal Advisers are of the view that, (i) given the Draft Regulations on Listing are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to the Listing as at the date of this prospectus, and (ii) according to the 2021 Negative List, medical institutions like us do not fall within the prohibited areas provided in the 2021 Negative List, and the requirements stipulated in Article 6 of the 2021 Negative List are not applicable to us. Further, as at the date of this prospectus, there has been no effective laws or regulations released by either the CSRC or other relevant industry authorities that explicitly require us to obtain any approval or complete filing procedures for our proposed Listing, and we had not received any inquiry, notice, warning, or sanctions regarding the proposed Listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime or with respect to the VIE structure. Based on the foregoing, our Directors do not foresee the Draft Regulations on Listing or the 2021 Negative List would have any material adverse impact on our proposed Listing, our business operations, our VIE structure or our ability to operate our business through the VIE structure.

Regulations on the management of lease housing

Administrative Measures on Leasing of Commodity Housing

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

Laws and regulations related to labour protection

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

According to (i) the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was implemented on 1 July 2011 and amended on 29 December 2018, (ii) the Provisional Regulations on Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), issued and effected on 22 January 1999 and revised on 24 March 2019, (iii) the Provisional Measures on Maternity Insurance of Enterprise Employees (企業職工生育保險試行辦法), issued on 14 December 1994 and effected 1 January 1995, (iv) the Regulations on Unemployment Insurance (失業保險條例), issued and effective on 22 January 1999, and (v) the Regulations on Work Related Injuries (工傷保險條例), effected on 1 January 2004 and amended on 20 December 2010 and took effect on 1 January 2011, an employer must make contributions to a number of social security funds for its employees, including the basic pension insurance, basic medical insurance, maternity insurance, unemployment insurance and work-related injury insurance. According to the Regulations on Management of Housing Provident Fund (住房公積金管理條例), effected on 3 April 1999 and last amended on 24 March 2019, an employer must open a housing fund account with the department responsible for the management of housing fund for its employees and make contributions to such housing fund.

Laws and regulations related to taxation

Enterprise Income Tax

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

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

The Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the "**SAT Circular 7**") was issued by the SAT on 3 February 2015 and last amended on 29 December 2017, provides comprehensive guidelines heightening the PRC tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets, including assets of organisations and premises in PRC, immovable property in the PRC, equity investments in PRC resident enterprises. On 17 October 2017, the SAT issued the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (關於非居民企業所得稅源泉扣繳有關問題的公告), which took effect on 1 December 2017 and amended on 15 June 2018, the balance after deducting the equity net value from the equity transfer income shall be the taxable income amount for equity transfer income.

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

Tax Treaties

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

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

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

Value-Added Tax

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

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

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

Laws and regulations over foreign exchange

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

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

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

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

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

Laws and regulations related to dividend distribution

The principal laws and regulations governing distribution of dividends of FIEs include the Company Law, the FIL and its implementation of regulations. FIEs in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, FIEs are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital.

BUSINESS DEVELOPMENT

Overview

In 2004, Mr. Wang, our chairman, chief executive officer and executive Director, established the predecessor company of Wenzhou Hospital, which first obtained the Medical Institution Practising License in September 2004 and its business license for operation in November 2004. To allow more flexibility in managing his business as a sole proprietor at the initial stage of development of his business, Mr. Wang had subsequently decided to deregister the aforesaid predecessor company and instead commenced the provision of private dental services to individuals in Wenzhou through establishing an individual proprietorship enterprise (個人獨資企業) in April 2005 (the "**Predecessor Entity**"). In contrast with the comprehensive dental services offered by our Group, the services provided by the Predecessor Entity were of less variety which only covered general dentistry, reparative dentistry and orthodontics and cosmetic dentistry since its establishment. To seize the growth potential of dental market in Wenzhou, with insight and accumulated experience and wide connections in private dental services, Mr. Wang together with Ms. Zheng, co-founded Wenzhou Hospital in March 2011 as a platform for the continuation and further expansion of his dental service business, and the Predecessor Entity was dissolved by way of liquidation. Save for the disposal of certain fixed assets of the Predecessor Entity which were, as confirmed by our Directors, scrapped or no longer functioning properly at the time of its liquidation, all of the business and the remaining assets of the Predecessor Entity were transferred to Wenzhou Hospital.

With an aim to provide dental services to other areas of Wenzhou, we started to expand our dental services to Longgang City in Wenzhou in 2016 by establishing Longgang Hospital, and Rui'an City in Wenzhou in 2017 by establishing Rui'an Branch Hospital. As Lucheng District is one of the most developed area in Wenzhou and is where Grade A buildings and affluent communities are located, leveraging on the economic development and increasing dental demand of Lucheng District, in 2017, we further established Lucheng Hospital to capture the growing demand and enhance our market share in Wenzhou. In November 2021, part of the first phase of our flagship hospital, Wenzhou Oral Care, has been completed and has commenced operation since then.

Business Milestones

Milestones in our business development

The following is a summary of the milestones in our business development:

2011	Wenzhou Hospital was established and designated as a "medical insurance designated medical institution" (醫療保險定點醫療機構)
2013	Wenzhou Hospital was recognised as the "Most Popular Enterprises Awarded by Citizens of Wenzhou" (市民滿意單位)

2014	Wenzhou Hospital was the first dental service provider in Wenzhou offering INVISALIGN® invisible braces to patients
2016	Longgang Hospital (formerly known as Cangnan Hospital) commenced operation
	Wenzhou Hospital was recognised as the Vice President Unit of Wenzhou Private Medical Institutions Association (溫州市非公醫療機構協會副會長單位)
	Wenzhou Hospital was recognised as a member of the Wenzhou Private Medical Institutions Association (溫州市非公醫療機構協會會員單位)
2017	Lucheng Hospital commenced operation
	Wenzhou Hospital was recognised as the 10th Consumer's Trustworthy Enterprise Awards (第十屆消費者信得過單位)
2018	Lucheng Hospital became a "medical insurance designated medical institution" (醫療保險定點醫療機構)
	Wenzhou Hospital was the first authorised institution in Wenzhou offering Nobel Biocare, a type of dental implant imported from Sweden, to patients
	Rui'an Branch Hospital commenced operation
	Cooperated with China Oral Health Foundation (中國牙病防治基金會) to be the designated Clinical Skills Training Centre (臨床技能培訓基地) of the "Pink Activity"*(Note)*
2019	Longgang Hospital became a "medical insurance designated medical institution" (醫療保險定點醫療機構)
2020	Rui'an Branch Hospital became a "medical insurance designated medical institution" (醫療保險定點醫療機構)
	The accumulated number of patients visited Wenzhou Hospital exceeded one million
2021	The first phase of our flagship hospital, Wenzhou Oral Care, commenced operation in November

Note: The "Pink Activity" is a non-profit action organised by the China Oral Health Foundation in which lectures in relation to oral heath are provided by qualified dentists with an aim to improve the dental skills of the dentists in different communities in general.

CORPORATE DEVELOPMENT

We set out below the corporate history and shareholding changes of our Company and the major operating subsidiaries of our Group.

1. Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 November 2019. Our Company is principally engaged in investment holding.

As of the Latest Practicable Date, our Company was held as to 75%, 10%, 10% and 5%, by JTC BVI, Ricon BVI, Meihao BVI and HDS BVI, respectively.

For further details of the corporate development of our Company, please refer to the sub-sections headed "Reorganisation" and "Pre-IPO Investment" in this section.

2. Wenzhou Hospital

Wenzhou Hospital was established in the PRC with limited liability on 8 March 2011 with an initial registered capital of RMB2,900,000. It is principally engaged in the provision of dental services. Upon its establishment, Wenzhou Hospital was held as to 40% and 60% by Mr. Wang and Ms. Zheng, respectively.

On 5 July 2013, to facilitate the decision making process and business development by Mr. Wang, who has been responsible for the strategic planning and external communication and liaison for Wenzhou Hospital's business development since its inception, Ms. Zheng transferred 50% equity interest in Wenzhou Hospital to Mr. Wang at nil consideration accordingly in light of their spousal relationship pursuant to the family arrangement between Mr. Wang and Ms. Zheng with the understanding to facilitate Mr. Wang in carrying out his aforesaid responsibilities. Upon the completion of the said transfer on the same day, Wenzhou Hospital was held as to 90% by Mr. Wang and 10% by Ms. Zheng.

On 10 May 2017, Wenzhou Hospital further increased its registered capital from RMB2,900,000 to RMB20,000,000 pro rata to the respective shareholding of Mr. Wang and Ms. Zheng. Upon completion of the increase in registered capital on 12 May 2017, Wenzhou Hospital was held as to 90% by Mr. Wang and 10% by Ms. Zheng.

As part of the Reorganisation, (i) on 4 December 2019, Mr. Wang transferred 70% and 20% equity interest in Wenzhou Hospital to Dehong Medical and Tianrui Medical, respectively, and Ms. Zheng transferred 10% equity interest in Wenzhou Hospital to Tianrui Medical. Upon completion of the said transfers and up to the Latest Practicable Date, Wenzhou Hospital was held as to 70% by Dehong Medical and 30% by Tianrui Medical; and (ii) on 16 January 2020, Dehong Medical entered into the Contractual Arrangements with Wenzhou Hospital, Tianrui Medical and the Relevant Shareholders, pursuant to which, Dehong Medical has acquired effective control over the 30% equity interest in Wenzhou Hospital held by Tianrui Medical. As at the Latest Practicable Date, the registered capital of Wenzhou Hospital had been fully paid up. For further details of the Reorganisation and the Contractual Arrangements, please refer to the sub-section headed "Reorganisation" in this section and the section headed "Contractual Arrangements" in this prospectus.

3. Longgang Hospital

Longgang Hospital (formerly known as Cangnan Hospital) was established in the PRC with limited liability on 24 August 2015 with a registered share capital of RMB5,000,000, which had been fully paid up as at the Latest Practicable Date. It is principally engaged in the provision of dental services. Upon its establishment, Longgang Hospital was held as to 95% by Mr. Wang and 5% by Mr. Huang Wenbi (黃文筆), an Independent Third Party, who was invited by Mr. Wang to become a minority shareholder of Longgang Hospital upon its establishment in August 2015 in view of Mr. Huang's extensive social and business network in and his knowledge in the local market of Longgang City in general, where Longgang Hospital is located.

Pursuant to the equity transfer agreement dated 30 April 2017, Mr. Wang transferred 95% equity interest in Longgang Hospital to Wenzhou Hospital at a consideration of RMB4,750,000, being the corresponding paid-up capital of Longgang Hospital. Upon the completion of the aforesaid transfer on 19 May 2017, Longgang Hospital was held as to 95% by Wenzhou Hospital and 5% by Mr. Huang Wenbi.

As part of the Reorganisation, (i) on 29 November 2019, Wenzhou Hospital transferred 70% and 25% equity interest in Longgang Hospital to Dehong Medical and Tianrui Medical, respectively. Upon completion of the said transfers and up to the Latest Practicable Date, Longgang Hospital was held as to 70% by Dehong Medical, 25% by Tianrui Medical and 5% by Mr. Huang Wenbi; and (ii) on 16 January 2020, Dehong Medical entered into the Contractual Arrangements with Longgang Hospital, Tianrui Medical and the Relevant Shareholders, pursuant to which, Dehong Medical has acquired effective control over the 25% equity interest in Longgang Hospital held by Tianrui Medical. For further details of the Reorganisation and the Contractual Arrangements, please refer to the sub-section headed "Reorganisation" in this section and the section headed "Contractual Arrangements" in this prospectus.

4. Lucheng Hospital

Lucheng Hospital was established in the PRC with limited liability on 7 June 2016 with an initial registered capital of RMB10,000,000. It is principally engaged in the provision of dental services. Upon its establishment, Lucheng Hospital was owned as to 90% and 10% by Mr. Wang and Mr. Wang Jingyu (son of Mr. Wang and Ms. Zheng), respectively.

On 12 February 2017, Lucheng Hospital increased its registered capital from RMB10,000,000 to RMB50,000,000 pro rata to the respective shareholding of Mr. Wang and Mr. Wang Jingyu. Upon completion of the increase in registered capital on 20 February 2017, Lucheng Hospital was held as to 90% by Mr. Wang and 10% by Mr. Wang Jingyu. As at the Latest Practicable Date, RMB10,885,000 of the registered capital of Lucheng Hospital had been paid up.

As part of the Reorganisation, (i) on 20 November 2019, Mr. Wang transferred 70% and 20% equity interest in Lucheng Hospital to Dehong Medical and Tianrui Medical, respectively, and on 25 November 2019, Mr. Wang Jingyu transferred 10% equity interest in Lucheng Hospital to Tianrui Medical. Upon completion of the said transfers and up to the Latest Practicable Date, Lucheng Hospital was held as to 70% by Dehong Medical and 30% by Tianrui Medical; and (ii) on 16 January 2020, Dehong Medical entered into the Contractual Arrangements with Lucheng Hospital, Tianrui Medical and the Relevant Shareholders, pursuant to which, Dehong Medical has acquired effective control over the 30% equity interest in Lucheng Hospital held by Tianrui Medical. For further details of the Reorganisation and the Contractual Arrangements, please refer to the sub-section headed "Reorganisation" in this section and the section headed "Contractual Arrangements" in this prospectus.

5. Lucheng Children Hospital

Lucheng Children Hospital was established in the PRC with limited liability on 29 October 2019, with a registered capital of RMB5,000,000, which had not been paid up as at the Latest Practicable Date. Upon its establishment and up to the Latest Practicable Date, Lucheng Children Hospital was held as to 70% and 30% by Dehong Medical and Tianrui Medical, respectively, which had not commenced any business operations and had been in the course of applying for the Medical Institution Practising License. Lucheng Children Hospital is expected to obtain the aforesaid practising license and commence its operation in the second quarter of 2023.

As part of the Reorganisation, on 16 January 2020, Dehong Medical entered into the Contractual Arrangements with Lucheng Children Hospital, Tianrui Medical and the Relevant Shareholders, pursuant to which, Dehong Medical has acquired effective control over the 30% equity interest in Lucheng Children Hospital held by Tianrui Medical. For further details of the Reorganisation and the Contractual Arrangements, please refer to the sub-section headed "Reorganisation" in this section and the section headed "Contractual Arrangements" in this prospectus.

6. Wenzhou Oral Care

Wenzhou Oral Care was established in the PRC with limited liability on 21 December 2015, with a registered capital of RMB2,300,000, which had been fully paid-up as at the Latest Practicable Date. It is principally engaged in the provision of dental services. Upon its establishment, Wenzhou Oral Care was held as to 90% and 10% by Mr. Wang and Mr. Wang Jingyu, respectively.

As part of the Reorganisation, (i) on 21 November 2019, each of Mr. Wang and Mr. Wang Jingyu entered into a separate equity transfer agreement with Dehong Medical, pursuant to which Mr. Wang and Mr. Wang Jingyu transferred 90% and 10% equity interest in Wenzhou Oral Care to Dehong Medical both at a nominal consideration of RMB1; (ii) on 13 August 2021, Dehong Medical entered into an equity transfer agreement with Tianrui Medical, pursuant to which Dehong Medical transferred 30% equity interest in Wenzhou Oral Care to Tianrui Medical at the consideration of RMB690,000. Upon completion of the said transfers and up to the Latest Practicable Date, Wenzhou Oral Care was held as to 70% by Dehong Medical and 30% by Tianrui Medical; and (iii) on 26 August 2021, Dehong Medical entered into the Contractual Arrangements with Wenzhou Oral Care, Tianrui Medical and the Relevant Shareholders, pursuant to which, Dehong Medical has acquired effective control over the 30% equity interest in Wenzhou Oral Care held by Tianrui Medical. For further details of the Reorganisation and the Contractual Arrangements, please refer to the sub-section headed "Reorganisation" in this section and the section headed "Contractual Agreements" in this prospectus.

CEASED SUBSIDIARY

Yuhai Hospital

Yuhai Hospital was established in the PRC with limited liability on 4 August 2015 with a registered capital of RMB5,000,000, which had been fully paid up. On 20 May 2017, Wenzhou Hospital acquired Yuhai Hospital from Mr. Wang and Mr. Wang Jingyu at the consideration of RMB3,893,073.86, which was determined based on the then net asset value of Yuhai Hospital as at 30 April 2017, which, taking into account its then current liabilities, mainly comprised advances to its suppliers for the renovation costs and rental deposit for the lease of the business premises of Yuhai Hospital and the acquisition of medical equipment and facilities according to its unaudited management accounts as at 30 April 2017. Immediately prior to the acquisition by Wenzhou Hospital in May 2017, Yuhai Hospital was held as to 90% by Mr. Wang and 10% by Mr. Wang Jingyu, respectively. As part of the Reorganisation in order to simplify its corporate structure, pursuant to two equity transfer agreements both dated 8 March 2019 and their supplemental agreement dated 31 March 2019, Wenzhou Hospital transferred the entire equity interest in Yuhai Hospital to Ms. Huang Birong (黃碧蓉) and Ms. Zhao Yuyun (趙玉雲) (together, the "**Transferees**") at the aggregate consideration of RMB1,352,497.56, which was determined with reference to the net asset value of Yuhai Hospital based on its management accounts as at 31 March 2019. Save for Ms. Zhao Yuyun's directorship in Yuhai Hospital since May 2017, each of Ms. Huang Birong and Ms. Zhao Yuyun did not and does not hold any other directorship in other subsidiaries of our Group, and is an Independent Third Party. Upon completion of the said transfer, Yuhai Hospital ceased to be a subsidiary of Wenzhou Hospital, and no longer forms part of our Group.

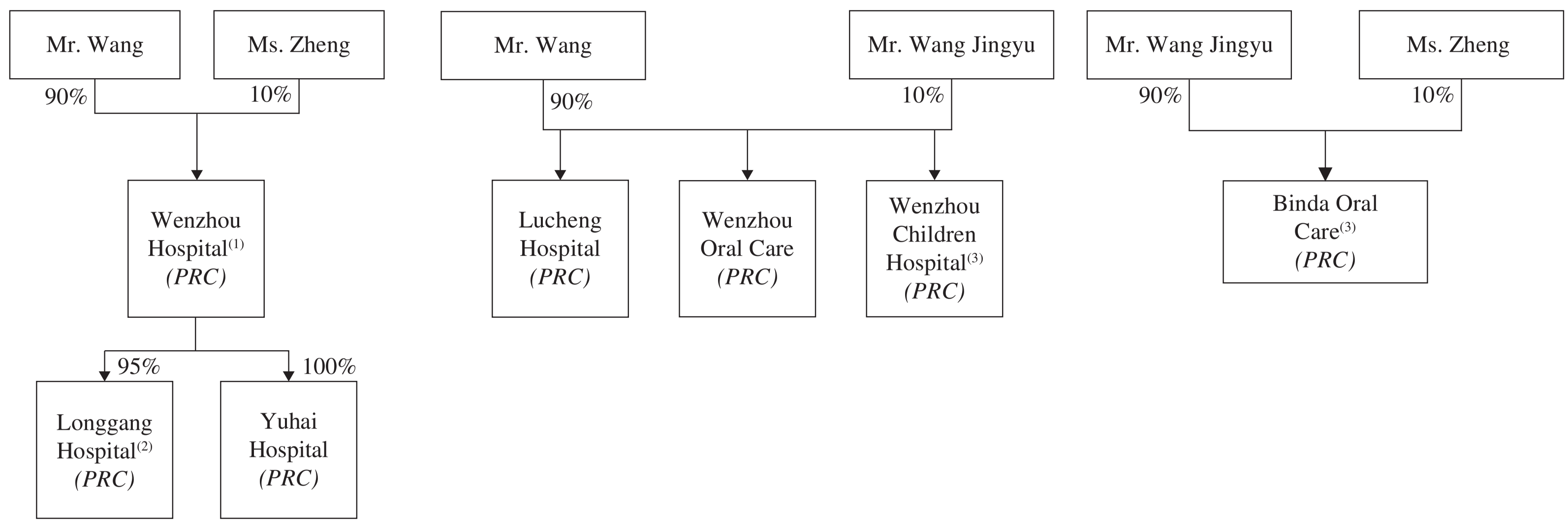
Prior to its disposal in March 2019, Yuhai Hospital had recorded a net loss of approximately RMB1.5 million, RMB0.6 million and RMB0.1 million for the two years ended 31 December 2017 and 2018 and the three months ended 31 March 2019. It had originally been our plan to use Yuhai Hospital as the operating entity for establishment of a new hospital in Rui'an City and certain medical equipment and facilities had already been acquired by Yuhai Hospital in preparation for the establishment of the new hospital. As such, the aforesaid losses of Yuhai Hospital were mainly attributable to the general and administration expenses which mainly included depreciation costs and rental expenses resulted from the initial set up of the business premises of Yuhai Hospital.

Yuhai Hospital had made an application for obtaining the Medical Institution Practising License. However, as confirmed by Mr. Wang, the application process for the aforesaid license had taken more time beyond the expectation of the then management of Yuhai Hospital owing to, according to Mr. Wang's understanding, the prolonged approval process required by the relevant local government authorities of Rui'an City in handling applications for the establishment of private for-profit dental hospitals in Rui'an City as prior to the establishment of Rui'an Branch Hospital, there had been no for-profit private dental hospitals established by individuals in the aforesaid city at the relevant time. To expedite the establishment of the new hospital in Rui'an City in view of the cost incurred for the initial set up of its business premises and the medical equipment and facilities acquired for its operation, instead of obtaining the relevant license for operation by Yuhai Hospital itself, which would require the approval of the relevant local government authorities of Rui'an City, we had subsequently decided to establish a branch hospital in Rui'an City directly through establishing an operating branch of Wenzhou Hospital which commenced operation in April 2018, namely Rui'an Branch Hospital. It operates under the Medical Institution Practising License of Wenzhou Hospital as the approval for which was subject to the relevant healthcare government authority of Wenzhou instead of Rui'an City. According to the interview with the Health Commission of Wenzhou, being the competent authority of Wenzhou Hospital regarding its health administration, the operation of Rui'an Branch Hospital under the Medical Institution Practising License of Wenzhou Hospital is legal and valid under the relevant PRC laws and regulations. Save as aforesaid, our Directors confirmed that our Group had not encountered any major obstacles during the then license application process by Yuhai Hospital. On 31 March 2019, Rui'an Branch Hospital entered into an assets transfer agreement with Yuhai Hospital, pursuant to which Rui'an Branch Hospital acquired certain assets of Yuhai Hospital, being principally the medical equipment and facilities initially acquired by Yuhai Hospital, valued as at 31 March 2019, from Yuhai Hospital at the total consideration of RMB2,272,372.52. Accordingly, immediately before its disposal in March 2019, Yuhai Hospital had never commenced business operations since it had not obtained any relevant license for operation.

Immediately prior to its disposal, Yuhai Hospital was involved in a lawsuit as a defendant in relation to a decoration contract dispute (the "**Litigation**") at the Wenzhou Rui'an City People's Court, Zhejiang Province, the PRC (浙江省溫州市瑞安市人民法院) (the "**Wenzhou People's Court**"), in which Yuhai Hospital was adjudged to pay the Independent Third Party claimant the sum of RMB100,000 together with the interest thereon at the loan prime rate announced by the National Interbank Funding Centre of the PRC (全國銀行間同業拆借中心), calculated from 22 January 2019 to the date when the aforesaid sum is fully paid (the "**Judgment**"). Yuhai Hospital lodged an appeal against the Judgment to the Higher People's Court of Wenzhou (溫州市中級人民法院) (the "**Appeal**"). According to the judgment of the Appeal dated 20 May 2020, the Higher People's Court of Wenzhou rejected the Appeal and upheld the Judgment. As confirmed by the Transferees, at the time of the disposal, they were aware of the Litigation, and they will assume any liabilities, whether recorded or contingent, arising from the Litigation upon the disposal. Our Directors confirm that the Litigation will not have material adverse impact on the suitability of our Directors and our suitability for Listing. Our Directors also confirm that Yuhai Hospital was solvent, and save for the Litigation, was not involved in any other pending or unresolved arbitration or legal proceedings, and did not have any material non-compliances immediately prior to its disposal. According to the case closing notice (結案通知書) issued by the Wenzhou People's Court on 15 October 2020, Yuhai Hospital had fulfilled its payment obligation under the Judgment.

REORGANISATION

Set forth below is the corporate structure of our Group immediately before the Reorganisation:



Notes:

(1) Wenzhou Hospital has a branch company in Rui'an City, Wenzhou.

(2) The remaining 5% equity interest in Longgang Hospital is held by Mr. Huang Wenbi (黄文筆), an Independent Third Party.

(3) Each of Wenzhou Children Hospital and Binda Oral Care had not commenced any business operations as at the Latest Practicable Date and is intended to be platform for our future business expansion.

(4) As part of the Reorganisation, Dehong Medical and Tianrui Medical were established in the PRC with limited liability on 2 August 2019. For further details of the Reorganisation, please refer to the sub-section headed "Reorganisation" in this section.

In preparation for the Global Offering, we carried out a series of restructuring steps for the purpose of establishing and streaming our corporate structure for the Listing and to facilitate our growth and expansion strategy.

1. Disposal of Yuhai Hospital

Pursuant to two equity transfer agreements both dated 8 March 2019 and their supplemental agreement dated 31 March 2019, as part of the Reorganisation, Wenzhou Hospital transferred the entire equity interest in Yuhai Hospital to Ms. Huang Birong (黃碧蓉) and Ms. Zhao Yuyun (趙玉雲) at the aggregate consideration RMB1,352,497.56. Upon completion of the said transfer, Yuhai Hospital ceased to be a subsidiary of Wenzhou Hospital, and no longer forms part of our Group. Please refer to the sub-section headed "Ceased Subsidiary" in this section for further details of Yuhai Hospital.

2. Incorporation of Offshore Investment Holding Companies, our Company, Onshore and Offshore Subsidiaries and WFOE

Dehong Medical

Dehong Medical was established in the PRC with limited liability on 2 August 2019, with a registered capital of RMB10,000,000. Upon its establishment, Dehong Medical was held as to 90% and 10% by Mr. Wang and Ms. Zheng, respectively. Dehong Medical is an investment holding company.

Tianrui Medical

Tianrui Medical was established in the PRC with limited liability on 2 August 2019, with a registered capital of RMB10,000,000. Since its establishment and up to the Latest Practicable Date, Tianrui Medical was held as to 90% and 10% by Mr. Wang and Ms. Zheng, respectively. Tianrui Medical is an investment holding company.

Lucheng Children Hospital

Lucheng Children Hospital was established in the PRC with limited liability on 29 October 2019, with a registered capital of RMB5,000,000. Upon its establishment and up to the Latest Practicable Date, Lucheng Children Hospital was held as to 70% and 30% by Dehong Medical and Tianrui Medical, respectively. As at the Latest Practicable Date, Lucheng Children Hospital had not commenced any business operations and had been in the course of applying for the Medical Institution Practising License. It is expected to obtain the aforesaid license and commence its operation in the second quarter of 2023. For further details of Lucheng Children Hospital, please refer to the sub-section headed "Corporate Development – 5. Lucheng Children Hospital" in this section.

JTC BVI

JTC BVI was incorporated in the BVI with limited liability on 8 November 2019 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each. JTC BVI is principally engaged in investment holding. Upon incorporation, 100 shares were allotted and issued to Mr. Wang at par. Since its incorporation and up to the Latest Practicable Date, JTC BVI was wholly owned by Mr. Wang.

Ricon BVI

Ricon BVI was incorporated in the BVI with limited liability on 8 November 2019 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each. Ricon BVI is principally engaged in investment holding. Upon incorporation, 100 shares were allotted and issued to Mr. Wang at par. Since its incorporation and up to the Latest Practicable Date, Ricon BVI was wholly owned by Mr. Wang.

Meihao BVI

Meihao BVI was incorporated in the BVI with limited liability on 8 November 2019 with an authorised share capital of US$50,000 divided into 50,000 shares with a par value of US$1 each. Meihao BVI is principally engaged in investment holding. Upon incorporation, 100 shares were allotted and issued to Ms. Zheng at par. Since its incorporation and up to the Latest Practicable Date, Meihao BVI was wholly owned by Ms. Zheng.

Our Company

On 18 November 2019, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares with par value of HK$0.01 each. Upon incorporation, one Share was allotted and issued to the initial subscriber, which was transferred to JTC BVI on 21 November 2019. On 21 November 2019, our Company allotted and issued 7,499, 1,500 and 1,000 Shares to JTC BVI, Ricon BVI and Meihao BVI at par, respectively. The aforesaid transfer and allotments had been properly and legally settled, and completed with the register of members of our Company updated on 26 November 2019, following which, our Company was held as to 75%, 15% and 10% by JTC BVI, Ricon BVI and Meihao BVI, respectively.

In relation to the Pre-IPO Investment, on 30 January 2020, JTC BVI, at the instructions of Mr. Wang, transferred 500 Shares to HDS BVI, the wholly-owned investment vehicle of the Pre-IPO Investor, at par. For details of the Pre-IPO Investment by the Pre-IPO Investor, please refer to the sub-section headed "Pre-IPO Investment" in this section below. On the same day, Ricon BVI, at the instructions of Mr. Wang, transferred 500 Shares to JTC BVI at par. Following the aforesaid transfers and as at the Latest Practicable Date, our Company was held as to approximately 75%, 10%, 10% and 5% by JTC BVI, Ricon BVI, Meihao BVI and HDS BVI, respectively.

Yongkang BVI

Yongkang BVI was incorporated in the BVI with limited liability on 20 November 2019 with an authorised share capital of 50,000 shares with no par value. Yongkang BVI is principally engaged in investment holding. Upon incorporation, one share was allotted and issued to our Company at USD1.00. Since its incorporation and up to the Latest Practicable Date, Yongkang BVI was wholly owned by our Company.

Dehong HK

Dehong HK was incorporated in Hong Kong with limited liability on 18 November 2019 with a share capital of HK$1 divided into one share, which was allotted and issued as fully paid to the initial subscriber and was subsequently transferred to Yongkang BVI on 26 November 2019. Dehong HK is principally engaged in investment holding. Since its incorporation and up to the Latest Practicable Date, Dehong HK was wholly owned by Yongkang BVI.

WFOE

WFOE was established as wholly foreign-owned limited liability company in the PRC on 20 December 2019 with a registered capital of US$1,560,000, which had not been paid-up as at the Latest Practicable Date. Since its incorporation and up to the Latest Practicable Date, WFOE was wholly owned by Dehong HK.

3. Acquisition of Wenzhou Hospital, Longgang Hospital and Lucheng Hospital by Dehong Medical and Tianrui Medical

Acquisition of Wenzhou Hospital

On 4 December 2019, (i) Mr. Wang entered into an equity transfer agreement with Dehong Medical, pursuant to which Mr. Wang transferred 70% equity interest in Wenzhou Hospital to Dehong Medical at a consideration of RMB16,100,000; and (ii) each of Mr. Wang and Ms. Zheng entered into a separate equity transfer agreement with Tianrui Medical, pursuant to which Mr. Wang and Ms. Zheng transferred 20% and 10% equity interest in Wenzhou Hospital to Tianrui Medical at the consideration of RMB4,600,000 and RMB2,300,000, respectively.

The consideration of each of the abovementioned transfers of RMB23,000,000 in aggregate was determined with reference to the fair value of Wenzhou Hospital based on the then net asset value of Wenzhou Hospital as at 30 September 2019, a majority of which, taking into account its then total liabilities, comprised medical and office equipment and related facilities, cash and cash equivalents, financial assets at fair value through profit or loss and other receivables according to its unaudited management accounts as at 30 September 2019. The aforesaid transfers were properly, legally and fully settled in December 2019. Upon completion of the said transfers on 4 December 2019, Wenzhou Hospital was held as to 70% and 30% by Dehong Medical and Tianrui Medical, respectively.

Acquisition of Longgang Hospital

On 29 November 2019, (i) Wenzhou Hospital entered into an equity transfer agreement with Dehong Medical, pursuant to which Wenzhou Hospital transferred 70% equity interest in Longgang Hospital to Dehong Medical at a consideration of RMB3,500,000; and (ii) Wenzhou Hospital entered into an equity transfer agreement with Tianrui Medical, pursuant to which Wenzhou Hospital transferred 25% equity interest in Longgang Hospital to Tianrui Medical at a consideration of RMB1,250,000.

The consideration of each of the abovementioned transfers was determined with reference to the registered capital of Longgang Hospital. The aforesaid transfers were properly, legally and fully settled in December 2019. Upon completion of the said transfers on 5 December 2019, Longgang Hospital was held as to 70% by Dehong Medical, 25% by Tianrui Medical and 5% by Mr. Huang Wenbi, an Independent Third Party.

Acquisition of Lucheng Hospital

On 20 November 2019, (i) Mr. Wang entered into an equity transfer agreement with Dehong Medical, pursuant to which Mr. Wang transferred 70% equity interest in Lucheng Hospital to Dehong Medical at a consideration of RMB7,619,500; and (ii) Mr. Wang entered into an equity transfer agreement with Tianrui Medical, pursuant to which Mr. Wang transferred 20% equity interest in Lucheng Hospital to Tianrui Medical at a consideration of RMB2,177,000. On 25 November 2019, Mr. Wang Jingyu entered into an equity transfer agreement with Tianrui Medical, pursuant to which Mr. Wang Jingyu transferred 10% equity interest in Lucheng Hospital to Tianrui Medical at a consideration of RMB1,088,500.

The consideration of each of the abovementioned transfers of RMB10,885,000 in aggregate was determined with reference to the corresponding paid-up registered capital of Lucheng Hospital as contributed by each of Mr. Wang and Mr. Wang Jingyu. The aforesaid transfers were properly, legally and fully settled in December 2019. Upon completion of the said transfers on 29 November 2019, Lucheng Hospital was held as to 70% and 30% by Dehong Medical and Tianrui Medical, respectively.

4. Acquisition of Wenzhou Oral Care, Wenzhou Children Hospital and Binda Oral Care by Dehong Medical

Acquisition of Wenzhou Oral Care

Wenzhou Oral Care was established in the PRC with limited liability on 21 December 2015, with a registered capital of RMB2,300,000, which had been fully paid-up as at the Latest Practicable Date. Upon its establishment, Wenzhou Oral Care was held as to 90% and 10% by Mr. Wang and Mr. Wang Jingyu, respectively.

On 21 November 2019, each of Mr. Wang and Mr. Wang Jingyu entered into a separate equity transfer agreement with Dehong Medical, pursuant to which Mr. Wang and Mr. Wang Jingyu transferred 90% and 10% equity interest in Wenzhou Oral Care to Dehong Medical both at a nominal consideration of RMB1.

The consideration of each of the abovementioned transfers was determined with reference to the fair value of Wenzhou Oral Care based on its management accounts as at 30 September 2019. The aforesaid transfers were properly, legally and fully settled in January 2020. Upon completion of the said transfers on 21 November 2019, Wenzhou Oral Care was wholly owned by Dehong Medical.

Acquisition of Wenzhou Children Hospital

Wenzhou Children Hospital was established in the PRC with limited liability on 11 November 2016, with a registered capital of RMB5,000,000, which had not been paid up as at the Latest Practicable Date. Upon its establishment, Wenzhou Children Hospital was held as to 90% and 10% by Mr. Wang and Mr. Wang Jingyu, respectively.

On 25 November 2019, each of Mr. Wang and Mr. Wang Jingyu entered into a separate equity transfer agreement with Dehong Medical, pursuant to each of which Mr. Wang and Mr. Wang Jingyu transferred 90% and 10% equity interest in Wenzhou Children Hospital to Dehong Medical both at a nominal consideration of RMB1.

The consideration of each of the abovementioned transfers was determined with reference to the fair value of Wenzhou Children Hospital based on its management accounts as at 30 September 2019. The aforesaid transfers were properly, legally and fully settled in January 2020. Upon completion of the said transfers on 25 November 2019, Wenzhou Children Hospital was wholly owned by Dehong Medical.

Acquisition of Binda Oral Care

Binda Oral Care was established in the PRC with limited liability on 31 July 2015, with a registered capital of RMB10,000,000. As at the Latest Practicable Date, RMB20,000 of the registered capital of Binda Oral Care had been paid up. Upon its establishment, Binda Oral Care was held as to 90% and 10% by Mr. Wang Jingyu and Ms. Zheng, respectively.

On 5 December 2019, each of Mr. Wang Jingyu and Ms. Zheng entered into a separate equity transfer agreement with Dehong Medical, pursuant to each of which Mr. Wang Jingyu and Ms. Zheng transferred 90% and 10% equity interest in Binda Oral Care to Dehong Medical at the consideration of RMB18,000 and RMB2,000, respectively.

The consideration of each of the aforesaid transfers of RMB20,000 in aggregate was determined with reference to the corresponding paid-up registered capital of Binda Oral Care as contributed by each of Mr. Wang Jingyu and Ms. Zheng. The aforesaid transfers were properly, legally and fully settled in December 2019. Upon completion of the said transfers on 6 December 2019, Binda Oral Care was wholly owned by Dehong Medical.

5. Implementation of the Contractual Arrangements

For the purpose of implementing the Contractual Arrangements, the following structured contracts were entered into on 16 January 2020, details of which are set out in the section headed "Contractual Arrangements" in this prospectus:

(a) Exclusive Operation Services Agreement;

(b) Exclusive Option Agreements;

(c) Equity Pledge Agreements; and

(d) Shareholders' Rights Entrustment Agreements and Powers of Attorney.

6. Transfer of 5% equity interest in Dehong Medical from Mr. Wang to Health Dental HK

On 10 December 2019, pursuant to the arrangements under the Pre-IPO Investment, Mr. Wang transferred 5% equity interest in Dehong Medical to Health Dental HK, the then investment vehicle wholly owned by the Pre-IPO Investor, at a consideration of RMB2,011,900, which was determined after arm's length negotiation between the parties by reference to, among others, the then net asset value of Dehong Medical as at 30 September 2019 as appraised by an independent valuer in the PRC with reference to the then net asset value of our Group's operating subsidiaries as at 30 September 2019, taking into account its then total liabilities, comprising mainly cash and cash equivalents, financial assets at fair value through profit or loss, other receivables and medical and office equipment and related facilities. For further details of the Pre-IPO Investment, please refer to the sub-section headed "Pre-IPO Investment" in this section below.

Upon completion of the relevant registrations and approvals of the governmental authorities on 23 December 2019 and the full settlement of the abovementioned consideration on 20 December 2019, Dehong Medical was held as to 85%, 10% and 5% by Mr. Wang, Ms. Zheng and Health Dental HK, respectively, and changed from a domestic enterprise into a sino-foreign joint venture.

7. Acquisition of 95% equity interest in Dehong Medical from Mr. Wang and Ms. Zheng by WFOE

Each of Mr. Wang and Ms. Zheng entered into a separate equity transfer agreement on 25 December 2019 and a separate supplemental agreement on 20 January 2020 with WFOE, pursuant to each of which Mr. Wang and Ms. Zheng transferred 85% and 10% equity interest in Dehong Medical to WFOE at the consideration of RMB22,300,386.92 and RMB2,623,574.93, respectively.

The consideration of each of the abovementioned transfers of approximately RMB25 million in aggregate was determined based on the net asset value of Dehong Medical as appraised by an independent valuer in the PRC. The aforesaid transfers were properly, legally and fully settled in March 2020. After completion of the filings with the relevant MOFCOM department and the local Administration of Industry and Commerce department in relation to the said transfers on 10 January 2020 and up to the Latest Practicable Date, Dehong Medical was held as to 95% and 5% by WFOE and Health Dental HK, respectively.

8. Acquisition of Health Dental HK from Dr. Zheng Ying by our Company

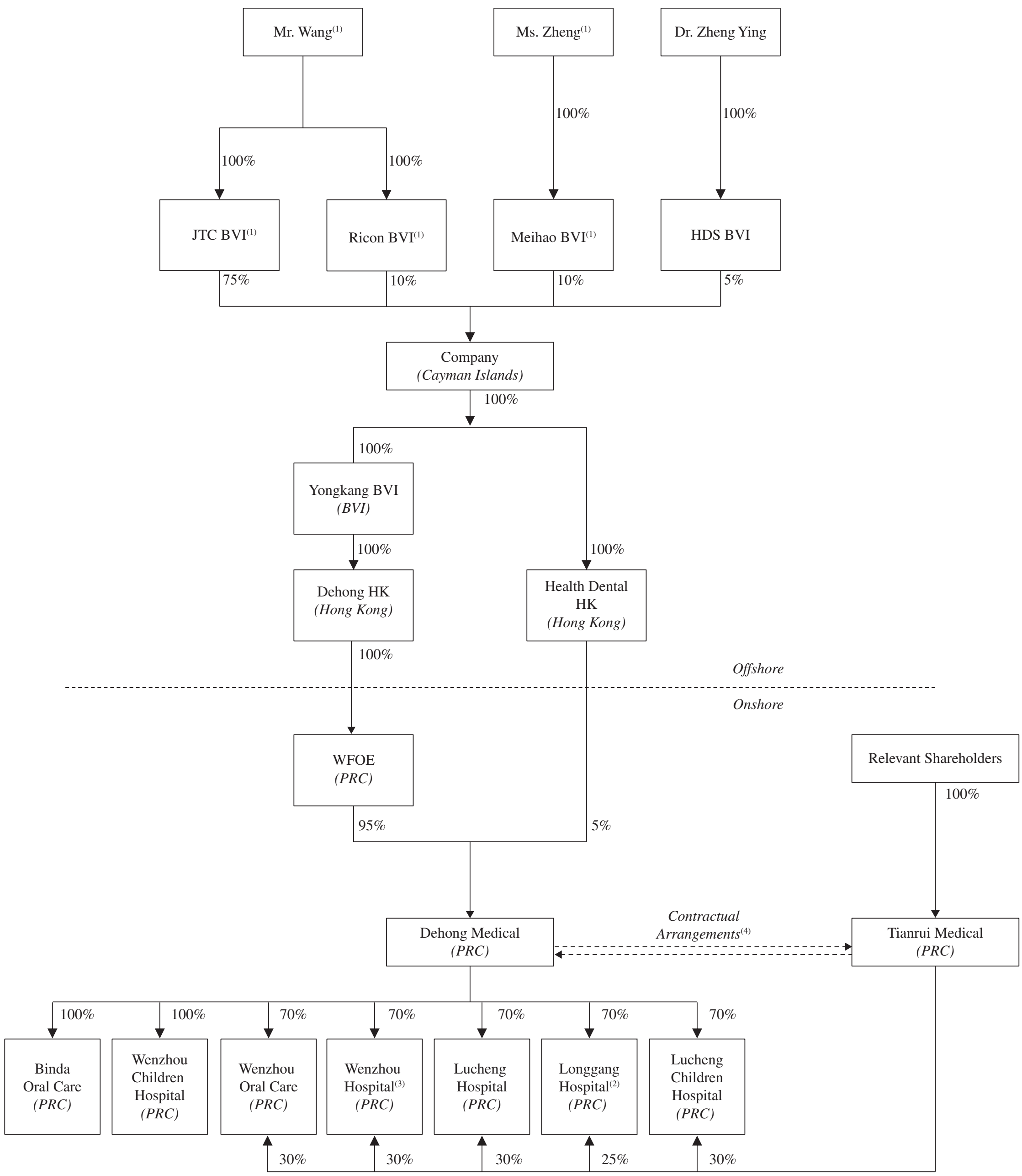
On 3 February 2020, pursuant to the arrangements under the Pre-IPO Investment and as part of the Reorganisation, our Company acquired the entire issued share capital of Health Dental HK from Dr. Zheng Ying at par. Upon completion of the aforesaid acquisition on 3 February 2020, Health Dental HK became a wholly-owned subsidiary of our Company. For further details of the Pre-IPO Investment, please refer to the sub-section headed "Pre-IPO Investment" in this section.

9. Transfer of 30% equity interest in Wenzhou Oral Care from Dehong Medical to Tianrui Medical

To comply with the relevant PRC laws and regulations relating to foreign ownership restriction in respect of the commencement of operation of Wenzhou Oral Care, on 13 August 2021, Dehong Medical entered into an equity transfer agreement with Tianrui Medical, pursuant to which Dehong Medical transferred 30% equity interest in Wenzhou Oral Care to Tianrui Medical at the consideration of RMB690,000 which was determined based on the registered capital Wenzhou Oral Care. The aforesaid transfer was properly, legally and fully settled in August 2021. Upon completion of the said transfer on 13 August 2021 and up to the Latest Practicable Date, Wenzhou Oral Care was held as to 70% and 30% by Dehong Medical and Tianrui Medical, respectively.

For the purpose of implementing the Contractual Arrangements, separate set of the Structured Contracts relating to the inclusion of Wenzhou Oral Care as one of the VIE Entities were entered into on 26 August 2021. For further details, please refer to the section headed "Contractual Arrangements" in this prospectus.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Global Offering:



Notes:

(1) Mr. Wang, Ms. Zheng, JTC BVI, Ricon BVI and Meihao BVI are regarded as a group of Controlling Shareholders.

(2) The remaining 5% equity interest in Longgang Hospital is held by Mr. Huang Wenbi (黃文筆), an Independent Third Party.

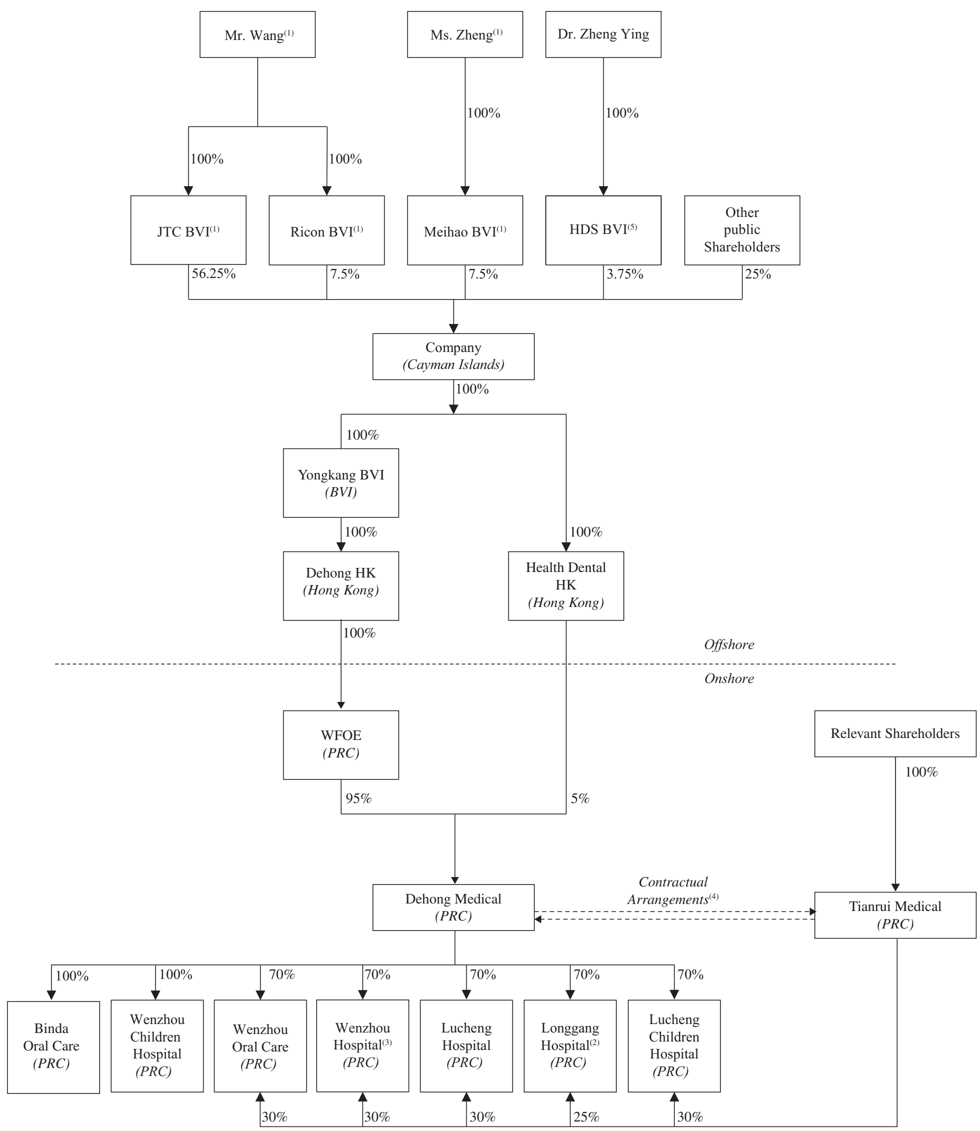
(3) Wenzhou Hospital has a branch company in Rui'an City, Wenzhou.

(4) Dehong Medical has entered into the Contractual Arrangements with Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital, Wenzhou Oral Care, Tianrui Medical and the Relevant Shareholders, whereby Dehong Medical is entitled to exercise effective control over the equity interest in each of Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital and Wenzhou Oral Care held by Tianrui Medical. Please refer to the section headed "Contractual Arrangements" in this prospectus for further information.

GLOBAL OFFERING AND CAPITALISATION ISSUE

Conditional upon the creation of our Company's share premium account as a result of the issue of the Offer Shares pursuant to the Global Offering, our Directors are authorised to capitalise an amount of HK$4,499,900 standing to the credit of the share premium account of our Company by applying such sum towards paying up in full at par a total of 449,990,000 Shares for allotment and issue to the then existing Shareholders.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme:



Notes:

(1) Mr. Wang, Ms. Zheng, JTC BVI, Ricon BVI and Meihao BVI are regarded as a group of Controlling Shareholders.

(2) The remaining 5% equity interest in Longgang Hospital is held by Mr. Huang Wenbi (黃文筆), an Independent Third Party.

(3) Wenzhou Hospital has a branch company in Rui'an City, Wenzhou.

(4) Dehong Medical has entered into the Contractual Arrangements with Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital, Wenzhou Oral Care, Tianrui Medical and the Relevant Shareholders, whereby Dehong Medical is entitled to exercise effective control over the equity interest in each of Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital and Wenzhou Oral Care held by Tianrui Medical. Please refer to the section headed "Contractual Arrangements" in this prospectus for further information.

(5) Each of HDS BVI and Dr. Zheng Ying has voluntarily given a lock-up undertaking commencing on the date by reference to which HDS BVI first became a beneficial owner of our Company and expiring on the date which is six months from the Listing Date to our Company, the Joint Sponsors and the Overall Coordinator (for itself and on behalf of the Underwriters) in respect of, any of those Shares in respect of which it is shown by this prospectus to be the beneficial owner. The Shares held by HDS BVI will be counted towards public float after the Listing for the purpose of Rule 8.08 of the Listing Rules.

PRE-IPO INVESTMENT

The following table summarises the details of the investment by the Pre-IPO Investor:

Name of the Pre-IPO Investor	Dr. Zheng Ying (鄭穎)
Information of the Pre-IPO Investor	Dr. Zheng Ying is a registered dental practitioner in Hong Kong with a focus on periodontology who has over 10 years of experience in the dental field. She is concurrently serving as an honorary clinical assistant professor of the Department of Periodontology of The University of Hong Kong and a general practitioner at Prime Dental Clinic in Hong Kong. Dr. Zheng Ying has also been actively participated in academic research with a focus on genetic risk factors of periodontal disease. She has been a fellow of International College of Dentists since 2016. Save for her previous directorship in Health Dental HK prior to the completion of the Reorganisation, Dr. Zheng Ying did not hold any other directorship in other subsidiaries of our Group, and is an Independent Third Party. Dr. Zheng Ying was first introduced to Mr. Wang in 2017 by a mutual acquaintance and their discussion in relation to the Pre-IPO Investment commenced in around September 2019. Dr. Zheng Ying is confident in the growth potential and prospects of the dental service industry in the PRC, in particular, in Zhejiang Province, and is also optimistic about the potential business growth of our Group, and therefore decided to invest in our Group. Our Directors believe that the investment by Dr. Zheng Ying demonstrates the confidence of Dr. Zheng Ying in our Group and serves as an endorsement of our Group's performance, strength and prospects.

In addition, our Directors believe that, leveraging on Dr. Zheng Ying's practising experience in periodontology in Hong Kong, where both the dental service market and the expertise of dentists is comparatively maturer than that of the PRC, coupled with her research expertise developed in an internationally recognised dental school in Hong Kong, with a reputation of being the leading dental faculty in Asia, the investment by Dr. Zheng Ying will bring strategic benefits to our Group, particularly through our future collaboration in respect of:

(i) professional development for our personnel through academic exchange with our dentists and other medical professionals in relation to her professional skills and expertise, and practising experience, which share common transferable skills in the dental field with our personnel. Leveraging on her personal network in the dental field, Dr. Zheng Ying will also help invite and arrange some PRC, Hong Kong and international experts specialising in various dental service sectors to guide and conduct clinical work, as well as, to offer regular dental training programmes for our personnel; and

(ii) introduction of new dental materials and/or technologies, such as minimally invasive periodontal surgery to the PRC through cooperating with our hospitals to conduct clinical research for subsequent applications in our dental service sectors.

Details of investment	Pursuant to (i) the equity transfer agreement dated 10 December 2019 entered into between Mr. Wang and Health Dental HK (the then wholly-owned investment vehicle of Dr. Zheng Ying) and (ii) the acquisition agreement dated 10 December 2019 entered into among Mr. Wang, Ms. Zheng and Health Dental HK (together, the "**Investment Agreements**"), Health Dental HK acquired 5% equity interest in Dehong Medical from Mr. Wang at a consideration of RMB2,011,900. To reflect the investment of Health Dental HK at our Company's level, JTC BVI, at the instructions of Mr. Wang, transferred 500 Shares to HDS BVI (the wholly-owned investment vehicle of Dr. Zheng Ying) at par correspondingly on 30 January 2020. As part of the Reorganisation, Dr. Zheng Ying then transferred the entire issued share capital of Health Dental HK to our Company at par on 3 February 2020. Upon completion of the aforesaid transfers, Dr. Zheng Ying, through HDS BVI, held 5% of the issue share capital of our Company and Health Dental HK became a wholly-owned subsidiary of our Company. For further details of the Reorganisation, please refer to the sub-section headed "Reorganisation" in this section.
Amount of consideration	HK$2,242,000 (equivalent to approximately RMB2,012,400 based on the exchange rate of HK$1.00 to RMB0.8976 as at 2 December 2019), which was determined after arm's length negotiation between the parties by reference to, among others, the then net asset value of Dehong Medical as at 30 September 2019 as appraised by an independent valuer in the PRC with reference to the then net asset value of our Group as at 30 September 2019, taking into account its then total liabilities, comprising mainly cash and cash equivalents, prepayments and other receivables and property and equipment.
Settlement date of consideration	20 December 2019 (payment of consideration received on 7 January 2020)

Number of Shares subscribed	500 Shares (representing approximately 5% of the issued share capital of our Company at the time of the investment)
Number of Shares held by the Pre-IPO Investor upon completion of the Capitalisation Issue and the Global Offering	22,500,000 Shares ((i) representing approximately 5% of the issued share capital of our Company upon the completion of the Capitalisation Issue but without taking into account the new Shares to be issued pursuant to the Global Offering; and (ii) representing approximately 3.75% of the issued share capital of our Company upon completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and taking into no account of the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme))
Cost per Share paid by the Pre-IPO Investor (taking into account the Capitalisation Issue)	Approximately HK$0.10 (representing a discount of approximately 89.13% to the mid-point of the indicative Offer Price range of HK$0.84 to HK$1.00)
Special rights	Neither Health Dental HK nor Dr. Zheng Ying was given any special rights with respect to its/her investment pursuant to the Investment Agreements.
Lock-up and public float	The terms of the Investment Agreements did not impose any lock-up obligations over the Shares held by HDS BVI upon Listing. Each of HDS BVI and Dr. Zheng Ying has voluntarily given a lock-up undertaking commencing on the date by reference to which HDS BVI first became a beneficial owner of our Company and expiring on the date which is six months from the Listing Date to our Company, the Joint Sponsors and the Overall Coordinator (for itself and on behalf of the Underwriters) in respect of, any of those Shares in respect of which it is shown by this prospectus to be the beneficial owner. The Shares held by the HDS BVI will be counted towards public float after the Listing for the purpose of Rule 8.08 of the Listing Rules.

Use of proceeds	Not applicable. The consideration was paid by Health Dental HK to Mr. Wang.

Joint Sponsors' confirmation

After reviewing the terms of the Investment Agreements and given that (i) our Directors confirmed that the terms of the Pre-IPO Investment (including the consideration) were determined on arm's length basis; and (ii) the Pre-IPO Investment was completed more than 28 clear days before the date of submission of the application for the Listing, the Joint Sponsors confirm that the Pre-IPO Investment is in compliance with the Guidance Letters HKEx-GL29-12 (January 2012) (updated in March 2017), HKEx-GL43-12 (October 2012) (updated in July 2013 and March 2017) and HKEx-GL44-12 (October 2012) (updated in March 2017) issued by the Stock Exchange.

PRC LEGAL COMPLIANCE

Our PRC Legal Advisers have confirmed that the Reorganisation in relation to the share transfers and capital contribution in respect of our PRC subsidiaries, namely Dehong Medical, WFOE, Tianrui Medical, Binda Oral Care, Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Wenzhou Oral Care, Wenzhou Children Hospital and Lucheng Children Hospital, as disclosed in this section has been conducted in compliance with applicable PRC laws and regulations in all material respects, and duly registered with local registration authorities of the PRC.

M&A Provisions

According to the M&A Provisions, where a domestic company, enterprise or natural person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM; and where a domestic company, enterprise or natural person holds an equity interest in a domestic company through an offshore special purpose company, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

Since the Pre-IPO Investor is not a related party to Dehong Medical and its then Shareholders, as confirmed by our Directors, our PRC Legal Advisers advised that Article 11 of the M&A Provisions does not apply to the acquisition of 5% equity interest in Dehong Medical by the Pre-IPO Investor from Mr. Wang and no approval from MOFCOM is required; given that Dehong Medical is an existing foreign-invested enterprise prior to the acquisition of 95% equity interest in Dehong Medical by WFOE, Article 11 of the M&A Provisions does not apply to the aforesaid acquisition.

SAFE registration in the PRC

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "**SAFE Circular No. 37**"), promulgated by SAFE and which became effective on 14 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to the SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Notice on Further Simplifying and Improving Foreign Exchange Administration Policies in respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**SAFE Circular No. 13**"), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, Mr. Wang and Ms. Zheng have completed the initial registration with respect to JTC BVI, Ricon BVI and Meihao BVI under the SAFE Circular No. 13 and the SAFE Circular No. 37 in relation to the Reorganisation.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

Our Company is principally engaged in the provision of dental medical services through operating dental hospitals in Zhejiang Province. According to the Negative Lists (as defined below), medical institutions fall within the "restricted" investment category, and therefore may not be held 100% by foreign investments, and foreign investments are restricted to the form of joint venture. For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulatory Overview" in this prospectus.

Our VIE Entities are Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital and Wenzhou Oral Care, which were established under the laws of the PRC. We do not directly own 100% equity interest in the VIE Entities. Each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care is currently held as to 70% by Dehong Medical and 30% by Tianrui Medical, while Longgang Hospital is owned as to 70%, 25% and 5% by Dehong Medical, Tianrui Medical and Mr. Huang Wenbi (黃文筆), an Independent Third Party, who was invited by Mr. Wang to become a minority shareholder of Longgang Hospital upon its establishment in August 2015 in view of Mr. Huang's extensive social and business network, as well as his knowledge in the local market of Longgang City in general, where Longgang Hospital is located.

In order to comply with PRC laws and regulations and maintain effective control over all of our operations, we entered into the Contractual Arrangements on 16 January 2020 and 26 August 2021. Through shareholdings and the Contractual Arrangements, Dehong Medical has acquired (i) effective control over the financial and operational policies of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and has become entitled to all the economic benefits from their operations; and (ii) effective control over the financial and operational policies of Longgang Hospital and has become entitled to 95% of the economic benefits from its operations. We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restrictions in the PRC. Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between Dehong Medical (our indirectly wholly-owned domestic subsidiary), the Relevant Shareholders, Tianrui Medical and the VIE Entities, (ii) by entering into the Exclusive Operation Services Agreements as defined below with Dehong Medical, the VIE Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTION

The Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019) (外商投資准入特別管理措施(負面清單)(2019年版)) (the "**2019 Negative List**") stipulate that foreign investors are permitted to invest only in Sino-foreign equity and cooperative joint venture medical institutions. However, the 2019 Negative List does not expressly stipulate the percentage of equity interest or interest indirectly held by a foreign investor in a medical institution by means of domestic investment by a foreign-invested enterprise. On 23 June 2020 and 27 December 2021, the NDRC and the MOFCOM have jointly promulgated the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020) (外商投資准入特別管理措施(負面清單) (2020年版)) (the "**2020 Negative List**") and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單) (2021年版)) (the "**2021 Negative List**") respectively. The 2020 Negative List and the 2021 Negative List came into effect on 23 July 2020 and 1 January 2022, respectively, and the 2021 Negative List has replaced the 2019 Negative List and the 2020 Negative List. According to the 2021 Negative List, foreign investors are permitted to invest in medical institutions in the form of joint ventures.

Pursuant to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法) (the "**Interim Administrative Measures on Sino-Foreign Equity Medical Institutions**"), which allow foreign investors to partner with Chinese medical entities to establish a healthcare institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture are subject to certain requirements, including the minimum 30% equity percentage held by the Chinese partner in the joint venture. These investor qualification requirements and establishment criteria may be relaxed where the foreign-invested medical institution is to be established in Central and Western China or areas inhabited by more elderly, ethnic-minorities and poorer demographics.

Our PRC Legal Advisers consulted Zhejiang Ministry of Commerce (浙江省商務廳) ("**Zhejiang MOFCOM**") and Health Commission of Zhejiang Province (浙江省衛生健康委員會) ("**Zhejiang Health Commission**"). According to the deputy director of the foreign investment department in Zhejiang MOFCOM (浙江省商務廳外商投資處), there is no regional requirement on the percentage of equity interest held by a foreign investor in a medical institution in Zhejiang Province, and the relevant national regulatory requirements shall apply, and the shareholding percentage indirectly held by a foreign investor in medical institutions is also capped at 70%. According to the principal staff member of the medical administration and drug policy division in Zhejiang Health Commission (浙江省衛生健康委員會醫政醫管與藥物政策處), as long as the relevant industry and commerce department determines the aforesaid shareholding percentage to be capped at 70%, Zhejiang Health Commission would not have objection to such shareholding percentage regardless of any corporate structure as adopted by the medical institutions. Our PRC Legal Advisers have advised us that Zhejiang MOFCOM and Zhejiang Health Commission are competent authorities in respect of foreign investments, and are of the view that our Company, as a foreign entity, shall not hold more than 70% of the equity interest in any medical institutions in Wenzhou.

Our Company is primarily engaged in the provision of dental medical services in the PRC. According to the Negative Lists, medical institutions fall within the "restricted" investment category, and therefore may not be held 100% by foreign investments. Foreign investments are also restricted to the form of joint venture, except for investments by qualified service providers as defined under Notice of Expanding the Territorial Scope for Hong Kong and Macao Service Suppliers to Establish Wholly-Owned Hospitals in the Mainland (關於擴大香

港和澳門服務提供者在內地設立獨資醫院地域範圍的通知), the Mainland and Hong Kong Closer Economic Partnership Arrangement and its supplemental Agreements (內地與香港關於建立更緊密經貿關係的安排及其補充協議), Interim Measures for the Administration of Hong Kong and Macao Service Providers' Establishment of Sole Proprietorship Hospitals in the Mainland (香港和澳門服務提供者在內地設立獨資醫院管理暫行辦法), and Notice Concerning Establishment of Medical Institutions in the Mainland by Hong Kong and Macao Service Providers (關於香港和澳門服務提供者在內地設立醫療機構有關問題的通知). Furthermore, as advised by our PRC Legal Advisers, in accordance with the abovementioned provisions and their interviews with the relevant government authorities, our Company, as a foreign entity, shall not hold more than 70% of the equity interest in any medical institution in Wenzhou (the "**Foreign Ownership Restriction**"). For further details of the Foreign Ownership Restriction, please see the section headed "Regulatory Overview" in this prospectus. As such, our Company, through Dehong Medical, currently holds 70% equity interest in each of Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Lucheng Children Hospital and Wenzhou Oral Care, respectively. On the other hand, Tianrui Medical, which is held by the Relevant Shareholders, being domestic entities, holds 30% equity interest in each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and 25% in Longgang Hospital.

The Contractual Arrangements are narrowly tailored to address solely the Foreign Ownership Restriction as set forth in the above paragraph. The Contractual Arrangements are also narrowly tailored to achieve the business purposes of our Company and to minimise the potential for conflict with relevant PRC laws and regulations.

Circumstances in which we will unwind the Contractual Arrangements

With regards to the Contractual Arrangements, if and when MOFCOM and/or other relevant governmental departments promulgate any measures for the administration of foreign-invested enterprises engaging in dental medical services business or such entities invested by foreign investors, depending on the limit of the percentage equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Entities up to the percentage limit prescribed by such measures; and if there is no prescribed limit of the percentage equity interest permitted to be held by foreign investors and that our Company would be allowed to directly hold all of the equity interest in Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and 95% of the equity interest in Longgang Hospital, we will fully unwind the Contractual Arrangements and directly hold the entire equity interest in each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and 95% equity interest in Longgang Hospital.

PRC laws and regulations related to overseas listing

According to Article 6 of the 2021 Negative List which took effect on 1 January 2022, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors.

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

On 24 December 2021, the CSRC released the Draft Regulations on Listing for public comments. Pursuant to the Draft Regulations on Listing, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Overseas offerings and listings (i) that are prohibited by specific laws and regulations, (ii) that constitute threat to or endanger national security as reviewed and determined by competent authorities, (iii) that involve material ownership disputes, (iv) where the PRC domestic companies, their controlling shareholder or actual controller are involved in certain criminal offence, or directors, supervisors and senior management of the issuer involved in certain criminal offence or administrative penalties, (together, the "**Prohibited Circumstances**") among other circumstances, are explicitly forbidden. Based on the public searches conducted by our PRC Legal Advisers against our PRC-incorporated subsidiaries, our Controlling Shareholders, our Directors and senior management, and to the best knowledge of our Directors, during the Track Record Period, none of them had been involved in criminal offenses or material administrative penalties stipulated which would prohibit us from seeking an overseas offering and listing under the Draft Regulations on Listing. To the best knowledge of our Directors, and after the public searches conducted by our PRC Legal Advisers, we believe that we do not fall within any of the Prohibited Circumstances which would prohibit us from conducting overseas offering and listing under the Draft Regulations on Listing. Therefore, if the Draft Regulations on Listing become effective in their current forms, subject to the specific filing procedures and requirements expected to be detailed in implementation rules subsequently, our Directors do not foresee any material impediment for us to comply with the Draft Regulations on Listing in any material aspects.

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

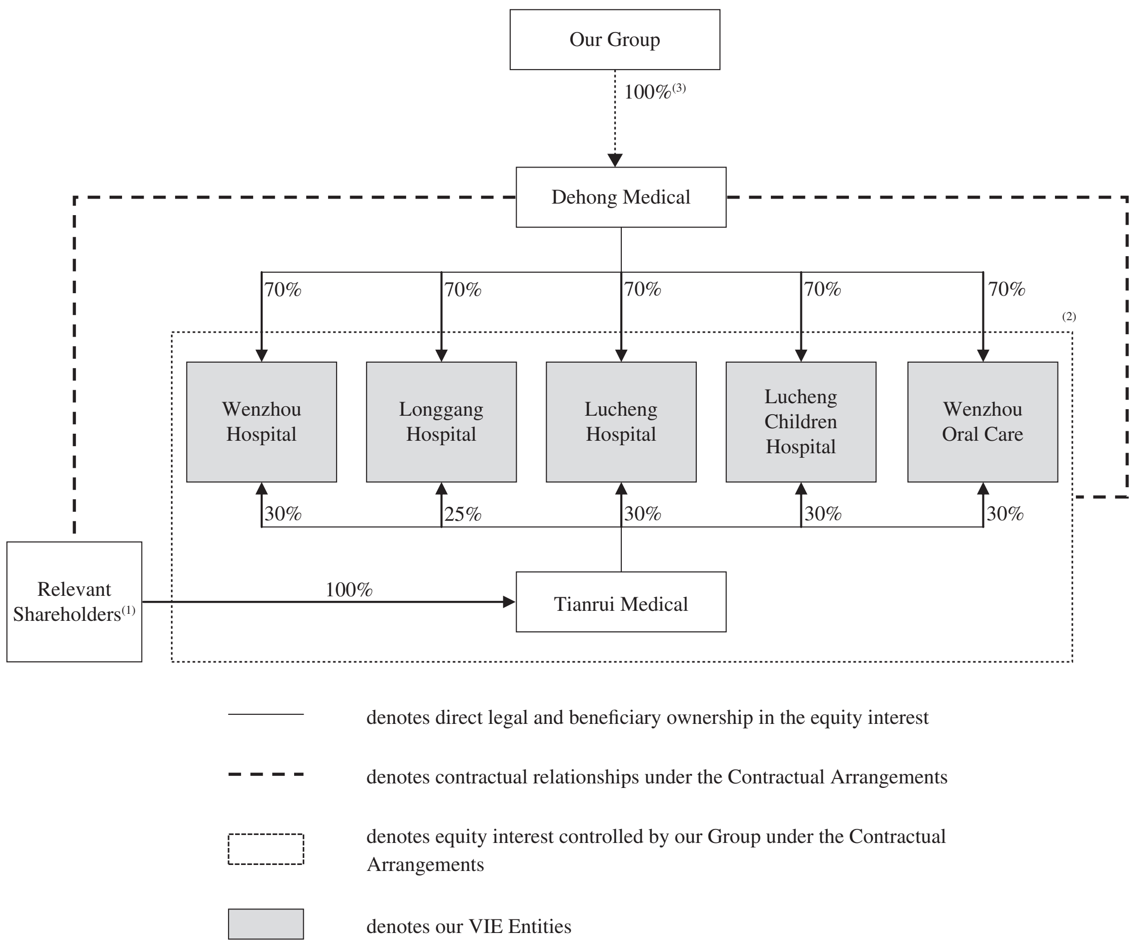
Our PRC Legal Advisers are of the view that, (i) given the Draft Regulations on Listing are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Draft Regulations on Listing with respect to this Listing as of the date of this prospectus, and (ii) according to the 2021 Negative List, medical institutions like us do not fall within the prohibited areas provided in the 2021 Negative List, therefore the requirements stipulated in Article 6 of the 2021 Negative List are not applicable to us. Further, as of the date of this prospectus, we had not received any inquiry, notice, warning, or sanctions regarding the proposed Listing or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime or with respect to the VIE structure. Based on the foregoing, our Directors do not foresee the Draft Regulations on Listing would have any material adverse impact on our business operations and financial conditions, our VIE structure or our ability to operate our business through the VIE structure.

Based on the facts and analysis mentioned above and the due diligence conducted by the Joint Sponsors, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on the reasonableness of our Company's and our PRC Legal Advisers' views.

OUR CONTRACTUAL ARRANGEMENTS

As foreign investment in dental medical services industry in which we currently operate in is subject to restrictions under current PRC laws and regulations as outlined above, we do not own 100% equity interest in the VIE Entities. The Contractual Arrangements apply to the 30% equity interest in each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and 25% equity interest in Longgang Hospital.

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



Notes:

(1) The Relevant Shareholders are Mr. Wang and Ms. Zheng, who hold 90% and 10% equity interest in Tianrui Medical, respectively.

(2) The Exclusive Operation Services Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Shareholders' Rights Entrustment Agreements, the Powers of Attorney, the Spouse Undertakings and the Supplemental Agreement together form the legal relationship under the Contractual Arrangements.

(3) Dehong Medical is an indirect wholly-owned subsidiary of our Group.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Exclusive Operation Services Agreements

The Relevant Shareholders, Tianrui Medical and the VIE Entities have entered into exclusive operation services agreement with Dehong Medical on 16 January 2020 and 26 August 2021 (the "**Exclusive Operation Services Agreements**"), pursuant to which, Tianrui Medical and the VIE Entities agreed to engage Dehong Medical as their exclusive provider of technical support, consulting services and other services in exchange for services fees.

Under the Exclusive Operation Services Agreements, the services to be provided include but are not limited to (i) business operation, financing and investment management, (ii) medical technology related consultation, medical resources sharing and medical professionals training, (iii) human resources management, (iv) market research, (v) strategies for marketing and business expansion, (vi) supplier and inventory management, (vii) operation and marketing strategies formulation and monitoring, (viii) medical service quality control, (ix) internal management and (x) other services relating to management and operation of medical institutions. Dehong Medical has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Services Agreements, Dehong Medical may use the intellectual property rights owned by Tianrui Medical and the VIE Entities free of charge and without any conditions. Tianrui Medical and the VIE Entities may also use the intellectual property work created by Dehong Medical from the services performed by Dehong Medical in accordance with the Exclusive Operation Services Agreements.

Under the Exclusive Operation Services Agreements, the service fee shall be an amount equal to (i) 30% of the distributable net profit of each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care, and (ii) 25% of the distributable net profit of Longgang Hospital of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable) as obtainable by Tianrui Medical. Apart from the service fees to be paid by Tianrui Medical, Tianrui Medical and the VIE Entities shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Dehong Medical in connection with the performance of the Exclusive Operation Services Agreements and provision of services. In the event of the liquidation of the VIE Entities, Tianrui Medical shall pay (i) 30% of the remaining assets of each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care, and (ii) 25% of the remaining assets of Longgang Hospital after the liquidation as compensation for the cessation of services due to the liquidation, and Tianrui Medical and the VIE Entities consent that the aforesaid compensation shall be paid directly by the VIE Entities or the liquidation team to Dehong Medical. In addition, the Relevant Shareholders shall be liable for or indemnify Dehong Medical any tax payment incurred by Dehong Medical in obtaining the remaining assets of the VIE Entities.

In addition, in the absence of a prior written consent of Dehong Medical, during the term of the Exclusive Operation Services Agreements, the Relevant Shareholders, Tianrui Medical and the VIE Entities shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Dehong Medical has the right to appoint any third party to provide any or all of the services, or to fulfil its obligations under the Exclusive Operation Services Agreements.

The Exclusive Operation Services Agreements took effect from 29 October 2019 and 26 August 2021, and shall remain valid for three years from the respective dates of the Exclude Operation Services Agreements and shall, subject to compliance with the Listing Rules, be automatically renewed for three years each time when its term ends, unless being terminated in accordance with the terms therein.

According to the Exclusive Operation Services Agreements, unless otherwise required by the applicable PRC laws and regulations, none of the parties to the agreement (except Dehong Medical) is entitled to unilaterally terminate the agreement. Furthermore, pursuant to the Exclusive Operation Services Agreements, it may only be terminated in the event that (i) Dehong Medical or its designated person directly holds all the equity interests in Tianrui Medical, and all of the Relevant Shareholders' equity interests in Tianrui Medical or all of the assets of Tianrui Medical attributable to the Relevant Shareholders are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, (ii) Dehong Medical or its designated person directly holds all the equity interests in the VIE Entities and all of the Tianrui Medical's equity interests in the VIE Entities or all of the assets the VIE Entities attributable to Tianrui Medical are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, or (iii) Dehong Medical unilaterally terminates the agreement.

(2) Exclusive Option Agreements

On 16 January 2020 and 26 August 2021, Dehong Medical, the Relevant Shareholders, Tianrui Medical and the VIE Entities entered into exclusive option agreements (the "**Exclusive Option Agreements**").

Pursuant to the Exclusive Option Agreements, (i) each of the Relevant Shareholders irrevocably and unconditionally grants an exclusive option to Dehong Medical which entitles Dehong Medical to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interest in Tianrui Medical itself or through its designated person(s), (ii) Tianrui Medical irrevocably and unconditionally grants an exclusive option to Dehong Medical which entitles Dehong Medical to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of Tianrui Medical itself or through its designated person(s), (iii) each of Tianrui Medical and the VIE Entities irrevocably and unconditionally grants an exclusive option to Dehong Medical which entitles Dehong Medical to elect to purchase at any time, when permitted by the then applicable PRC laws, all or any part of the equity interests in the VIE Entities from Tianrui Medical itself or through its designated person(s), and (iv) the VIE Entities irrevocably and unconditionally grant an exclusive option to Dehong Medical which entitles Dehong Medical to elect to purchase at any time, when permitted by the then applicable PRC laws, all or part of the assets of the VIE Entities attributable to Tianrui Medical from the VIE Entities itself or through its designated person(s). Dehong Medical may appoint designated person(s) in its sole discretion when exercising its option. The transfer price of the relevant equity interest and/or assets shall be the minimum purchase price permitted under PRC law, and each of the Relevant Shareholders, Tianrui Medical and the VIE Entities will undertake that he/she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interest and/or assets to Dehong Medical.

The Relevant Shareholders and Tianrui Medical undertake to develop the business of the VIE Entities, to ensure the legal compliance of the business operations of the VIE Entities and not to take any action which may affect their asset value, goodwill and validity of business licenses. Furthermore, in the absence of prior written consent of Dehong Medical, (i) the Relevant Shareholders and Tianrui Medical shall not transfer or otherwise dispose of any option under the Exclusive Option Agreements, or create any encumbrances thereon; (ii) Tianrui Medical and the VIE Entities shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreements, or creating any encumbrances thereon; and (iii) the Relevant Shareholders and Tianrui Medical (as applicable) directly or indirectly (by itself or through the entrustment of any other natural person or legal person entity) carry out, own or acquire any business compete with or likely compete with the business of Dehong Medical or our Group.

In addition, the Relevant Shareholders, Tianrui Medical and the VIE Entities undertake that, upon Dehong Medical issuing the notice to exercise the option in accordance with the Exclusive Option Agreements, they will implement necessary actions to affect the transfer and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Option Agreements confirms and agrees that (i) in the event of a dissolution or liquidation of Tianrui Medical and the VIE Entities (as applicable) under the PRC laws, all the residual assets which are attributable to the Relevant Shareholders and Tianrui Medical (as applicable) shall be transferred to Dehong Medical or its designated person(s) at the minimum purchase price permitted under the then applicable PRC law, and each of the Relevant Shareholders, Tianrui Medical and the VIE Entities undertakes that they will return in full the consideration received in relation to such transfer to Dehong Medical or its designated person(s), (ii) in the event of bankruptcy, reorganisation or merger of Tianrui Medical, death, incapacity, bankruptcy or divorce of the Relevant Shareholders or any other event which causes changes to the Relevant Shareholders' shareholding in Tianrui Medical and Tianrui Medical's shareholding in the VIE Entities, (a) the successor of the Relevant Shareholders' equity interest in Tianrui Medical and the successor of Tianrui Medical's equity interest in the VIE Entities shall be bound by the Contractual Arrangements, and (b) any disposal of shareholding in Tianrui Medical and the VIE Entities shall be governed by the Contractual Arrangements unless Dehong Medical consents otherwise in writing.

The Exclusive Option Agreements took effect from 29 October 2019 and 26 August 2021. Each of the Exclusive Option Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by the then applicable PRC laws and regulations, none of the parties to the agreements (except Dehong Medical) is entitled to unilaterally terminate the agreements.

Each of the Exclusive Option Agreements may only be terminated in the event that (i) Dehong Medical or its designated person directly holds all the equity interests in Tianrui Medical, and all of the Relevant Shareholders' equity interests in Tianrui Medical or all of the assets of Tianrui Medical attributable to the Relevant Shareholders are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, (ii) Dehong Medical or its designated person directly holds all the equity interests in the VIE Entities and all of the Tianrui Medical's equity interests in the VIE Entities or all of the assets of the VIE Entities attributable to Tianrui Medical are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, or (iii) Dehong Medical unilaterally terminates the agreement.

Our PRC Legal Advisers have advised us that the Exclusive Option Agreements are legal, valid and binding on the parties, except for the provisions that (i) an arbitral body may grant injunctive relief or directly issue liquidation order against Dehong Medical, and (ii) interim remedies or enforcement order may be granted by overseas courts such as the courts of Hong Kong and the Cayman Islands, which may not be enforceable under PRC laws.

(3) Shareholders' Rights Entrustment Agreements and the Powers of Attorney

On 16 January 2020 and 26 August 2021, Dehong Medical, the Relevant Shareholders, Tianrui Medical and the VIE Entities entered into shareholders' rights entrustment agreements (the "**Shareholders' Rights Entrustment Agreement**") and the powers of attorney executed by the Relevant Shareholders and Tianrui Medical (the "**Powers of Attorney**") in favour of Dehong Medical (and its successors or liquidators) or a natural person designated by Dehong Medical (the "**Attorney**").

Pursuant to the Shareholders' Rights Entrustment Agreements and the Powers of Attorney, (i) the Relevant Shareholders irrevocably agree to authorise the Attorney to exercise all of its rights and powers as shareholders of Tianrui Medical, (ii) Tianrui Medical irrevocably agrees to authorise the Attorney to exercise all of its rights and powers as a shareholder of the VIE Entities, including but not limited to, the rights to vote in a shareholders' meeting, sign minutes, and arrange all the filings required for the operations of Tianrui Medical and the VIE Entities with the relevant companies registry. As Dehong Medical is a wholly-owned subsidiary of our Company, the terms of the Shareholders' Rights Entrustment Agreements and the Powers of Attorney will effectively give our Company control over all corporate decisions of the VIE Entities, as well as 100% equity interests of Tianrui Medical, Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care, and 95% equity interests of Longgang Hospital.

The Shareholders' Rights Entrustment Agreements took effect from 29 October 2019 and 26 August 2021. Each of the Powers of Attorney has an indefinite term and a termination provision which stipulates that unless otherwise required by the then applicable PRC laws and regulations, none of the parties to the agreement (except Dehong Medical) is entitled to unilaterally terminate it.

Each of the Shareholders' Rights Entrustment Agreements may only be terminated in the event that (i) Dehong Medical or its designated person directly holds all the equity interests in Tianrui Medical, and all of the Relevant Shareholders' equity interests in Tianrui Medical or all of the assets of Tianrui Medical attributable to the Relevant Shareholders are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, (ii) Dehong Medical or its designated person directly holds all the equity interests in the VIE Entities and all of the Tianrui Medical's equity interests in the VIE Entities or all of the assets of the VIE Entities attributable to Tianrui Medical are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, or (iii) Dehong Medical unilaterally terminates the agreement.

(4) Equity Pledge Agreements

On 16 January 2020 and 26 August 2021, Dehong Medical, the Relevant Shareholders, Tianrui Medical and the VIE Entities entered into the equity pledge agreements (the "**Equity Pledge Agreements**"). Pursuant to the Equity Pledge Agreements, (i) the Relevant Shareholders agree to pledge all of their respective equity interests in Tianrui Medical, and (ii) Tianrui Medical agrees to pledge all of its equity interests in the VIE Entities, to Dehong Medical to secure performance of all their obligations and the obligations of the VIE Entities under the Contractual Arrangements.

If the Relevant Shareholders and Tianrui Medical receive any dividend as declared by the VIE Entities and Tianrui Medical during the term of the pledge, Dehong Medical is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by any of Tianrui Medical, the Relevant Shareholders and the VIE Entities, Dehong Medical, upon issuing a written notice to the Relevant Shareholders or Tianrui Medical (as applicable), will be entitled to all remedies available in the Contractual Arrangements including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreements, the Relevant Shareholders and Tianrui Medical undertake to Dehong Medical, among other things, not to transfer their pledged equity interests, not to create or allow any pledge or encumbrance thereon and undertake or permit any action or behaviour that may adversely affect the rights and interest of Dehong Medical without its prior written consent. Tianrui Medical and the VIE Entities undertake to Dehong Medical, among other things, not to consent to any transfer the pledged equity interests or to create or allow any pledge or encumbrance thereon without Dehong Medical's prior written consent.

The equity pledges in respect of Tianrui Medical and the VIE Entities take effect upon the completion of registration with the relevant Administration for Industry and Commerce and we have registered the equity pledges contemplated under the Equity Pledge Agreements in accordance with the relevant PRC laws and regulations and the terms of the Equity Pledge Agreements.

The Equity Pledge Agreements took effect from 29 October 2019 and 26 August 2021, while the equity pledges took effect on the date of completion of registration. Each of the Equity Pledge Agreements has an indefinite term and a termination provision which stipulates that unless otherwise required by the then applicable PRC laws and regulations, none of the parties to the agreement (except Dehong Medical) is entitled to unilaterally terminate it.

Each of the Equity Pledge Agreements may only be terminated in the event that (i) Dehong Medical or its designated person directly holds all the equity interests in Tianrui Medical, and all of the Relevant Shareholders' equity interests in Tianrui Medical or all of the assets of Tianrui Medical attributable to the Relevant Shareholders are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, (ii) Dehong Medical or its designated person directly holds all the equity interests in the VIE Entities and all of the Tianrui Medical's equity interests in the VIE Entities or all of the assets of the VIE Entities attributable to Tianrui Medical are transferred to Dehong Medical or its designated person pursuant to the then applicable PRC laws and regulations, or (iii) Dehong Medical unilaterally terminates the agreement.

(5) Supplemental Agreement

On 26 August 2021, Dehong Medical, the Relevant Shareholders and Tianrui Medical entered into the supplemental agreement to the Exclusive Option Agreement, the Equity Pledge Agreement and the Shareholders' Rights Entrustment Agreement (the "**Supplemental Agreement**"), pursuant to which the parties thereto agreed to supplement certain terms and references of the aforesaid agreements to reflect the inclusion of Wenzhou Oral Care as one of the VIE Entities under the Contractual Arrangements.

The Supplemental Agreement took effect from 26 August 2021. Save for the terms and references amended by the Supplemental Agreement, all other terms and conditions of the Exclusive Option Agreement, the Equity Pledge Agreement and the Shareholders' Rights Entrustment Agreement remain in full force and effect.

(6) Spouse Undertakings

The spouse of each of the Relevant Shareholders has signed an undertaking (the "**Spouse Undertakings**") to the effect that (i) the respective interests of the Relevant Shareholders in Tianrui Medical (together with any other interests therein) do not fall within the scope of joint possession; and (ii) each of the spouses has no right to or control over such interests of the respective persons and will not have any claim on such interests.

Our PRC Legal Advisers are of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of the Relevant Shareholders and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and Dehong Medical or our Company can still enforce their right under the Contractual Arrangements against the Relevant Shareholders and their successors.

Common terms of the Contractual Arrangements

Dispute resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Wenzhou Arbitration Commission (温州仲裁委員會) for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Tianrui Medical and the VIE Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Tianrui Medical and the VIE Entities; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Dehong Medical, Tianrui Medical or the VIE Entities are located for interim remedies or injunctive relief.

However, our PRC Legal Advisers have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Tianrui Medical and the VIE Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

As a result of the above, in the event that Tianrui Medical, the VIE Entities or the Relevant Shareholders breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert (i) fully effective control over Tianrui Medical, Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care, (ii) 95% effective control over Longgang Hospital and conduct our business could be materially and adversely affected. See the section headed "Risk Factors – Risks Relating to our Contractual Arrangements" in this prospectus for further details.

Succession

As advised by our PRC Legal Advisers, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Relevant Shareholders as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, Dehong Medical can enforce its rights against the successor(s). Pursuant to the Contractual Arrangements, in the event of changes in the shareholding of Tianrui Medical, any successor(s) of Tianrui Medical shall assume any and all rights and obligations of Tianrui Medical under the Contractual Arrangements as if such successor were a signing party to the relevant contract.

Conflicts of interests

Each of the Relevant Shareholders and Tianrui Medical undertakes that, during the period that the Contractual Arrangements remain effective, he/she/it shall not take or omit to take any action which may lead to a conflict of interest with Dehong Medical or Dehong Medical's direct or indirect shareholders. If there is any conflict of interest, Dehong Medical shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Relevant Shareholders and Tianrui Medical will unconditionally follow the instructions of Dehong Medical to take any action to eliminate such conflict of interest.

Loss sharing

Under the relevant PRC laws and regulations, none of our Company or Dehong Medical is legally required to share the losses of, or provide financial support to Tianrui Medical and the VIE Entities. Further, each of Tianrui Medical and the VIE Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. On the other hand, given that our Group conducts a substantial portion of its business operations in the PRC through the VIE Entities, which hold/will hold the requisite PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if the VIE Entities suffer losses.

Liquidation

Pursuant to the Equity Pledge Agreements, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Tianrui Medical and the VIE Entities shall, upon the request of Dehong Medical, give the proceeds they received from liquidation as a gift to Dehong Medical or its designated person(s) to the extent permitted by the then PRC laws. Further, pursuant to the Shareholders' Rights Entrustment Agreement entered into among Dehong Medical, Tianrui Medical and the VIE Entities, in the event of bankruptcy, liquidation, dissolution or termination of the VIE Entities, each of Tianrui Medical and the VIE Entities undertake that (i) all assets acquired by Tianrui Medical as a result of such bankruptcy, liquidation, dissolution or termination, including the equity interest of the VIE Entities (as applicable), shall be transferred to Dehong Medical or its designated person(s) at nil consideration or at the lowest price permitted by the then PRC laws, or (ii) on the basis of protecting the interests of the direct or indirect shareholders and/or creditors of Dehong Medical, the liquidator being appointed at that time shall dispose of the assets of the VIE Entities (including their equity interest) acquired by Tianrui Medical, and Tianrui Medical shall return to Dehong Medical the consideration received from the aforesaid transfer if the lowest price is applicable as the consideration for the aforesaid transfer.

Accordingly, in the event of a winding up of Tianrui Medical and the VIE Entities, Dehong Medical is entitled to liquidation proceeds of Tianrui Medical and the VIE Entities based on the Contractual Arrangements and the liquidator being appointed at that time, acting on the Contractual Arrangements, can seize the assets of the VIE Entities for the benefit of our Company's creditors and the Shareholders.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through Tianrui Medical and the VIE Entities under the Contractual Arrangements. Our Directors believe that each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations except that (i) the Wenzhou Arbitration Commission (溫州仲裁委員會) has no power to grant injunctive relief, nor will it be able to order the winding up of Tianrui Medical and the VIE Entities pursuant to the current PRC laws; (ii) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognised or enforceable in the PRC; (iii) the exercise of the exclusive options by Dehong Medical in accordance with the Exclusive Option Agreements, shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable); (iv) there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations; and (v) the Equity Pledge Agreements are subject to registration requirements with the relevant Administration for Industry and Commerce (the registration for which had been completed). Please refer to the paragraphs headed "Legality of the Contractual Arrangements" below for further details.

Legality of the Contractual Arrangements

Our PRC Legal Advisers conducted interviews with the responsible officers of Zhejiang MOFCOM and Zhejiang Health Commission in respect of the Contractual Arrangements. According to the responsible officer of Zhejiang MOFCOM, there is no regional requirement on the percentage of equity interest held by a foreign investor in a medical institution in Zhejiang Province, and shall apply the relevant regulatory requirements on national level, and the shareholding percentage indirectly held by a foreign investor in medical institutions is also capped at 70%. According to the responsible officer of Zhejiang Health Commission, as long as the relevant industry and commerce department determines the aforesaid shareholding percentage to be capped at 70%, Zhejiang Health Commission would not have objection to such shareholding percentage regardless of any corporate structure as adopted by the medical institutions. Furthermore, according to the responsible officer of Zhejiang MOFCOM, no approval from or filing with the authority is required for the execution of the Contractual Arrangements.

Our PRC Legal Advisers are of the view that Zhejiang MOFCOM and Zhejiang Health Commission are the competent authorities in respect of foreign investments.

Our PRC Legal Advisers, following completion of reasonable due diligence steps, are of the following legal opinion:

- each of Tianrui Medical and the VIE Entities is duly established and validly existing under the PRC laws, and has obtained or completed all requisite approvals, permits, registrations or filings that are material for carrying out its business operations as required by the applicable PRC laws and regulations;

- each of the agreements under the Contractual Arrangements, taken individually and collectively, does not violate the current PRC laws enacted by the National People's Congress (the "**NPC**") and its Standing Committee and the current mandatory and prohibitive administrative regulations formulated by the State Council and constitutes legal, valid and binding obligations of the parties thereto except that (a) the Wenzhou Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding up of Tianrui Medical and the VIE Entities pursuant to the current PRC laws and the relevant arbitral award may not be enforced until the people's court makes an order to confirm it; (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognised or enforceable in the PRC; and (c) the enforceability of Contractual Arrangements is subject to bankruptcy, insolvency, moratorium, reorganisation and similar laws affecting creditors' rights generally, the discretion of relevant government authorities in exercising their authority in connection with the interpretation and implementation and the application of relevant PRC laws and regulations, and general equity principles;

- the agreements under the Contractual Arrangements, as confirmed by the parties thereto, were entered into for the purpose of realising the commercial purpose of the parties and the Contractual Arrangements reflect their actual intention. Based on the foregoing, the agreements under the Contractual Arrangements shall not be deemed as "civil juristic act performed by the actor and the counterparty based on false expression of intention" stipulated in the Civil Code of the PRC resulting in the invalidity of the agreements under the Contractual Arrangements;

- none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Dehong Medical, Tianrui Medical and the VIE Entities; and

- except that (i) the exercise of the exclusive options by Dehong Medical in accordance with the Exclusive Option Agreements, shall be subject to the then effective PRC laws and regulations and relevant approval procedures (if applicable); (ii) there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations; and (iii) the Equity Pledge Agreements are subject to registration requirements with the relevant Administration for Market Regulation (the registration for which had been completed), according to the responsible officer of Zhejiang MOFCOM, the execution and performance of the Contractual Arrangements do not require approvals from or filing with Zhejiang MOFCOM.

We have been advised by our PRC Legal Advisers, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to the above opinion of our PRC Legal Advisers. We have been further advised by our PRC Legal Advisers that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the Restricted Businesses, we could be subject to severe penalties, which could include:

(a) revoking the business and operating licenses of Dehong Medical, Tianrui Medical and the VIE Entities;

(b) restricting or prohibiting the Contractual Arrangements between Dehong Medical, Tianrui Medical and the VIE Entities;

(c) imposing fines or other requirements with which our Company, Dehong Medical, Tianrui Medical and the VIE Entities may find difficult or impossible to comply;

(d) requiring us, Dehong Medical, Tianrui Medical and the VIE Entities to restructure the relevant ownership structure or operations; and/or

(e) restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. Please refer to the paragraphs headed "Risk Factors – Risks Relating to our Contractual Arrangements" in this prospectus.

Development in the PRC Legislation on foreign investment

Background of the FIL

On 15 March, 2019, the 2nd meeting of the 13th Standing Committee of the National People's Congress approved the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法) (the "**FIL**") and has become effective on 1 January 2020. After the FIL comes into effect, the FIL replaced the law on Sino-Foreign Equity Joint Ventures (中外合資經營企業法), the law on Sino-Foreign Contractual Joint Ventures (中外合作經營企業法) and the law on Foreign-Capital Enterprises (外資企業法) to become the legal foundation for foreign investment in the PRC. On 26 December 2019, the State Council promulgated Regulation on the Implementation of the Foreign Investment Law of the PRC (中華人民共和國外商投資法實施條例) (the "**FIL Implementing Regulation**"), which came into effect on 1 January 2020. For details of the FIL and FIL Implementing Regulation, please refer to the paragraph headed "Regulatory Overview – Laws and Regulations Related to Foreign Investment in the PRC" in this prospectus.

The Potential Impact of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our VIE Entities, through which we operate our business in the PRC. The FIL stipulates four forms of investment as foreign investment, however, it does not explicitly stipulate the contractual arrangements as a form of foreign investment. Nor does it explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC.

Notwithstanding the above, the FIL stipulates that foreign investment includes "Foreign Investors invest in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council". Although the FIL Implementing Regulation promulgated by the State Council as disclosed above does not expressly stipulate the contractual arrangements as a form of foreign investment, there are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the VIE Entities will not be materially and adversely affected in the future due to changes in the relevant PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For further details, please refer to the paragraphs headed "Risk Factors – Risks Relating to our Contractual Arrangements" in this prospectus. In any event, we will take reasonable steps in good faith to seek compliance with the FIL and FIL Implementing Regulation.

Compliance with the Contractual Arrangements

Our Group will adopt the following measures to ensure the effective operation of our Group with the implementation and compliance of the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update our Shareholders and potential investors; and

(d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Dehong Medical, Tianrui Medical and the VIE Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that our executive Directors, Mr. Wang and Ms. Zheng, are both the Relevant Shareholders, our Company believes that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of our Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;

(c) our Company will appoint three independent non-executive Directors, comprising more than half of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole; and

(d) our Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

Accounting aspects of the Contractual Arrangements

Under the Exclusive Operation Services Agreements, it was agreed that, in consideration of the services provided by Dehong Medical, Tianrui Medical will pay service fees to Dehong Medical. The annual service fees payable are determined by the distributable profits obtainable by Tianrui Medical from the VIE Entities for the current year after having made up for the losses of the previous year (if any) and withdrawn the statutory reserve fund (if applicable). Accordingly, through the Exclusive Operation Services Agreements, through Tianrui Medical, Dehong Medical has the ability, at its sole discretion, to extract substantially (i) 30% of the economic benefit of each of Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care, and (ii) 25% of the economic benefit of Longgang Hospital as obtainable by Tianrui Medical.

In addition, under the Exclusive Operation Services Agreements, Dehong Medical has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Tianrui Medical and the VIE Entities (exclude the minority shareholder of Longgang Hospital) as Dehong Medical's prior written consent is required before any distribution can be made. In the event that the Relevant Shareholders receive any profit distribution or dividend from Tianrui Medical and/or Tianrui Medical receive any profit distribution or dividend from the VIE Entities, the Relevant Shareholders and Tianrui Medical must immediately pay or transfer all of such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Dehong Medical.

As a result of the aforementioned Contractual Arrangements, our Company has obtained control of the VIE Entities through Dehong Medical and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care as well as 95% of the economic interest returns generated by Longgang Hospital.

OVERVIEW

We are the largest private dental service provider in Wenzhou in terms of revenue in 2021, which accounted for approximately 25.2% (being larger than the aggregate market share of the second to fifth largest private dental service providers in Wenzhou in 2021) and 13.2% market share of the private and total dental service market in Wenzhou in 2021, respectively, according to the Frost & Sullivan Report. During the Track Record Period, we generated our revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors, namely general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科) and orthodontics and cosmetic dentistry (牙齒正畸科).

We started to provide dental services to individuals of all ages in 2011, and since then we expanded our business gradually. As at the Latest Practicable Date, we owned and operated a network of five private dental hospitals in Wenzhou namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care in Wenzhou City Area, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City. We operate our business under the trade names of "溫州牙科", "溫州鹿城口腔", "溫州口腔" and "龍港口腔", together with our trademark " " registered in the PRC. Our revenue generated from our dental services for the three years ended 31 December 2021 and the five months ended 31 May 2022 was approximately RMB83.2 million, RMB84.6 million, RMB105.3 million and RMB46.9 million, respectively.

Through over ten years of operations, we have accumulated extensive experience and developed detailed management and operational procedures in operating dental hospitals. We attribute our prominent market position to our experienced and stable medical professional team which will continue to attribute to our success and growth. Our medical professional team consists of qualified and experienced dentists, nurses and other medical professionals. In addition, in line with the general consumer perception that the customer services offered by private dental hospitals are usually more comprehensive, flexible and friendly than those offered by public dental hospitals, dental department in general hospitals or private dental clinics, we offer our patients comprehensive and high quality dental services in a comfortable, intimate and relaxing environment. Except Wenzhou Oral Care, each of our four dental hospitals has children dental department with colourful and cosy decorations to provide dental treatment to children under 14 years old. As at the Latest Practicable Date, we have received several awards, including the 10th Consumer's Trustworthy Enterprise Awards awarded by Consumers' Rights Protection Committee of Lucheng District, Wenzhou in 2017, Five Star Dental Institution Cooperated with EMS (瑞士口腔潔治五星診所) awarded by EMS (瑞士口腔學院) in 2014 and the top 20 in the Service Industry awarded by the government of Lucheng District of Wenzhou in 2021. For details of our awards, please refer to the paragraph headed "Awards and Recognitions" in this section.

Compared with other developed economies, such as Hong Kong, Japan, Taiwan, U.S. and South Korea, where the number of dentists per million populations was between approximately 362 and 841 in 2021, the number of dentists per million populations in Wenzhou and China were only 207 and 202, respectively. Similarly, the penetration rates of dental services in Wenzhou, Beijing, and Shanghai are about 30%, 49.3%, and 45.0% in 2021, respectively. From the national perspective, the penetration of dental services in China was 25.0% in 2021, which is significantly less than other developed economies such as the U.S. (70.5%) and Taiwan (48.7%). For details, please refer to the section headed "Industry Overview – Overview of Dental Service in Wenzhou – Comparison of dental service market among selected regions" in this prospectus. As such, according to the Frost & Sullivan Report, there is large room for growth in China dental service market. According to the Frost & Sullivan Report, as private dental hospitals become more accepted by residents with more advanced equipment, more diverse healthcare programs and less crowded environment, the market of dental services provided by private dental hospitals experienced remarkable growth from approximately RMB129.8 million in 2017 to RMB222.7 million in 2021 with a CAGR of 14.4%, and its percentage to the total dental service market in Wenzhou increased from 25.3% to 28.0% in this period. The market size of private dental hospitals is estimated to further grow and reach approximately RMB423.2 million by 2026 with a CAGR of 13.7% between 2021 and 2026, taking up 31.6% of total market size of dental service market in Wenzhou. According to Frost & Sullivan Report, among the top five private dental hospital groups in operation, there were a total of 16 branches in Wenzhou in 2021, while we operate five of them. Each of our Rui'an Branch Hospital and Longgang Hospital is the only private dental hospital in Rui'an City and Longgang City, respectively, as at the Latest Practicable Date. Leveraging on our leading position in the dental service market with proven track record in Wenzhou, comfortable decoration and setup which offer soothing atmosphere to enhance patient experience, better equipped facilities, and more experienced dentists offering professional and holistic dental service bespoke to our patients' particular needs, we believe we can differentiate ourselves from our competitors and are well-positioned to capture the growing market as highlighted in the Frost & Sullivan Report.

Our high quality services and stringent safety control measures have led to our low number of patient complaints and high number of repeat patients. During the Track Record Period and up to the Latest Practicable Date, we received a total of 38 complaints from our patients in relation to our provision of our dental services, representing less than 0.1% of the total number of dental treatments performed during the same period. Such rate is extremely low comparing with the industry average in Wenzhou, being around 1.0%, according to the Frost & Sullivan Report. In order to ensure prompt and proper handling of patient complaints, we have implemented internal guidelines which we require our staff to strictly follow. Our Directors confirm that all of these complaints were properly addressed as at the Latest Practicable Date. Our Directors confirmed that we were not involved in any litigation or arbitration proceedings in relation to those complaints as a defendant, and after consulting our PRC Legal Advisers, our Directors confirmed that we were not involved in any "medical incident" as defined under the Medical Incidents Regulations during the Track Record Period and up to the Latest Practicable Date. For details of our management of complaints, please refer to the paragraph headed "Patient Services and Patient Feedback – Management of complaints" in this section. Our active patient base, defined as patients who have received at least one dental treatment in the relevant financial year, comprised 60,830, 62,988, 61,910 and 31,992 patients for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. Repeat patients, who are our active patients and have previously received at least one dental treatment from us within two years preceding the relevant year, accounted for approximately 31.9%, 43.7%, 33.6% and 37.9% of our active patient base for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively, and the revenue from which accounted for approximately 32.8%, 39.8%, 30.5% and 31.4% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been the key factors for our success and will enable us to maintain our market position and capture the anticipated future growth in our target markets.

Largest private dental service provider in Wenzhou, with strong brand recognition and loyal patient base

We are the largest private dental service provider in Wenzhou in terms of revenue in 2021, which accounted for approximately 25.2% (being larger than the aggregate market share of the second to fifth largest private dental service providers in Wenzhou in 2021) and 13.2% market share of private and total dental service market in Wenzhou in 2021, respectively, according to the Frost & Sullivan Report. During the Track Record Period, we generated our revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors including general dentistry, reparative dentistry, implant dentistry, as well as orthodontics and cosmetic dentistry.

According to the Frost & Sullivan Report, among the top five private dental hospital groups in operation, there were a total of 16 branches in Wenzhou in 2021, while we operate five of them. Each of our Rui'an Branch Hospital and Longgang Hospital was the only private dental hospital in Rui'an City and Longgang City, respectively in 2021. In light of Wenzhou residents' growing demand for dental services with rising awareness of dental healthcare, we believe, as the only private dental hospital in operation in each of Rui'an City and Longgang City, and one of the top five private dental hospital groups in operation in Wenzhou, we are well-positioned to capture the business opportunities in this market.

As the market leader in Wenzhou, we believe that we enjoy the following advantages: a large pool of skilful and experienced dentists and medical professionals; diverse and comprehensive dental services; flexible and comfortable hospital environment; and a large and loyal patient base. We believe our reputation as being a scalable dental hospital chain in Wenzhou with proven track record attracts patients to switch to us from other public dental hospitals and private dental clinics; while our industry reputation and career opportunities attract talented dental professionals to join our Group. In addition, we have cooperated with renowned suppliers so that we are able to respond to market trend by introducing new and advanced dental treatments to meet patient demands when such new and advanced dental treatment are introduced in the PRC. For example, according to the Frost & Sullivan Report, we are one of the first dental service providers to offer patients INVISALIGN® invisible braces in Wenzhou since December 2014.

Our success is evident in our substantial growth in our revenue with stable patient base during the Track Record Period. Our revenue generated from our dental services was approximately RMB83.2 million, RMB84.6 million, RMB105.3 million and RMB46.9 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. For the three years ended 31 December 2021 and the five months ended 31 May 2022, we had approximately 60,830, 62,988, 61,910 and 31,992 active patients, respectively, meaning the patients who, in the relevant financial year, have received at least one dental treatment from us. For the three years ended 31 December 2021 and the five months ended 31 May 2022, approximately 31.9%, 43.7%, 33.6% and 37.9% of our active patients are repeat patients, respectively.

According to the Frost & Sullivan Report, the growth of dental service market in Wenzhou has been driven by (i) the dental service provision falling short of its demand; (ii) the increasing level of consumption and awareness of dental care; and (iii) the favourable policy to promote dental services and the diversity of dental services. Further, according to the Frost & Sullivan Report, the market size of private dental hospitals in Wenzhou grew at a CAGR of 14.4% from 2017 to 2021 and is expected to grow and reach approximately RMB423.2 million by 2026 with a CAGR of 13.7% between 2021 and 2026, taking up 31.6% of total market size of dental service market in Wenzhou. Please refer to the section headed “Industry Overview” in this prospectus for further details. We believe that our market leadership position in Wenzhou and wide range of capabilities place us in a prime position to capitalise on these trends, thereby further fuelling our profitability and expansion.

Moreover, drawing on our success in the current markets, we believe we can penetrate other fast-growing dental service markets in other areas of the PRC, outside Wenzhou.

Provision of professional and safe dental services supported by high-calibre dental professionals and comprehensive internal control protocols and risk management measures

Since our inception in 2011, we have emphasised professionalism and safety in the provision of our dental services. Such core values are reflected in the conduct of our business operations, as well as our internal control protocols and risk management policies.

We are committed to providing safe and high-quality dental services through our team of high-calibre dental professionals. We engage the services of experienced and well-trained dentists, to perform and oversee our dental services, as well as to participate in our senior management. As at 31 May 2022, we had 53 qualified dentists who practised in our dental hospitals. Our dentists have an average of ten years of clinical experience. Our dentists enjoy the full support of our nurses and other medical professionals. As at 31 May 2022, we had 74 nurses and 46 other medical professionals which include assistant dentists (執業助理牙科醫師), dental assistants, radiologists, radiological technicians and pharmacists. We believe we had a relatively stable team of medical professionals during the Track Record Period. We believe our high-calibre team of dental professionals is crucial to providing consistently high-quality services to our patients. We have a systematic training program that provides our professionals with comprehensive trainings by internal and external experts. We place great emphasis on retaining our medical professionals by providing them with competitive remuneration packages, attractive career development opportunities and a respectful and professional working environment. We also have an internal management protocol of our dentists, which consists of, among other processes, weekly meetings of our dentists to discuss important medical issues and share knowledge.

The safety of our dental services remains our top priority. We have implemented standardised clinical quality control procedures across all of our dental hospitals. Our medical professionals and other relevant staff members receive training on these procedures from time to time and are required to strictly follow them in daily operations. Our stringent safety controls are evidenced by our minimal patient complaints and zero medical incidents record. During the Track Record Period and up to the Latest Practicable Date, we received a total of 38 complaints from our patients in relation to our provision of our dental services, representing less than 0.1% of the total number of dental treatments performed during the same period, and our Directors confirm that all of these complaints were properly addressed as at the Latest Practicable Date. Such rate is extremely low comparing with the industry average in Wenzhou, being around 1.0%, according to the Frost & Sullivan Report. Our Directors confirmed that we were not involved in any litigation or arbitration proceedings in relation to those complaints as a defendant, and after consulting our PRC Legal Advisers, our Directors confirmed that we were not involved in any “medical incident” as defined under the Medical Incidents Regulations during the Track Record Period and up to the Latest Practicable Date.

Our established infrastructure provides a great platform for retention of good talents within our professional team and our professional team develops long term relationship with our Group

Our pool of experienced professional team and staff are essential to our long-term growth. We carefully recruited and appointed experienced dentists to lead our team of dentists and nurses, and other medical professional. By adhering to our standard operation procedures and policies, we are able to deliver high quality dental services to our patients. We have attracted quality new members to join our professional team through our reputation, competitive remuneration package and supportive working environment which is conducive to professional growth. Because of our Group's dedicated and effective management and the benefits brought about by our established reputation, many of our professional team members have maintained long term relationship with our Group. As at 31 May 2022, our dentists had worked with us for an average of six years. We believe team cohesiveness and attachment to our Group's strong corporate culture will enhance the synergistic capabilities of our business.

Experienced and professional key management team with strong execution capabilities

Our key management team comprises a group of experienced and dedicated professionals with an in-depth understanding of the dental service industry in the PRC. Mr. Wang, our chairman, chief executive officer and executive Director, has around 18 years of experience in hospital management in the dental service industry in the PRC. Our senior management members had diversified industry experience covering hospital operation and medical practice. Dr. Chen Haibing, member of our senior management, has over 15 years of experience in dental service industry, and was previously a specialist member of the private stomatological branch of Chinese Stomatological Association (中華口腔醫學會民營口腔分會) and was appointed as the executive vice president of the second council of Wenzhou Dental Association (溫州市牙科學會) in June 2018. Dr. Zheng Xiaofeng, member of our senior management, has over 30 years of experience in dental service industry, and was awarded the Outstanding Achievement in Treating Patients with INVISALIGN® (Construction to the Advancement of INVISALIGN® Treatment) by Asia Pacific Align Technology in 2017. Please refer to the section headed "Directors and Senior Management" in this prospectus for further details of our senior management team.

In addition to our experienced and dedicated key management team, each of our hospital has a management dean who takes an active role in devising and overseeing the safety and quality of our services. The management dean of our hospitals have previously worked as administrators or held important management positions in other hospitals or medical institutions before joining our Group. We rely on our experienced management team to generate synergies among the hospitals in our network. We believe that the experience, professionalism and strong execution capabilities of our management team will continue to drive our growth.

OUR STRATEGIES

We plan to consolidate and expand our market position in the PRC. We plan to implement the following strategies:

Expanding our dental medical institutions network in the PRC

Compared with other regions, such as Hong Kong, Japan, Taiwan, U.S. and South Korea, where the number of dentists per million populations was between approximately 362 and 841 in 2021, the number of dentists per million populations in China were only 202. Similarly, the penetration rates of dental services in Wenzhou, Beijing, and Shanghai are about 30%, 49.3%, and 45.0% in 2021, respectively. From the national perspective, the penetration of dental services in China was 25.0% in 2021, which is significantly less than other developed economies such as the U.S. (70.5%) and Taiwan (48.7%). For details, please refer to the section headed "Industry Overview – Overview of Dental Service in Wenzhou – Comparison of dental service market among selected regions" in this prospectus. As such, according to the Frost & Sullivan Report, there is large room for growth in China dental service market. We believe that we are well-positioned to capitalise on such anticipated growth of the dental market in the PRC. Leveraging on our successful track record and our brand image, we intend to expand our operation in Wenzhou and other cities in the PRC by organic growth, strategic acquisitions and establishing dental clinic chain.

Organic growth in Wenzhou

According to the Frost & Sullivan Report, Wenzhou residents have shown growing demand for dental services, and dental service providers are striving to expand service scope and improve operational capability to cater for such demand, cultivating a sound development environment for Wenzhou dental service market. Under a stable economic environment, the market of dental service in Wenzhou is forecasted to continue to grow, increasing from approximately RMB794.9 million in 2021 to RMB1,338.7 million in 2026 with a CAGR of approximately 11.0%, among which, the market of dental services provided by private dental hospitals is forecasted to grow from approximately RMB222.7 million in 2021 to RMB423.2 million in 2026 with a CAGR of approximately 13.7%. In 2021, the penetration rate of dental service in China was 25.0%, which was far behind other developed economies. In 2021, Wenzhou and Wenzhou City Area had a population of approximately 9.6 million and approximately 3.1 million, respectively. According to the Frost & Sullivan Report, the population in the aforesaid areas are expected to grow with a CAGR of approximately 0.9% and 0.9% between 2021 and 2026, respectively. Our Directors therefore are of the view that the substantial underserved population, coupled with the expected recurring demand to be generated from both the said underserved population and our existing patient base, demonstrated a large room for growth in dental service market in both Wenzhou as well as Wenzhou City Area.

In addition, orthodontics and cosmetic dentistry and implant dentistry have shown strong growth potential as supported by the rising awareness of dental care as well as the increasing desire for better personal appearance of the general population in the PRC. According to the Frost & Sullivan Report, orthodontics and cosmetic dentistry and implant dentistry have exhibited relatively stronger growth during the period from 2017 to 2021, and are expected to further expand with a CAGR of approximately 11.9% and 15.9% between 2021 to 2026, respectively, outpacing other service sectors of dental service market, namely reparative dentistry, general dentistry and others. Further, according to the Frost & Sullivan Report, the per capita disposal income of urban residents in Wenzhou had shown fast growth from approximately RMB51.9 thousand in 2017 to RMB69.7 thousand in 2021, and is expected to further grow with a CAGR of approximately 6.8% between 2021 and 2026. In particular, the per capita disposable income of urban residents in Lucheng district, which is the political, economic and cultural centre of Wenzhou, reached RMB78.1 thousand in 2021, which is even higher than the per capita disposable income of urban residents in Wenzhou. The relatively higher per capita disposable income of urban residents in the Wenzhou City Area indicating the strong purchasing power of the residents in Lucheng District is a key reason to the increasing dental demand, which further drives the development of the dental service market in the Wenzhou City Area. With years of wealth accumulation, a scalable base of middle class in China has emerged with continuously increasing disposable income. They are driving the consumption upgrade trend and able to afford a wider range of dental services in addition to basic dental treatments. In particular, according to the Frost & Sullivan Report, people become more willing to spend on relatively expensive dental care programmes such as tooth whitening, dental implanting and orthodontics with their strong desire to improve personal image. The per capita consumption expenditure on medical service in Wenzhou increased from approximately RMB1,152 in 2017 to RMB2,174 in 2021 with a CAGR of 17.2%, accounting for approximately 4.0% and 5.4% of the total per capita consumption expenditure in Wenzhou, respectively.

Further, given that the rate of caries of the elderly was the highest among all the age groups and population over 60 in Wenzhou is expected to demonstrate relatively faster growth, it is expected that the ageing population in Wenzhou would further drive the demand for implant dentistry, with a focus on treating damaged or missing tooth with prosthetic teeth. As such, we believe that there is an acute need for us to expand our network in Wenzhou to cater the rising demand for dental service market in Wenzhou.

On the other hand, despite the growing demand for private dental hospital services in Wenzhou, particularly that for orthodontics and cosmetic dentistry and implant dentistry, the supply of dental services falls short of demand. As compared with other developed economies, such as Hong Kong, Japan, Taiwan, U.S. and South Korea, where the number of dentists per million populations was between approximately 362 and 841 in 2021, the supply of licensed dentists fell short in Wenzhou as compared to those of the developed countries with the number of dentists per million population of approximately 207 only in Wenzhou, suggesting that one licensed dentist was serving approximately 4,800 resident population in 2021. According to the Frost & Sullivan Report, such number of resident population served by one licensed dentist in Wenzhou is expected to decrease to approximately 3,400 by 2026. In addition, despite the growing demand for dental services in Wenzhou as detailed above, as at the Latest Practicable Date, there had been no new private dental hospitals in operation subsequent to our establishments of Rui'an Branch Hospital and Longgang Hospital in Rui'an City and Longgang City, respectively. As such, according to the Frost & Sullivan Report, in view of the scarcity of licensed dentists and the limited number of private dental hospitals in Wenzhou, similar to China as a whole, there is large room for growth in the dental service market in Wenzhou.

In this regard, thriving on the growing market of dental service in Wenzhou, we plan to establish new private dental hospitals in Wenzhou to capture the rising demand in Wenzhou. In particular, leveraging on the larger operation scale of Wenzhou Oral Care, our flagship hospital, not only can we better serve the population particularly in Wenzhou City Area, we can also further tap into the orthodontics and cosmetic dentistry and implant dentistry markets by offering more comprehensive and advanced dental services under these two dental specialties in Wenzhou Oral Care. Besides, we expect the strategic location of Wenzhou Oral Care locating in the new central business area of Lucheng District to create synergy with the other two dental hospitals of our Group located in the traditional central business area of Lucheng District of Wenzhou City Area, namely Wenzhou Hospital and Lucheng Hospital. Such geographical layout of our dental hospitals in both the new and traditional central business areas of Lucheng District could increase our regional coverage of the area, thereby offering patients with greater convenience and flexibility and capturing the forthcoming demand. It also serves as part of our branding effort by increasing our market exposure in the area, being the commercial centre of Wenzhou, with an aim to strengthen our brand awareness. Benefited from our above business strategies, Wenzhou Hospital and Lucheng Hospital, both are located in Lucheng District, achieved sustainable growth in revenue during the year ended 31 December 2021 and the five months ended 31 May 2022. In particular, as advised by Frost & Sullivan, Lucheng District is a strategic location where most of the dental service providers in Wenzhou are concentrated, among the top five private dental hospital groups in operation, there were a total of 16 branches, among which, 12 of them were located in Lucheng District as at the end of 2021. Through establishing new dental hospitals in the area, we believe we could further enhance our presence, thereby strengthening our competitiveness.

Further, we plan to further penetrate into the paediatric dentistry market as we believe that the demand from children patients will continue to be the key driver of growth for the dental service market. To this end, we intend to establish two dental hospitals specialising in children dental services under paediatric dentistry, namely Lucheng Children Hospital and Wenzhou Children Hospital, the latter of which will form part of the second phase of Wenzhou Oral Care.

According to the Frost & Sullivan Report, similar to the nationwide situation, the rates of caries treated across the age groups of 5-year-old and 12-year-old in Wenzhou only accounted for an insignificant portion of their corresponding rates of caries. According to the 4th National Oral Health Survey, the rate of caries for the age group between 3 to 5-year-old, 12 to 15-year old, was approximately 62.5% and 41.9%, respectively, while the rate of caries treated accounted for only approximately 19.4% and 49.4% thereof, respectively. Along with the implementation of favourable government polices including "Healthy Oral Action Plan 2019-2025" announced by the National Health Commission, two-child policy in the PRC and three-child policy in Zhejiang Province and the rising awareness of dental care and cosmetic and aesthetic dentistry for children from an early age among young parents, it is expected that the population base of children, which showed relatively high rate of caries similar to that of old people, will grow, thereby bringing substantial demand for paediatric dentistry in China.

In addition, according to the Frost & Sullivan Report, the market size of paediatric dentistry segment demonstrated a strong growth rate of 23.6% from 2017 to 2021, while the market size increased from approximately RMB51.8 million to approximately RMB120.8 million during the period. From the demand perspective, with the implementation of "Outline of the Healthy China 2030 Plan" which enhances the work of prevention and cure of stomatitis and the offering of a free check of oral diseases and dental caries filling treatment with reduced or exempted medical expenses for children, the awareness of dental care is expected to be strengthened continuously going forward. As at the Latest Practicable Date, there is no public or private children dental hospitals specialising in this area to cater the increasing demand specifically. In that case, growing demand for paediatric dentistry in Wenzhou is estimated to cultivate vast market potentials for different types of dental service providers, especially the rise of specialised paediatric dentistry hospitals. Thus, in the foreseeable future, the market size is estimated to reach approximately RMB301.1 million by 2026, representing a CAGR of 20.0% from 2021 to 2026, according to Frost & Sullivan.

During the Track Record Period, we held social activities such as "Dentists Role Play for Children (小牙醫活動)", a free dentistry lecture for children, and teeth protection lectures and dental health lectures to schools, targeting at children and their parents to raise awareness of children dental care among them as well as to cultivate a pool of potential children and adult patients. During the Track Record Period, the number of active patients at the age of 16 or below of our dental hospitals demonstrated stable demand for children dental services in Wenzhou, which accounted for approximately 28.0%, 26.4%, 26.1% and 21.9% of our total number of active patients for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

Given that there were no private dental hospitals established specialising in and solely providing children dental care in Wenzhou City Area, Rui'an City and Longgang City in Wenzhou as at the Latest Practicable Date according to Frost & Sullivan, our Directors consider it necessary to capitalise on such anticipated growth of the paediatric dentistry market in the PRC to pioneer the children dental services in Wenzhou. Besides, we intend to strategically establish children dental hospitals in the same premises of Lucheng Hospital and Wenzhou Oral Care. Such layout enables us to cross-sell our dental services to parents and family members of our children patients visiting our children dental hospitals simultaneously, and leverage on the existing reputation and brand recognition of Lucheng Hospital and Wenzhou Oral Care.

The following table sets forth certain information on our plans in establishing two private dental hospitals in Wenzhou City Area:

Private dental hospital	Current status	Estimated GFA (sq.m.)	Scope of dental services	Estimated number of operation rooms and service rooms	Estimated number of dental chairs	Key devices and equipment	Personnel	Expected time to commence operation	Estimated number of visits in the first year of operation[3]	Estimated average spending per visit in the first year of operation[4]	Estimated total investment amount and source of funding
Lucheng Children Hospital – a dental hospital specialised in the provision of dental services to children under 14 years old[1]	We established the corporate entity of Lucheng Children Hospital in 2019, which was in the course of applying for Medical Institution Practising License as at the Latest Practicable Date. Part of the existing premises of Lucheng Hospital in the GFA of approximately 1,300 sq.m. has been allocated for the future use by Lucheng Children Hospital.	1,300	Provision of (i) general dentistry services; (ii) orthodontics and cosmetic dentistry services; and (iii) other dental services, including teeth cleansing and radiological imaging, to children under 14 years old	1 operation room and 8 service rooms[2]	20	20 dental integral treatment units (i.e. dental chairs), 3 dental implants equipment, 1 panoramic radiography equipment, 5 dental scaler machines, 5 ultrasonic bone scalpels	16 dentists, 15 nurses, 5 other medical professionals and 12 administrative and supporting staff	2nd quarter of 2023	(i) general dentistry services: 6,000 (ii) reparative dentistry services: 200 (iii) orthodontics and cosmetic dentistry services: 1,400 (iv) other dental services: 2,700	(i) general dentistry services: RMB540 (ii) reparative dentistry services: RMB3,700 (iii) orthodontics and cosmetic dentistry services: RMB4,400 (iv) other dental services: RMB100	Approximately RMB26.2 million (equivalent to approximately HK$30.8 million) (approximately HK$12.3 million from net proceeds of the Global Offering and approximately HK$18.5 million from internal resources and/or bank borrowings)

Private dental hospital	Current status	Estimated GFA (sq.m.)	Scope of dental services	Estimated number of operation rooms and service rooms	Estimated number of dental chairs	Key devices and equipment	Personnel	Expected time to commence operation	Estimated number of visits in the first year of operation[(3)]	Estimated average spending per visit in the first year of operation[(4)]	Estimated total investment amount and source of funding
Wenzhou Oral Care – a flagship dental hospital of our Group offering comprehensive dental services	We have utilised our internal resources to finance part of the development of the first phase of Wenzhou Oral Care, which has commenced operation since November 2021. As at the Latest Practicable Date, only part of the first phase of Wenzhou Oral Care has been completed, and the development of its second phase is expected to commence upon completion of the first phase. The second phase comprises two parts, namely the establishment of Wenzhou Children Hospital and a dentistry training centre.[(5)] We established the corporate entity of Wenzhou Children Hospital in 2016, which was in the course of applying for Medical Institution Practising License as at the Latest Practicable Date.	6,942[(5)]	Provision of (i) general dentistry services; (ii) reparative dentistry services; (iii) orthodontics and cosmetic dentistry services; (iv) implant dentistry services; and (v) other dental services, including teeth cleansing and radiological imaging	7 operation rooms and 56 service rooms[(2)]	59	59 dental integral treatment units (i.e. dental chairs), 50 dental curing lights, 10 dental microscopes, one dental computed tomography scanning equipment[(6)]	21 dentists, 45 nurses, 8 other medical professionals and 16 administrative and supporting staff[(7)]	4th quarter of 2023[(8)]	(i) general dentistry services: 5,200 (ii) reparative dentistry services: 450 (iii) orthodontics and cosmetic dentistry services: 300 (iv) implant dentistry services: 300 (v) other dental services: 2,500	(i) general dentistry services: RMB540 (ii) reparative dentistry services: RMB3,700 (iii) orthodontics and cosmetic dentistry services: RMB4,400 (iv) implant dentistry services: RMB8,100 (v) other dental services: RMB100	Approximately RMB65.8 million (equivalent to approximately HK$77.3 million) (approximately HK$23.6 million from net proceeds of the Global Offering and approximately HK$53.7 million from internal resources and/or bank borrowings) Up to 31 May 2022, we incurred RMB28.6 million on the establishment of Wenzhou Oral Care using our internal resources.

Notes:

(1) According to the Frost & Sullivan Report, there is no dental hospital which specialised in and solely provides dental services to children in Wenzhou City Area as at the Latest Practicable Date.

(2) The service rooms include radiology room, consultation room, emergency room, staff room, supply room and waiting room. For Wenzhou Oral Care, 2 operation rooms and 18 service rooms were currently in operation as at the Latest Practicable Date.

(3) The estimated number of visits in the first year of operation of the relevant dental hospitals are Directors' best estimate based on Directors' experience and current knowledge and understanding of the prevailing market conditions and environment. For Wenzhou Oral Care, the estimated number of visits for the first year of operation refers to the twelve months since the commencement of operations of the second phase.

(4) The estimated average spending per visit in the first year of operation of the relevant dental hospitals are Directors' best estimate based on Directors' experience and understanding of the prevailing market conditions and environment. For Wenzhou Oral Care, the estimated average spending per visit in the first year of operation refers to the twelve months since the commencement of operations of the second phase.

(5) As at the Latest Practicable Date, a GFA of approximately 3,600 sq.m. were currently in use. Wenzhou Children Hospital and the dentistry training centre are estimated to occupy a GFA of approximately 1,500 sq.m. and 1,200 sq.m. of the premises of Wenzhou Oral Care, respectively. For details of our plan to establish the dentistry training centre, please refer to the paragraph headed "Our Strategies – Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services" in this section.

(6) As at 31 May 2022, we had incurred approximately RMB6.8 million for the acquisition of key devices and equipment for the commencement of operation of the first phase. We had acquired 43 dental integral treatment units so far, being the dental chairs, among which, 23 of them were in operation. We plan to further acquire additional equipment and devices, including advanced medical equipment, for the further development of the first and second phase.

(7) As at 31 May 2022, we had hired 10 dentists, 19 nurses, 8 other medical professionals and 16 administrative and supporting staff for the first phase, incurring personnel costs of approximately RMB3.0 million so far for the commencement of operation of the first phase. We expect to further hire around 11 dentists and 26 nurses for the further development of the first and second phase.

(8) Based on our Directors' best estimate and subject to, among others, the availability of financial resources and prevailing marketing conditions, the second phase is expected to commence operation in the fourth quarter of 2023.

Set out below is a breakdown of the estimated total investment amount for our plans for Lucheng Children Hospital and Wenzhou Oral Care:

	Estimated total investment amount	
	Lucheng Children Hospital	**Wenzhou Oral Care**
	(RMB'000)	*(RMB'000)*
Personnel costs for two years	12,494	24,750
Dental devices and equipment costs	9,244	16,211
Renovation costs	4,500	13,055
Rental fee for two years	–	11,828
Total	26,238	65,844

The estimated total investment amount planned for Wenzhou Oral Care does not include that for the establishment of the dentistry training centre. For details of our plan to establish the dentistry training centre, please refer to the paragraph headed "Our Strategies – Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services" in this section.

The establishment of a new dental hospital generally involves a number of steps, including strategic planning, market research, site selection, feasibility study, regulatory approval process, construction and decoration of premises, recruitment of necessary personnel, acquisition of equipment and supplies, and commencement of operations. According to our past experience, such process generally takes one to two years to complete for the establishment of a dental hospital. The first phase of Wenzhou Oral Care obtained its Medical Institution Practising License and commenced operation in November 2021, and its second phase is expected to commence operation in the fourth quarter of 2023. The second phase of Wenzhou Oral Care comprises two parts, namely the establishment of Wenzhou Children Hospital and a dentistry training centre in the same premises. We have established the corporate entity of Wenzhou Children Hospital and Lucheng Children Hospital in 2016 and 2019, respectively, both of which were in the course of applying for their respective Medical Institution Practising Licenses as at the Latest Practicable Date. As advised by Frost & Sullivan, assuming all the documents and prerequisite requirements and conditions for application are submitted and complied with, it generally takes around one to three months on average for the relevant competent authority to approve the granting of the Medical Institution Practising License. Based on our Directors' best estimation taking into account the timing of the net proceeds to be received from the Global Offering for capital investments in this expansion plan, Lucheng Children Hospital and Wenzhou Children Hospital are expected to obtain their respective Medical Institution Practising Licenses and commence their operations in the second quarter of 2023 and the fourth quarter of 2023, respectively. Our PRC Legal Advisers are of the view that there are no foreseeable major legal obstacles for these two children dental hospitals to obtain relevant operating licenses in material aspects such as the Medical Institution Practising Licences, provided that relevant laws, regulations and regulatory conditions, requirements and standards are fully met and the relevant applications are made in accordance with applicable laws and regulations at the time of applying.

Due to the nature of our business which takes time to accumulate client base, a new dental hospital generally has lower income and higher operating costs during the initial stages of its operation. Breakeven of a new dental hospital is reached when its revenue is sufficient to cover its operating costs. The payback period for a new dental hospital represents the time that it takes for the accumulated operating cash flow attributable to our Company from the relevant dental hospital to cover the initial investment. Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately four years for a new dental hospital to break even and approximately seven years to recover the initial investment. However, the breakeven periods and the investment payback periods may be greatly affected by the specific characteristics of a dental hospital, such as its scale, initial investment, the coverage of its services and the then competitive landscape and market conditions. Based on the best estimate of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), taking into account that Wenzhou Oral Care has commenced operation since November 2021, our Directors estimated that Lucheng Children Hospital and Wenzhou Oral Care will take approximately three years and three years to break even, respectively; and approximately six years and seven years to recover the initial investment, respectively.

Strategic acquisitions in Zhejiang Province

According to the Frost & Sullivan Report, Zhejiang Province has shown strong economic performance across China with its nominal GDP being RMB7.4 trillion in 2021, ranking fourth among all provinces. Between 2017 and 2021, the disposable income of urban residents in Zhejiang Province increased from RMB51,261 to RMB68,487 with a CAGR of approximately 7.5%. The economy of Zhejiang province is also featured by robust performance of private economy. In that case, the dental service market in Zhejiang Province benefits from the relatively high level of disposable income and sound development of entrepreneurship. The market size of dental service market in Zhejiang province demonstrated strong growth between 2017 and 2021, increasing from approximately RMB8.8 billion to RMB13.9 billion with a CAGR of 12.1%. Looking forward, Zhejiang Province was among the early regions to implement the three-child policy which is expected to boost the current low birth rate in the PRC, thereby stimulating the population base of children, which showed relatively high rate of caries. It is expected that such favourable government policy, coupled with the ageing population, would continuously promote demand for dental services, thus, the market size of dental service market in Zhejiang Province is expected to further increase to approximately RMB23.2 billion by 2026, with a CAGR of 10.9% between 2021 and 2026. To speed up our expansion outside Wenzhou, we decide to acquire two private dental hospitals outside Wenzhou by strategic acquisitions. Based on previous operating experience and best estimate of our Directors, around 18 months can be saved to expand one dental hospital in our network by way of strategic acquisition rather than by establishment of a new dental hospital, including the time that can be saved to (i) complete the hiring process of qualified dentists, nurses and other medical professions; (ii) obtain all the necessary licenses, permits and approvals for the operation of a private dental hospital; (iii) locate and secure the lease of an appropriate premises; and (iv) complete the renovation of the premises.

We plan to seek for acquisition opportunities of dental hospitals that have demonstrated good track records of performance and reputations in Zhejiang Province in view of the sizable population and relatively high level of disposable income in the region, which we believe will enable us to rapidly replicate our success in other cities in the region. In addition to the growing dental service market in Zhejiang Province, according to the Frost & Sullivan Report, the average spending per dental visit in Zhejiang Province increased with a CAGR of 5.3% from 2017 to 2021, and is expected to further increase with a CAGR of 4.9% between 2021 and 2026. Our Directors are therefore of the view that with our years of experience of operation of dental hospitals and our quality of service, we are able to capture the growing demand in Zhejiang Province. For further details of the dental markets of Zhejiang Province, please refer to the section headed "Industry Overview" in this prospectus.

According to the Frost & Sullivan Report, attributable to the solid economic foundation and relatively abundant medical resources, the dental market of Zhejiang Province are more competitive and mature than that of other regions in the PRC. Further, according to the Frost & Sullivan Report, from 2017 to 2021, the market size of private dental hospitals and private dental clinics increased from approximately RMB1.7 billion and RMB3.4 billion, respectively, to approximately RMB3.4 billion and RMB5.4 billion, respectively, with a CAGR of 18.9% and 12.2% during this period, leading the major growth among four types of dental service providers. Coupled with residents preference of resolving dental problems pivot away from sticking to public dental service providers toward private dental service providers attributable to the remarkable performance of economic growth of Zhejiang Province, the new customer behaviors are expected to accelerate the development of private dental services. In the foreseeable future, the market size of private dental hospitals is expected to reach approximately RMB7.0 billion at a CAGR of 15.3% between 2021 and 2026.

Given the substantial room for growth in the dental market, we plan to take advantage of the experience and skills of the existing personnel of the target private dental hospital to assist us to adapt to any new markets in the region efficiently and effectively. When acquiring the private dental hospitals in Zhejiang Province, we will retain the key senior management to assist us in implementing market strategies and operation plans; and will also retain a majority of the suitable dentists, nurses and other medical professionals in the target private dental hospitals, who can help us to maintain the trust relationship with the existing patients of the target private dental hospitals.

After the acquisitions of such private dental hospitals outside Wenzhou, we are expected to rapidly expand into the relevant new geographic markets, which are not covered by our existing network, and will fully utilise its existing resources, including the patient networks, reputation, other business connections and the experience and skills of the licensed medical professionals of such private dental hospitals. To further strengthen the competitiveness and brand awareness of the target private dental hospitals, we plan to use various forms of marketing which include online and offline advertising platforms to promote such target private dental hospitals; and actively participate in social activities to generate positive media coverage in the new geographic markets. Our Directors consider that high quality service and stringent safety controls are vital for our Group to differentiate ourselves with our competitors. Once we have acquired the target private dental hospitals, we will involve ourselves in their management; and provide consistent and systematic trainings to the dentists, nurses and other medical professionals of such dental hospitals to ensure they conform to our operational standards and best practices, so as to fully integrate the private dental hospitals into our Group.

When expanding by acquisitions, we will primarily take into consideration the following selection criteria of the target private dental hospitals: (i) the operation capacity including the number of dentists and the estimated GFA of the premises; (ii) the licences obtained such as business licences and Medical Institution Practising Licences (醫療機構執業許可證); (iii) the quantity and quality of the dental equipment; (iv) the geographical location of the target private dental hospitals and their proximity to prime commercial districts; (v) their existing operational scales and hospital departments; (vi) experience and track record of their dentists and medical staff; (vii) competitive landscape in the cities where the target private dental hospitals are located; (viii) the target's historical performance and professional reputation; (ix) its compatibility with our corporate culture and existing private dental hospitals; and (x) each being a profit-making hospital historically. We plan to acquire two private dental hospitals, which would be located in Zhejiang Province, and operate under a new trade name which is registrable in the PRC.

As at the Latest Practicable Date, we had not identified any specific targets for acquisitions. It is, however, estimated that the two private dental hospitals to be acquired would have (i) a GFA of approximately 1,500 to 3,000 sq.m.; (ii) approximately 20 to 30 dental chairs; (iii) approximately 20 to 25 dentists; (iv) annual number of patient visits exceeding 10,000; and (v) annual revenue in the range of RMB5.0 million to RMB20.0 million. According to the Frost & Sullivan Report, there are sufficient number of suitable dental hospitals in Zhejiang Province for acquisitions by our Group as at the Latest Practicable Date. Based on the best estimate of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that the historically profit-making hospitals, being the target private dental hospitals, if acquired, will take approximately eight years to recover the initial investments on average.

We plan to invest approximately RMB40.0 million (equivalent to approximately HK$47.0 million) in strategic acquisitions of two private dental hospitals and re-brand the acquired dental hospital to bring it in line with our existing operational standards. We plan to finance the above intended acquisitions primarily with the net proceeds from the Global Offering in the sum of HK$25.0 million, and the rest with our internal resources and/or bank borrowing. As at the Latest Practicable Date, we had not entered into any letters of intent or agreements with respect to acquisitions and had not identified any definite acquisition targets. Subject to our negotiation with the sellers by then, we may be required to assume any medical liabilities of the target private dental hospitals, and we could become liable for the past activities of the dental hospitals to be acquired. In this regard, we will ensure that our interest would be safeguarded with the relevant indemnification clauses in the acquisition documents in place. We plan to complete the acquisitions in the second quarter of 2024.

Establishing a dental clinic chain outside Wenzhou under a new trade name

Emulating the success of our current operations of private dental hospitals in Wenzhou and leveraging our dentists' practical experience and familiarity with regions outside Wenzhou, we intend to replicate our success by establishing a dental clinic chain in new geographical areas around The Yangtze River Delta and Zhejiang Province. Given the generally lower entry barrier of dental clinics comparing with dental hospitals, we expect intense competition among dental clinics in the locality. For details of the major differences between dental clinics and dental hospitals, please refer to the section headed "Industry Overview" in this prospectus. As such, our Directors are of the view that it is crucial to develop and maintain brand recognition of our dental clinics and differentiate ourselves from our competitors. As we were not successful in registering "溫州牙科", "溫州鹿城口腔", "溫州口腔" and "龍港口腔" as trademarks in the PRC as "溫州", "鹿城" and "龍港" are the names of county-level or municipal-level administrative divisions in Zhejiang Province, the PRC, our Directors consider that it is important for our dental clinic chain to develop a new trade name that is registrable in the PRC and thus to better protect our brand image and reputation. Meanwhile, our dental clinic chain will consistently use our trademark “” in the PRC in its operation which have been using by our dental hospitals to leverage on our existing brand and reputation. According to Frost & Sullivan, compared with dental hospitals, dental clinics have relatively lower threshold in terms of establishment prerequisites and investment amount due to its smaller scale of operation, whereas private dental hospitals are subject to more legal requirements in terms of size and scale of business, their specialised areas and personnel. We thus expect dental clinics would have a much shorter breakeven and investment payback period compared to dental hospitals. Further, as the patient base covered by the radius of our existing private dental hospitals are limited to those in the proximity or the general local area of Wenzhou, our Directors are of the view that establishing dental clinics is an efficient way to expand our business presence in new geographical area outside Wenzhou in a short period of time and allow us to reach a larger patient base quickly.

We plan to establish a chain of approximately seven dental clinics in areas outside Wenzhou under a new trade name with our trademark “” registered in the PRC in approximately two years with three to four new dental clinics to be commenced in operation in each year. Through years of operation of dental hospitals, we have cultivated a pool of talented and experienced dentists. We intend to manage these dental clinics through cooperation with our existing dentists whom we have built trust and confidence in his/her technical skills, integrity and character. We take into account a number of factors in selecting the suitable city for establishing dental clinics, including the demographics of the city, the level of consumption of the local residents, the competitive landscape, the market demand for dental services in the city, the industry support by local dental associations and the respective managing dentists’ familiarity in the region. In such cooperation with our dentists, we will be responsible for the finance and account, procurement and supplies and general marketing and promotion of the brand of the chain; while the managing dentists will be responsible for the daily operations of the clinic, delivery of dental services and recruitment of personnel. In this regard, we also plan to highlight our experience in the dental service industry and the expertise of our management and dentists as part of our marketing and promotion efforts for launching the dental clinic chain to further capitalise on our existing brand and reputation. To further incentivise such managing dentists of our dental clinics, such managing dentists will be invited to be the non-controlling shareholders of such dental clinics as to 30% to 40%.

As one of our key objectives of establishing a dental clinic chain outside Wenzhou is to manage our existing pool of talented and experienced dentists through cooperation with them in managing dental clinics, we can have a more adaptive cooperative arrangement with each of such existing dentists utilising their specific expertise by setting up new business entity rather than acquiring existing dental clinics which couple with pre-acquisition conditions, including dental professionals whom we may not desire to retain. Further, in order to develop and maintain brand recognition of our dental clinic chain, we intend to adopt standard set of furnishing to our dental clinics. Our Directors estimated that, given the generally low capital expenditure for establishing a new dental clinic of approximately RMB1.9 million, the costs to assimilate an acquired dental clinic by refurnishing and reequipping may not be lower than establishing a new dental clinic. Thus, considering our objectives and the relatively smaller scale of dental clinics, our Directors are of the view that comparing with acquiring existing dental clinics, establishing new dental clinics is a more preferable means to expand our dental clinic chain.

We plan to invest a total of approximately RMB13.3 million (equivalent to approximately HK$15.7 million) in establishing a chain of approximately seven dental clinics. We plan to finance the above intended investment primarily with the net proceeds from the Global Offering in the sum of approximately HK$7.5 million and the rest with our internal resources and/or bank borrowing. The investment amount for the capital expenditure of each dental clinic is estimated to be around RMB1.9 million. Taking into consideration previous operating experience of our Directors, we estimate that it will take approximately one to two years for a new dental clinic to break even and approximately three to four years to recover the initial investment. However, the breakeven periods and the investment payback periods may be greatly affected by the specific characteristics of an dental clinic, such as its size, initial investment, the incentive shareholding percentage of the dentist, the coverage of its services and the competitive landscape. We plan to complete the establishment of the dental clinics by the fourth quarter of 2024.

We may face a number of challenges in implementing our expansion plans, such as recruiting experienced dentists and other medical professionals, obtaining the requisite licenses and permits, and maintaining our competitive advantages. To this end, we intend to (i) continue to attract and retain seasoned medical professionals to join us by offering competitive benefits and promising career prospects; (ii) provide comprehensive training programmes to enhance the technical skills of medical professionals to further their career development; and (iii) host scalable industry conference, dental academic forum and technical skills training seminar, so as to enhance our corporate reputation in the dental industry, and thus further aid our efforts to attract dental talents to our Group. In addition, we will, in accordance with all applicable laws, regulations and rules, apply for the necessary approvals, permits and licenses for our expansion plans, primarily relating to the opening of our dental hospitals and dental clinics, and our Directors confirm that they currently do not foresee any material impediment for us to comply with all relevant requirements under the applicable laws, regulations and rules to establish dental hospitals and dental clinics in the PRC. For further details of the applicable laws, regulations and rules governing the establishment of dental hospitals and dental clinics, please refer to the section headed "Regulatory Overview" in this prospectus. Our expansion plans are inevitably subject to our operations and the market conditions from time to time and we may make adjustments accordingly for our best interests. For details, please refer to the sections headed "Risk Factors – Risks Relating to our Business and Industry – Our expansion plans, particularly our plans to expand our business into various new geographic areas are subject to uncertainties and risks, and we may not be able to successfully manage our expanded operations", "Risk Factors – Risks Relating to our Business and Industry – Opening of new private dental hospitals could result in fluctuations in our short-term financial performance" and "Risk Factors – Risks Relating to our Business and Industry – Newly opened and acquired private dental hospitals may not achieve normal operation as anticipated, which could adversely affect our business, results of operations, financial condition and prospects" in this prospectus.

Renovation of Wenzhou Hospital to expand its children dental department

We intend to expand our children dental department by reallocating the existing resources of our Wenzhou Hospital, including the renovation of certain part of the premises of our Wenzhou Hospital. As demonstrated above in the paragraph headed "Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this section above, favourable government policies and recent market trends indicate a rising demand from children patients. To align with our strategy to further penetrate into the paediatric dentistry market, we believe we need to expand our existing children dental services in order to capture the growth of this market. There is therefore a need to expand the children dental department in Wenzhou Hospital to cater for this rising trend. We believe we can further penetrate into this market by increasing our efforts in attracting and better serving our children patients to increase our market share in this expanding market by creating a more spacious and fun environment with colourful and cosy decorations as well as children amenities and entertainment for our children patients to relieve the common negative emotions toward dental treatments among children patients to enhance their service experience.

To this end, we intend to renovate certain part of the premises of our Wenzhou Hospital to redesignate its function from administration to medical purposes to create more service rooms and increase the recreational area for our children patients in the GFA of approximately 450 sq.m. with additional three service rooms each of which to be equipped with two dental chairs to be reallocated from the existing service rooms of Wenzhou Hospital.

Since our children dental services belong to general dentistry which generally do not involve any other dental specialty, the expansion of our children dental department does not require the acquisition of specialised medical equipment and hiring additional personnel, and we can reallocate and deploy the existing resources of Wenzhou Hospital, including its medical professionals, medical devices and consumables to cover the needs of the expanded children dental department.

In addition, during the Track Record Period, we have not upgraded our business operational software system. The existing business operational software systems are operated separately in each of our private dental hospitals to assist in managing our daily operation information and storing patients' data and treatment histories. It is anticipated that an upgrade to our business operational software system would connect the business operational software systems currently operating separately at each of our five dental hospitals, at the headquarters level, so as to increase the efficiency and effectiveness of centralised management of our dental hospitals and network maintenance.

We estimated that the total cost for the renovation works would be approximately RMB5.6 million (equivalent to approximately HK$6.6 million), which are expected to be primarily funded with the net proceeds of the Global Offering in the sum of HK$2.6 million and the rest with internal resources and/or bank borrowing. Set out below is a breakdown of the estimated investment amount for renovation of Wenzhou Hospital:

	Estimated total investment amount *(RMB'000)*
Renovation costs	3,600
Software system upgrade costs	2,000
Total	5,600

We expect the whole renovation works to span for a period of approximately up to three months and complete in the first quarter of 2023, and we consider such renovation works will not cause any material disruption to our operations in Wenzhou Hospital.

Acquiring new dental devices and consumables to improve the quality of our dental services offered

We operate in an industry that is highly driven by rapid technological advancements. In order to remain competitive, we believe it is essential to keep up with the prevailing technology and equipment, and the trend in dental consumables. According to the Frost & Sullivan Report, one of the key competitive factors between private and public hospitals and among private hospitals is the availability of advanced equipment. In order to keep up with the prevailing technology, we had historically been investing substantial amount in acquiring new equipment to either replace old machineries which are reaching the end of their useful lives, or to introduce new technology to improve patients' experience, efficiency and/or quality of our dental services offered. For the three years ended 31 December 2021 and the five months ended 31 May 2022, we have incurred RMB1.3 million, RMB0.4 million, RMB2.3 million and RMB1.4 million, respectively, for acquiring medical equipment for our dental hospitals using our internal resources. We plan to continue to invest in advanced dental devices and introduce new technologies.

We estimated to invest a total of approximately RMB6.2 million (equivalent to approximately HK$7.2 million), which is expected to be primarily funded by the net proceeds from the Global Offering in the sum of approximately HK$2.9 million, and the rest with our internal resources and/or bank borrowing, for acquiring new dental devices and consumables to improve the quality of our dental services offered. Set out below is a breakdown of the estimated total investment amount for acquiring new dental devices and consumables:

	Number of devices					
Type of devices	**Wenzhou Hospital(5)**	**Lucheng Hospital(6)**	**Longgang Hospital(7)**	**Rui'an Branch Hospital(8)**	**Total**	**Range of estimated unit price** *(RMB)*
Ancillary dental equipment(1)	10	6	4	5	25	1,250 – 258,000
Dental equipment for general dentistry(2)	36	7	3	1	47	1,250 – 150,000
Dental equipment for reparative dentistry(3)	6	3	3	3	15	20,000 – 258,000
Dental equipment for implant dentistry(4)	2	1	1	1	5	20,000 – 130,000
Total	54	17	11	10	92	

Notes:

(1) Ancillary dental equipment includes equipment that support treatment from multiple dental sectors or assist the diagnostic process of our dentists and training equipment, such as intraoral dental digital camera and magnifier.

(2) Dental equipment for general dentistry includes root canal treatment instrument and gutta percha obturation system (口內熱牙膠系統).

(3) Dental equipment for reparative dentistry includes CAD/CAM CEREC system and dental 3D printer.

(4) Dental equipment for implant dentistry includes periotest for implant stability measurements.

(5) We plan to acquire such new equipment and expect such equipment can be put into service in or around the first quarter of 2023. Among the 54 sets of equipment to be acquired, 15 sets are intended to replace existing equipment, all of which are dental integral treatment units; while the rest are new technology to improve patients' experience, efficiency and/or quality of our dental services offered. The average remaining useful lives of such existing equipment to be replaced will reach approximately 1.9 years at the time when the new equipment put into service.

(6) All of such equipment to be acquired are new technology to improve patients' experience, efficiency and/or quality of our dental services offered. We plan to acquire such new equipment and expect such equipment can be put into service in or around the third quarter of 2023.

(7) All of such equipment to be acquired are new technology to improve patients' experience, efficiency and/or quality of our dental services offered. We plan to acquire such new equipment and expect such equipment can be put into service in or around the first quarter of 2024.

(8) All of such equipment to be acquired are new technology to improve patients' experience, efficiency and/or quality of our dental services offered. We plan to acquire such new equipment and expect such equipment can be put into service in or around the first quarter of 2024.

Wenzhou Hospital, commencing its operation in 2011, is the longest serving dental hospital in our Group. Given much of its essential dental equipment, such as dental integral treatment units, are reaching the end of their respective useful lives, our Directors are of the view that there is a genuine need to replace such dental equipment with new equipment to ensure the equipment are in good condition and the technology of which are up-to-date, including Amann Girrbach Fully-Adjustable Dental Articulator, which can emulate patients' interdental movements and physical chewing movements. Such technology can reduce patients' discomfort and treatment time. It is estimated that the average remaining useful lives of such existing equipment to be replaced in Wenzhou Hospital will reach approximately 1.9 years at the time when the new equipment put into service which is expected to be in or around the first quarter of 2023. As such, approximately RMB3.9 million, being approximately 62.9% of the total investment for new dental devices and consumables, are intended to be used to replace existing equipment and acquire new equipment at Wenzhou Hospital.

Since its commencement of operation in 2017, the patient base of Lucheng Hospital has exhibited exponential growth in its number of active patients, from 1,734 for the year ended 31 December 2017 to 13,862 for the year ended 31 December 2021, representing a CAGR of 68.1%. In light of its rapid growth within four years time, our Directors are of the view that it is necessary to acquire new equipment with new technology primarily to improve the efficiency and/or quality of our dental services offered in Lucheng Hospital. Such new technology include CAD/CAM CEREC system which can produce 3D scanning of patients' teeth and complete the production process of all-ceramic artificial dental crowns at one time, which can greatly reduce the waiting time of patients and increase the efficiency of our dental services.

Given each of our Rui'an Branch Hospital and Longgang Hospital is the only private dental hospital in operation in Rui'an City and Longgang City, respectively, as at the Latest Practicable Date, our Directors are of the view that it is essential to maintain our competitiveness in these cities with up-to-date technology and thus we plan to acquire new equipment with most advanced technology which are expected to be put into service in or around the first quarter of 2024, after around five and seven years from their respective commencement of operation.

The expected useful life for each of these dental devices to be purchased is ten years based on our accounting policy for depreciation of equipment.

Our senior management will keep up with the prevailing technologies and conducts market research on the prevailing dental technologies and consumables to meet the increasing demand of our patients.

Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services

According to the Frost & Sullivan Report, medical talents are the core asset of dental service providers to decide their professional level and patient experience. Thus, we intend to have our own talent pool of dentists to differentiate ourselves with our competitors. We plan to establish our own training centre in Wenzhou to enlarge our talent pool of dentists. Currently, our Group does not have a specialised and centralised dentistry training centre. Dental trainings of our dentists and medical staff are conducted in multi-purpose meeting rooms of each of our dental hospitals, which are also the venue for internal meetings of our management and administrative staff. These conference rooms are scattered and have limited capacity for dental training in terms of training equipment and space, and marginally sufficient to accommodate our Group's current scale of operation. In light of our future expansion plan with increasing number of dentists and medical staff as well as the increasing frequency for technical trainings for new skills and technology, we plan to establish a dentistry training centre with an estimated GFA of approximately 1,200 sq.m. in the same premises of Wenzhou Oral Care to be established. For details of our plan to develop Wenzhou Oral Care, please refer to the paragraph headed "Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this section. Such dentistry training centre is expected to serve as a centralised training centre for all of our dental hospitals and have the capacity to host meeting and conferences for our dentists. Such training centre is also expected to be equipped with advanced dental training equipment. Set out below is the particulars of the training equipment to be acquired for the dental training centre:

Types of training equipment	**Estimated number of equipment**	**Range of estimated unit price** *(RMB)*
Ancillary dental equipment	659	580 to 149,300
Dental equipment for periodontology dentistry	67	910 to 5,400
Dental equipment for general dentistry	51	650 to 46,000
Dental equipment for reparative dentistry	27	930 to 140,000
Dental equipment for implant dentistry	14	680 to 22,000
Dental equipment for orthodontics and cosmetic dentistry	13	3,724 to 8,600
Dental equipment for children dental services	10	580 to 710

Establishing our own dentistry training centre can centralise and increase the efficiency of our dental trainings, and provide our dentists and medical staff with consistent and systematic training.

Moreover, according to the Frost & Sullivan Report, due to people's preference for experienced and skilful medical experts, well-established dental service providers are actively seeking collaboration with education and research institutions to develop their talent team and attract more patients. We have already collaborated with Anhui Medical University (安徽醫科大學) and Hubei Polytechnic Institute (湖北職業技術學院) by offering internship opportunities to their medical students. Our Directors believe establishing our own dentistry training centre could attract more recognised medical institutions to cooperate with us and therefore enhance the overall skills of our dentists, which could attract more patients to visit our private dental hospitals.

Other than providing better trainings to our dentists and medical staff, with the dentistry training centre, we can host or provide venue for more scalable industry conference, dental academic forum and technical skills training seminar, so as to enhance our corporate reputation in the dental industry, and thus further aid our efforts to attract dental talents to our Group. For example, since 2018, we have cooperated with China Oral Health Foundation (中國牙病防治基金會) as the designated Clinical Skills Training Centre (臨床技能培訓基地) to improve the quality of dental services in the community, and we intend to explore more such opportunities by providing a better environment equipped with dentistry training equipment and facilities.

We expect that dentistry training centre would commence operation in the fourth quarter of 2023. We estimated to invest a total of approximately RMB9.4 million (equivalent to approximately HK$11.0 million), which is expected to be primarily funded with the net proceeds from the Global Offering in the sum of approximately HK$4.7 million, and the rest with our internal resources and/or bank borrowing, for establishing dentistry training centers to improve the quality of our skills and retain talented dentists. Set out below is a breakdown of the estimated investment amount for establishing our own training centre.

	Estimated total investment amount *(RMB'000)*
Training equipment costs	3,521
Renovation costs	4,500
Rental fee for two years	1,391
Total	9,412

Estimated timeframe in implementing our strategies by using net proceeds from the Global Offering

We currently intend that the net proceeds from the Global Offering will be applied in the following manner:

	For the six months ending					Approximate percentage of total net proceeds
	30 June 2023	31 December 2023	30 June 2024	31 December 2024	Total	
	(HKD'000)	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	*(HKD'000)*	
Expanding our dental medical institutions network in the PRC						
– Expanding our dental medical institutions by organic growth	21,563	5,568	6,361	2,445	35,937	41.1%
– Expanding our dental medical institutions by strategic acquisition	12,495	–	12,495	–	24,990	28.6%
Establishing dental clinic chain outside Wenzhou under a new trade name	4,823	2,709	–	–	7,532	8.6%
Renovation and expansion of Wenzhou Hospital	2,642	–	–	–	2,642	3.0%
Acquiring new dental devices and consumables to improve the quality of our dental services offered	1,151	657	1,048	–	2,856	3.3%
Establishing a dentistry training centre	126	3,834	753	–	4,713	5.4%
General working capital	2,185	2,185	2,185	2,186	8,741	10.0%
Total	44,985	14,953	22,842	4,631	87,411	100.0%

OUR BUSINESS MODEL

During the Track Record Period, we generate revenue primarily from operating five private dental hospitals in Wenzhou. All of our hospitals are private dental hospitals, which are specialised in providing comprehensive dental services to individuals of all ages covering mainly four sectors including general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科) and orthodontics and cosmetic dentistry (牙齒正畸科).

The revenue breakdown by types of dental services provided during the Track Record Period is as follows:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Revenue	% of the total revenue	Revenue	% of total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* *(unaudited)*	%	*(RMB'000)*	%
General dentistry	30,110	36.2	32,856	38.9	36,604	34.8	13,143	38.2	13,885	29.6
Orthodontics and cosmetic dentistry	20,934	25.2	21,658	25.6	22,587	21.4	8,751	25.4	7,102	15.2
Reparative dentistry	17,171	20.6	16,800	19.9	23,229	22.1	6,661	19.4	9,637	20.6
Implant dentistry	9,448	11.4	7,852	9.3	16,608	15.8	3,449	10.0	13,910	29.7
Others*(Note)*	5,496	6.6	5,390	6.3	6,287	5.9	2,418	7.0	2,324	4.9
Total	83,159	100.0	84,556	100.0	105,315	100.0	34,422	100.0	46,858	100.0

Note: Others primarily include revenue derived from (i) the provision of teeth cleansing services; (ii) radiological imaging; and (iii) medication.

During the three years ended 31 December 2021, general dentistry represented our largest revenue stream, representing more than 30% of our total revenue, and implant dentistry had become our largest service type for the five months ended 31 May 2022. Benefited from (i) the growing social acceptance of orthodontics and cosmetic services for the improvement of personal appearance; and (ii) the increasing popularity of invisible braces in the PRC, our revenue derived from orthodontics and cosmetic dentistry achieved growth for the three years ended 31 December 2021. Our revenue derived from orthodontics and cosmetic services increased by approximately RMB0.8 million or 3.8% from approximately RMB20.9 million to approximately RMB21.7 million for the year ended 31 December 2020, and further increased by approximately RMB0.9 million or 4.1% to approximately RMB22.6 million for the year ended 31 December 2021.

Despite the impact of the outbreak of COVID-19 leading to the temporary suspension of the operation of our Group's dental hospitals since 29 January 2020 until the partial and full resumption of their operations in March 2020 and May 2020, respectively, in compliance with the notices issued by the relevant governmental authorities, as the impact of COVID-19 pandemic has progressively eased since the second half of 2020, our Group even recorded a slight increase in its revenue by approximately RMB1.4 million or 1.7%, from approximately RMB83.2 million for the year ended 31 December 2019 to approximately RMB84.6 million for the year ended 31 December 2020. For the year ended 31 December 2021 and the five months ended 31 May 2022, we recorded revenue of approximately RMB105.3 million and RMB46.9 million, respectively, representing a substantial increase of approximately 24.5% and 36.3% as compared to that of the corresponding year/period in 2021, respectively.

OUR SERVICES

We offer comprehensive dental services in all of our dental hospitals from four dental service sectors, namely general dentistry, reparative dentistry, implant dentistry and orthodontics and cosmetic dentistry. Dentists specialised in each of these sectors, with the assistance of other medical professionals, work together to provide a one-stop treatment to our patients.

Except Wenzhou Oral Care, each of our existing dental hospitals has children dental department with colourful and cosy decorations to provide comprehensive dental treatment to children under 14 years old. Through strategically expanding our service offering to include children dental services, we believe we can promote oral health awareness as well as our dental services among the young generation in the community, which in turn boost our future income and cultivate patients' loyalty in our services. In addition, our Directors also believe that we are able to cross sell our dental services to the children patients' parents and family members during the children's visits and thus increase our revenue. In order to further emphasise our children dental services in the future, we plan to open two new children dental hospitals specialising in paediatric dentistry and renovate our Wenzhou Hospital to expand our existing children dental department. For details, please refer to the paragraph headed "Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this section for further details.

General dentistry (口腔綜合治療科)

Our general dentistry focuses on the examination, diagnosis, prevention and treatment of disorders of the orofacial region. The key dental services and the price ranges we offered under general dentistry are as follows:

			For the year ended 31 December									For the five months ended 31 May					
			2019			2020			2021			2021			2022		
Dental services	Description	Approximate price range as at the Latest Practicable Date (RMB)	Revenue (RMB'000)	Number of visits	Average spending per visit (RMB)	Revenue (RMB'000)	Number of visits	Average spending per visit (RMB)	Revenue (RMB'000)	Number of visits	Average spending per visit (RMB)	Revenue (RMB'000)	Number of visits	Average spending per visit (RMB)	Revenue (RMB'000)	Number of visits	Average spending per visit (RMB)
Teeth filling	Teeth filling is the use of artificial filling materials to fill and repair dental caries to restore their normal shape and function.	30 – 2,500 per tooth[1]	12,744	23,717	537.3	15,064	22,063	682.8	18,272	24,983	731.4	4,687	6,936	675.8	6,869	8,526	805.7
Root canal treatment	Root canal treatment is the most commonly used effective treatment for periodontal disease and pulp disease in the world. The principle is to remove most of the infection in the root canal by mechanical and chemical methods, and to seal the crown by filling the root canal, preventing the occurrence of periapical lesions or promoting the healing of periapical lesions that have already occurred.	300 – 400 per tooth root[2]	7,673	15,684	489.2	8,006	12,655	632.6	8,017	11,635	689.0	3,173	5,166	614.2	2,399	3,665	654.6

Notes:

(1) The price range of our teeth filling services varies significantly as such price depends on a combination of factors which include the types and place of origin of the dental materials used in the treatment.

(2) The price range of our root canal treatment varies as such price depends on a combination of factors which include the complexity involved in treating the relevant tooth root canal.

The following table sets forth certain key information about our general dentistry for the years/period indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Revenue *(RMB'000)*	30,110	32,856	36,604	13,143	13,885
Number of visits	71,177	63,223	67,308	27,960	25,248
Average spending per visit *(RMB)*	423.0	519.7	543.8	470.1	549.9

Orthodontics and cosmetic dentistry (牙齒正畸科)

Our orthodontics and cosmetic dentistry focus on diagnosis, prevention, interception and correction of misalignment or incorrect relation between the teeth as well as skeletal abnormalities of developing or mature orofacial structures by different types of braces. Orthodontics and cosmetic dentistry generally involves course of treatment with multiple treatment sessions. Depends on the oral and teeth conditions of the patients and therefore the complexity of the treatment, a full course of treatment of orthodontics and cosmetic dentistry services can be of 10 to 22 sessions spanning over one to two years of time.

The price range of our orthodontics and cosmetic dentistry services varies significantly depends primarily on the materials and brands of braces used and the price further varies among patients depending on their oral and teeth conditions. Below shows the price range per full course of treatment of different types of braces we offered in our orthodontics and cosmetic dentistry:

		For the year ended 31 December									For the five months ended 31 May					
		2019			2020			2021			2021			2022		
Dental services	Approximate price range per full course of treatment as at the Latest Practicable Date (RMB)	Revenue (RMB'000)	Number of patients receiving the treatment	Average spending per patient receiving the treatment (RMB)	Revenue (RMB'000)	Number of patients receiving the treatment	Average spending per patient receiving the treatment (RMB)	Revenue (RMB'000)	Number of patients receiving the treatment	Average spending per patient receiving the treatment (RMB)	Revenue (RMB'000)	Number of patients receiving the treatment	Average spending per patient receiving the treatment (RMB)	Revenue (RMB'000)	Number of patients receiving the treatment	Average spending per patient receiving the treatment (RMB)
Teeth orthodontics using standard metal brackets and metal wires	13,500-19,500	12,508	1,730	7,230.1	13,423	1,832	7,327.0	15,723	2,104	7,472.9	5,572	756	7,370.4	5,074	572	8,870.6
Teeth orthodontics using clear brackets or ceramic brackets	20,500-23,000	3,400	199	17,085.4	2,372	141	16,822.7	2,103	121	17,380.2	850	49	17,346.9	631	35	18,028.6
Teeth orthodontics using transparent dental braces made of intelligent materials such as INVISALIGN®	27,000-40,000	2,485	90	27,611.1	2,117	74	28,608.1	1,563	54	28,944.4	767	27	28,407.4	355	12	29,583.3

The following table sets forth certain key information about our orthodontics and cosmetic dentistry for the years/period indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Revenue *(RMB'000)*	20,934	21,658	22,587	8,751	7,102
Number of patients receiving the treatment*(Note)*	2,880	4,391	5,113	2,155	1,463
Average spending per patient receiving the treatment *(RMB)(Note)*	7,268.8	4,932.4	4,417.6	4,060.8	4,854.4

Note: Orthodontics and cosmetic dentistry treatment generally involves multiple treatment sessions in the same year or spanning over one year and patients are generally charged a package price instead of session price. The average spending per patient receiving the treatment in the relevant year would thus be usually less than the entire price of the full course of treatment.

According to the Frost & Sullivan Report, there has been (i) a growing social acceptance of orthodontics and cosmetic services for the improvement of personal appearance; and (ii) an increasing popularity of invisible braces in the PRC. Our Directors believe we have been offering our patients with the most advanced dental treatment in the orthodontics and cosmetic industry with the high quality dental skills. For example, we are one of the first dental service providers to offer patients INVISALIGN® invisible braces in Wenzhou since December 2014. In addition, Dr. Zheng Xiaofeng, member of our senior management, has over 30 years of experience in dental service industry, and was awarded the Outstanding Achievement in Treating Patients with INVISALIGN® (Construction to the Advancement of INVISALIGN® Treatment) by Asia Pacific Align Technology in 2017.

Reparative dentistry (口腔修復科)

Reparative dentistry is a type of treatment to restore the function, integrity and morphology of missing tooth structure. The key dental services and the price ranges we offered under reparative dentistry are as follows:

			For the year ended 31 December									For the five months ended 31 May					
			2019			2020			2021			2021			2022		
Dental services	Description	Approximate price range as at the Latest Practicable Date *(RMB)*	Revenue *(RMB'000)*	Number of visits	Average spending per visit *(RMB)*	Revenue *(RMB'000)*	Number of visits	Average spending per visit *(RMB)*	Revenue *(RMB'000)*	Number of visits	Average spending per visit *(RMB)*	Revenue *(RMB'000)*	Number of visits	Average spending per visit *(RMB)*	Revenue *(RMB'000)*	Number of visits	Average spending per visit *(RMB)*
Dental crown (also known as dental brace)	This is a method for repairing teeth. When teeth are damaged and difficult to repair by filling, artificial crowns can be made of different materials and placed on the reduced natural crown.	500-6,000 per tooth(1)	16,931	4,506	3,757.4	16,414	4,182	3,924.9	22,802	5,314	4,290.9	6,351	1,580	4,133.5	9,411	2,083	4,518,0
Removable partial denture	A reparative treatment that custom-made removable partial denture for missing teeth and surrounding tissues. Removable partial denture is a prosthesis that can be removed and worn by a patient for partial tooth loss (dental defect). The denture mainly maintains the position of the denture in the dentition by retaining devices such as snap rings fixed on the remaining natural teeth and the base, and uses the remaining alveolar ridges of the natural tooth and the missing tooth to restore the anatomical and physiological functions of the missing teeth and surrounding tissues.	250 - 3,000 per set(2)	161	279	577.1	318	517	615.1	349	523	667.3	105	161	652.2	178	175	1,017.1

Notes:

(1) The price range of our dental crown reparative treatment varies significantly as such price depends on a combination of factors which include the materials and brands of the materials used in each reparative treatment.

(2) The price range of our removable denture reparative treatment varies significantly as such price depends on a combination of factors which include the extent of reparation (e.g. number of missing teeth and the position of the missing teeth) required for each reparative treatment and the materials and brands of the materials used in each reparative treatment.

The following table sets forth certain key information about our reparative dentistry for the years/period indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	2020	2021	2021	2022
				(unaudited)	
Revenue *(RMB'000)*	17,171	16,800	23,229	6,661	9,637
Number of visits	5,307	5,429	6,283	1,992	2,676
Average spending per visit *(RMB)*	3,235.5	3,094.5	3,697.1	3,343.9	3,601.3

Implant dentistry (種植牙科)

Our implant dentistry surgically placed fixture dental implant in the patient's jawbone as the foundation to replace the damaged or missing tooth with prosthetic tooth, and serves as a more durable option for patient wishing for teeth replacement as it would not slip, make noise or cause bone damage that denture may cause.

The service fees of implant surgery varies significantly depending on the materials and brands of the fixture implant and the prosthetic teeth crown used in the treatment. Fixture implants are usually made of titanium alloy and patients can choose different brands imported from overseas countries, such as Germany, Switzerland and South Korea. Below is the price range for the fixture dental implant used in the treatment as at the Latest Practicable Date:

Dental services	Approximate price range as at the Latest Practicable Date *(RMB)*
Fixture dental implant	6,000 – 16,800 per tooth

The following table sets forth certain key information about our implant dentistry for the years/period indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	2020	2021	2021	2022
				(unaudited)	
Revenue *(RMB'000)*	9,448	7,852	16,608	3,449	13,910
Number of visits	1,424	1,225	2,030	489	1,422
Average spending per visit *(RMB)*	6,634.8	6,409.8	8,181.3	7,053.2	9,782.0

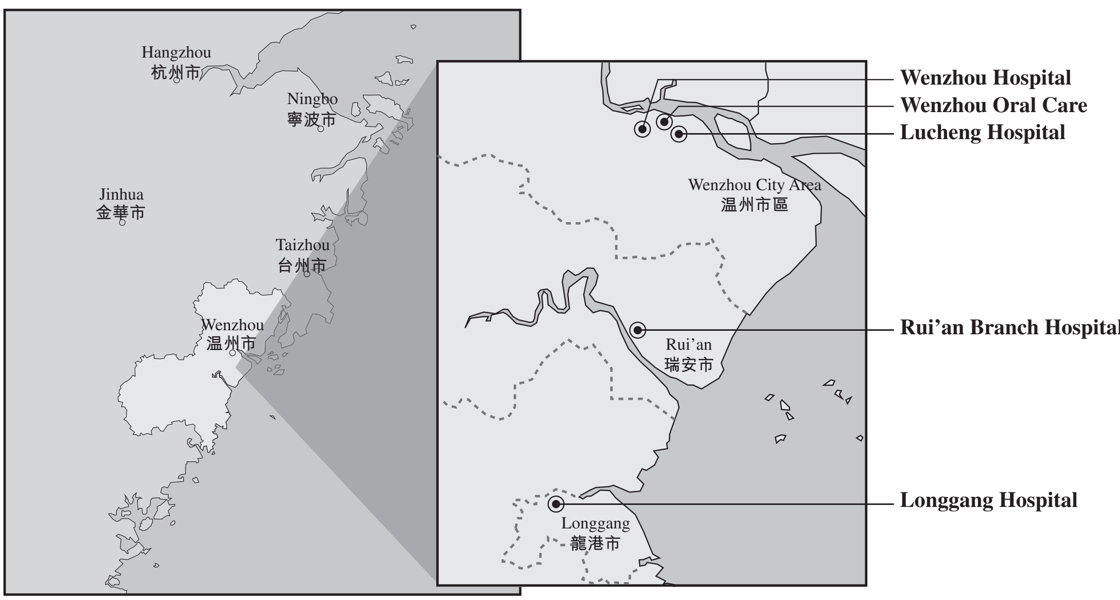
Below summarises the average spending per visit of our patients/average spending per patient receiving the treatment in our Group's dental hospitals by dental service sectors during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2019	2020	2021	2021	2022
	(RMB)	*(RMB)*	*(RMB)*	*(RMB)*	*(RMB)*
				(unaudited)	
General dentistry	423.0	519.7	543.8	470.1	549.9
Orthodontics and cosmetic dentistry	7,268.8	4,932.4	4,417.6	4,060.8	4,854.4
Reparative dentistry	3,235.5	3,094.5	3,697.1	3,343.9	3,601.3
Implant dentistry	6,634.8	6,409.8	8,181.3	7,053.2	9,782.0

During the year of 2021, we recorded an increase in the average spending per visit/average spending per patient receiving the treatment across all of our major service types mainly driven by the relatively expensive dental services provided by our Group, namely implant and reparative dentistry, which in aggregate accounted for approximately 37.9% of the total revenue of our Group in 2021, representing an increase of approximately 8.7 percentage points as compared to that of 2020, and such trend continued for the five months ended 31 May 2022 with the revenue contribution from implant and reparative dentistry further increased to 50.3% of our Group's total revenue.

OUR DENTAL HOSPITALS

As at the Latest Practicable Date, we owned and operated five private dental hospitals in Wenzhou, Zhejiang Province, the PRC, namely Wenzhou Hospital, Longgang Hospital, Lucheng Hospital, Rui'an Branch Hospital and Wenzhou Oral Care. Rui'an Branch Hospital is a branch of Wenzhou Hospital. We operate our business under the trade names of "溫州牙科", "溫州鹿城口腔", "温州口腔" and "龍港口腔", together with our trademark " " registered in the PRC. Set out below is an illustration of the locations of our dental hospitals as at the Latest Practicable Date:



Wenzhou is located at the south east of Zhejiang Province. Wenzhou covered an area of approximately 12,083 sq.km. and had a population of approximately 9.6 million in 2021; while the main traffic system around Wenzhou includes No. 104 National Highway, Wenzhou International Airport, Wenzhou Bridge, Wenzhou Port, five expressways and four high-speed railways, connecting Wenzhou to other parts of the PRC.

While Longgang Hospital and Rui'an Branch Hospital are located in Longgang City and Rui'an City, respectively, our other three dental hospitals, namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care, are strategically located in the central business area of Lucheng District to create synergy. As we expand our dental hospitals network, it is part of our branding and competitive strategy to increase our market exposure in Lucheng District, which is the political, economic and cultural centre of Wenzhou with high per capita disposable income, in order to expand our market share in the region, thereby further consolidating our market position to capture the growth in the dental service market in Wenzhou. As advised by Frost & Sullivan, Lucheng District is a strategic location where most of the dental service providers in Wenzhou are concentrated, among the top five private dental hospital groups in operation, there were a total of 16 branches, among which, 12 of them were located in Lucheng District as at the end of 2021. Further, given our top competitors in Wenzhou also shared similar business strategy, we therefore consider it strategically important to increase our presence and market share in the region by expanding our network of dental hospitals there, so long as such strategy could capitalise on the robust growth in the region, thereby bringing in revenue to and enhancing the overall profitability of our Group irrespective of which particular dental hospital of our Group the patients would visit.

Wenzhou Hospital and Lucheng Hospital located in the traditional central business area of Lucheng District of Wenzhou City Area and Wenzhou Oral Care located in the new central business area of Lucheng District. Such geographical layout of our dental hospitals in both the new and traditional central business areas of Lucheng District could increase our regional coverage of the area, thereby offering patients with greater convenience and flexibility and capturing the forthcoming demand. In addition, the strategic locations of these three hospitals also enable us to facilitate patient traffic among our dental hospitals in the same region by introducing patients internally. It also serves as part of our branding effort by increasing our market exposure in the area, being the commercial centre of Wenzhou, to strengthen our brand awareness. As some of our dentists and nurses also hold multi-site practice licenses and are able to practise at more than one of our dental hospitals on an as-needed basis, with such geographical layout of our dental hospitals facilitating the mobility of these dental personnel among our dental hospitals, we can manage our manpower in these dental hospitals to meet our business needs from time to time in a more efficient manner.

While we increase our presence in Lucheng District, we also place significant emphasis to prevent cannibalisation amongst our three dental hospitals located in Lucheng District, namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care by differentiating each of their positioning to serve different markets as well as to more efficiently capture the growth in the market. Wenzhou Hospital mainly serves the upper market and repeated patients who look for more premium dental services offered by highly regarded dentists of our Group, whereas Lucheng Hospital targets at mass public and offers affordable quality dental services. Meanwhile, Wenzhou Oral Care, being our flagship hospital operating on a relatively sizeable premise as compared to that of Wenzhou Hospital and Lucheng Hospital, is well-equipped with a wider array of equipment and technology which provides a full suite of dental services, targeting middle-class patients. While all three hospitals provide a wide range of dental services, there are certain procedures or surgeries that are only available in Wenzhou Oral Care given the size of its premises and its latest equipment and technology. To minimise competition among our dental hospitals, we adopt the following measures:

- *Designated dentists for patients.* We assign our dentists to our patients according to their individual conditions and needs, subject to any requirements as specified by our patients. As advised by Frost & Sullivan, in most cases, patients prefer to stay with the same dentist for dental care subject to any specific medical conditions that would require attention from other dentists of different specialties. Although our dentists can practice in more than one of our dental hospitals on an as-needed basis, we principally maintain separate pool of dentists in our dental hospitals, thereby establishing separate patient base for each of our dental hospitals.

- *Different brands of dental materials*. To position itself to serve the upper end of the dental service market, Wenzhou Hospital purchases premium dental materials for use in the dental treatments as compared to Lucheng Hospital. For instance, the average material cost accounted for approximately 20% and 16% of their cost of sales of Wenzhou Hospital and Lucheng Hospital, respectively, during the Track Record Period. On the other hand, Wenzhou Oral Care imports a wide array of brands for the dental materials used in the dental treatments ranging from premium to budget-friendly options, offering an extensive range of choices to cater for patients with diverse needs.

- *Overall coordination of marketing and promotion strategies.* Our Group's sales and marketing department coordinates and oversees the promotion strategies of our Group and each of the dental hospitals, as well as the manner of disseminating the relevant marketing and promotion materials to the public to ensure there is no overlapping in promotion efforts in each of our Group's dental hospitals and to avoid any possible vicious competition among our dental hospitals.

- *Segregated sales and marketing teams*. While we have a sales and marketing department of our Group to coordinate and oversee promotion strategies and of each dental hospital holistically, each of our three dental hospitals located in Lucheng District has their own sales and marketing team to engage with their own patient base separately. Each sales and marketing team conducts online marketing and manages online promotion accounts independently for each dental hospital. To ensure we could manage a separate patient base for each of these three dental hospitals, we have different teams of customer services personnel for each dental hospital to independently establish and maintain stable and long-term relationships with our patients.

- *Tailormade marketing and promotion strategies*. We disseminate marketing and promotion information tailormade for each of these three dental hospitals to effectively attract different targeted patients, specifying dental service offerings and location of the particular dental hospital offering such services. Each dental hospital conducts its own promotional activities to distinguish each of their positioning from the other two dental hospitals.

With the above mentioned effective measures in place to avoid adverse competition among our dental hospitals and benefited from our above business strategies, Wenzhou Hospital and Lucheng Hospital achieved sustainable growth in revenue during the three years ended 31 December 2021, together with Wenzhou Oral Care which commenced operation in November 2021, all three dental hospitals in Lucheng District achieved overall substantial growth for the five months ended 31 May 2022, recording revenue of approximately RMB43.7 million for the five months ended 31 May 2022 in aggregate, representing an increase of approximately 42.1% as compared to the corresponding period in 2021.

We implement central management and standardised operating procedures across our private dental hospitals. There are no material difference in the types of dental services offered and the service fees charged by our dental hospitals and thus our dental hospitals have similar nature of client base. Each of our private dental hospitals is comprised of dentists' offices, consultation and service cubics, radiology rooms, operation rooms, as well as waiting and reception areas. The dentists and nurses of each dental hospital regularly provide service in one of our private dental hospitals, but occasionally, some of our dentists and nurses also practise at more than one of our private dental hospitals on an as-needed basis. Except Wenzhou Oral Care, all of our dental hospitals are "medical insurance designated" hospitals under the basic medical insurance programmes operated by the relevant healthcare bureaux.

The following table sets forth certain operational data of our private dental hospitals:

	Dental hospitals	Approximate GFA for use as dental hospital *(sq.m)*	Year of commencement of operation	Location	Number of dentists[(1)]	Number of nurses[(2)]	Number of operation rooms	Number of service rooms[(3)]	Number of dental chairs	Our interest	Achieved breakeven[(4)]	Achieved investment payback[(5)(6)]
1.	Wenzhou Hospital[(10)]	2,409	March 2011	Wenzhou City Area[(7)]	25	29	3	37	60	100%	Y	Y
2.	Longgang Hospital	1,614	October 2016	Longgang City[(8)]	3	10	2	34	20	95%	Y	N
3.	Lucheng Hospital[(10)]	2,954	June 2017	Wenzhou City Area[(7)]	13	11	2	57	20	100%	Y	N
4.	Rui'an Branch Hospital	2,100	April 2018	Rui'an City[(9)]	2	5	2	23	11	100%	N	N
5.	Wenzhou Oral Care[(10)]	6,942[(11)]	November 2021	Wenzhou City Area[(7)]	10	19	7	56	43	100%	N	N

Notes:

(1) Number of dentists is determined based on our internal staff record as at 31 May 2022. All of our dentists are qualified to practise at all of our dental hospitals and may practise at more than one of our dental hospitals on an as-needed basis.

(2) Number of nurses is determined based on our internal staff record as at 31 May 2022.

(3) The service rooms include independent treatment room, treatment area with multiple treatment cubicles, consultation room, radiology room, emergency room, staff room, supply room and waiting room.

(4) Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately four years for a new dental hospital to break even. As at 31 May 2022, Rui'an Branch Hospital and Wenzhou Oral Care have not yet achieved breakeven. It is expected that Rui'an Branch Hospital will take a longer period beyond four years to break even due to the outbreak of COVID-19 pandemic, which had adversely affected its performance in 2020 and early 2022, thereby slowing down its ramp-up stage. Based on the best estimate of our Directors taking into account the prevailing market conditions and environment, it is expected that Wenzhou Oral Care will take approximately three years to break even.

(5) Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately seven years to recover the initial investment. As at 31 May 2022, save for Wenzhou Hospital, all of our dental hospitals had not yet achieved investment payback.

(6) During the Track Record Period, except Rui'an Branch Hospital and Wenzhou Oral Care (which commenced operation in November 2021), all of our other three dental hospitals were profit-making.

(7) According to the Frost & Sullivan Report, there were a total of five private dental hospital groups in operations operating a total of 13 branches in Lucheng District of the Wenzhou City Area in 2021.

(8) According to the Frost & Sullivan Report, Longgang Hospital was the only private dental hospital in operation in Longgang City as at the Latest Practicable Date.

(9) According to the Frost & Sullivan Report, Rui'an Branch Hospital was the only private dental hospital in operation in Rui'an City as at the Latest Practicable Date.

(10) Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care are strategically located in the central business area of Lucheng District for various strategic considerations. For details, please refer to the section headed "Business – Our Dental Hospitals" in this prospectus.

(11) Wenzhou Oral Care has a total GFA of approximately 6,942 sq.m., structured with 7 operation rooms and 56 service rooms. As at the Latest Practicable Date, part of the first phase of Wenzhou Oral Care had been completed with a GFA of approximately 3,600 sq.m. currently in use, among which, 2 operation rooms and 18 service rooms were currently in operation. We had acquired 43 dental chairs for the first phase so far, among which, 23 of them were currently in operation as at the Latest Practicable Date. We plan to further develop the first phase of Wenzhou Oral Care and its second phase. The second phase comprises Wenzhou Children Hospital and the dentistry training centre, which are estimated to occupy a GFA of approximately 1,500 sq.m. and 1,200 sq.m. of the premises of Wenzhou Oral Care, respectively. For details, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this prospectus.

The following table sets forth the revenue from our five private dental hospitals during the Track Record Period:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Revenue	% of the total revenue	Revenue	% of total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue
	(RMB'000)	%	*(RMB'000)*	%	*(RMB'000)*	%	*(RMB'000)* *(unaudited)*	%	*(RMB'000)*	%
Wenzhou Hospital	60,349	72.6	63,974	75.7	73,943	70.2	25,574	74.3	26,471	56.5
Longgang Hospital	5,161	6.2	6,731	8.0	7,364	7.0	2,479	7.2	2,115	4.5
Lucheng Hospital	14,813	17.8	11,542	13.6	19,828	18.8	5,191	15.1	11,199	23.9
Rui'an Branch Hospital	2,836	3.4	2,309	2.7	3,014	2.9	1,178	3.4	1,020	2.2
Wenzhou Oral Care	–	–	–	–	1,166	1.1	–	–	6,053	12.9
Total	83,159	100.0	84,556	100.0	105,315	100.0	34,422	100.0	46,858	100.0

Summary Information of Our Private Dental Hospitals

Wenzhou Hospital

Geographic location

Wenzhou Hospital is located at Fuqian Street (府前路) of Lucheng District (鹿城區) in the east of Wenzhou. Lucheng District is where the Wenzhou Government locates and is the political, economic and cultural centre of Wenzhou. Lucheng District (鹿城區) covered an area of approximately 293 sq.km. and had a population of approximately 1.19 million in 2021. Wenzhou Hospital is near Wuma Street (五馬街), which was a historical trading street and is now a symbolic shopping street in Wenzhou, with an integration of shopping, business, culture, entertainment and leisure infrastructures. The neighborhood around Wenzhou Hospital has many historical sites with schools and local communities, and is easily accessed by public transportation. Wenzhou Hospital serves the downtown community of Wenzhou, the nearby counties and the northern area of Fujian Province.

Operational capacity

Wenzhou Hospital commenced operations in March 2011. Wenzhou Hospital has a GFA of approximately 2,409 sq.m. for use as dental hospital with three operation rooms, 37 service rooms including independent treatment rooms, treatment areas with multiple treatment cubicles, consultation room, radiology room, emergency room, staff room, supply room, waiting area, and 60 dental chairs.

For the three years ended 31 December 2021 and the five months ended 31 May 2022, approximately 45,652, 45,100, 40,509 and 17,220 active patients, meaning patients who have received at least one dental treatment in the relevant financial year, have visited our Wenzhou Hospital, respectively, representing approximately 75.0%, 71.6%, 65.4% and 53.8% of our total active patient for the same year/period, respectively.

As at 31 May 2022, Wenzhou Hospital had 25 dentists and 29 nurses. Most of the dentists in Wenzhou Hospital hold multi-site practice licences and are able to practise at certain private dental hospitals of our Group. The revenue derived from Wenzhou Hospital represented approximately 72.6%, 75.7%, 70.2% and 56.5%, respectively, of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Longgang Hospital

Geographic location

Longgang Hospital was located in south of Wenzhou at Cangnan County during the Track Record Period and was located in Longgang City as at the Latest Practicable Date. In October 2019, the area where Longgang Hospital was located, was re-designated as Longgang City, separate from Cangnan County, and therefore Longgang Hospital has been located in Longgang City since October 2019, under the administration of Wenzhou. Longgang City covered an area of approximately 183.99 sq.km, and had a population of approximately 0.5 million in 2021. 104 National Highway, Shenhai (Ningbo-Taizhou-Wenzhou) Highway and Wenzhou-Fuzhou railway are in the proximity of Longgang Hospital. Longgang Hospital mainly serves the local communities in Cangnan County, Longgang City, Pingyang county (平陽縣) of Wenzhou, and northern area of Fujian Province of the PRC.

Operational capacity

Longgang Hospital commenced operations in October 2016. Longgang Hospital has a GFA of approximately 1,614 sq.m. for use as dental hospital with two operation rooms, 34 service rooms including independent treatment rooms, treatment area with multiple treatment cubicles, consultation rooms, radiology rooms, staff room, supply room, waiting area and 20 dental chairs.

For the three years ended 31 December 2021 and the five months ended 31 May 2022, approximately 3,918, 4,886, 4,540 and 2,128 active patients, meaning patients who have received at least one dental treatment in the relevant financial year, have visited our Longgang Hospital, respectively, representing approximately 6.4%, 7.8%, 7.3% and 6.7% of our total active patient for the same year/period.

As at 31 May 2022, Longgang Hospital had 3 dentists and 10 nurses. Most of the dentists in Longgang Hospital hold multi-site practice licences and are able to practise at certain private dental hospitals of our Group. The revenue derived from Longgang Hospital represented with approximately 6.2%, 8.0%, 7.0% and 4.5%, respectively, of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Lucheng Hospital

Geographic location

Lucheng Hospital is located in Jinxiu Street (錦綉路) of Lucheng District (鹿城區) in the east of Wenzhou. Lucheng District (鹿城區) covered an area of approximately 293 sq.km. and had a population of approximately 1.19 million in 2021. Lucheng Hospital is close to the building of Wenzhou Government and Wuhuatianbao (物華天寶), one of the most iconic buildings in Wenzhou's skyline. The neighborhood of Lucheng Hospital is surrounded by grade A office buildings and affluent communities. The east side of Lucheng Hospital is a developing area which is planned to be the new commercial centre of Wenzhou. The access to Lucheng hospital is relatively easy as Lucheng hospital is near Wenzhou railway and Wenzhou terminal station. Lucheng Hospital mainly serves the downtown community of Wenzhou, the nearby counties, and the northern part of Fujian Province.

Operational capacity

Lucheng Hospital commenced operations in June 2017. It has a GFA of approximately 2,954 sq.m. for use as dental hospital with two operation rooms, 57 service rooms including independent treatment rooms, consultation rooms, radiology room, supply room, emergency room, and waiting areas, and 20 dental chairs. Part of the existing premises of Lucheng Hospital in the GFA of approximately 1,300 sq.m. was allocated for the use of Lucheng Children Hospital. Lucheng Children Hospital was in the course of applying for the Medical Institution Practicing License as at the Latest Practicable Date.

For the three years ended 31 December 2021 and the five months ended 31 May 2022, approximately 9,340, 10,557, 13,862 and 7,228 active patients, meaning patients who have received at least one dental treatment in the relevant financial year, have visited our Lucheng Hospital, respectively, representing approximately 15.4%, 16.8%, 22.4% and 22.6% of our total active patient for the same year/period.

As at 31 May 2022, Lucheng Hospital had 13 dentists and 11 nurses. Most of the dentists in Lucheng Hospital hold multi-site practice licences and are able to practise at certain private dental hospitals of our Group. The revenue derived from Lucheng Hospital represented with approximately 17.8%, 13.6%, 18.8% and 23.9%, respectively of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Rui'an Branch Hospital

Geographic location

Rui'an Branch Hospital is located at Anyang Residential District (安陽街道) of Rui'an City in east of Wenzhou. Rui'an City (瑞安) is under the administration of Wenzhou, covered an area of approximately 1,350 sq.km. and with a population of approximately 1.53 million in 2021. No. 104 National Highway, the Coastal Highway and Rui'an Railway Station are situated in close proximity to Rui'an Branch Hospital. Rui'an Branch Hospital primarily serves the local communities in Rui'an City.

Operational capacity

Rui'an Branch Hospital commenced operations in April 2018. Rui'an Branch Hospital is the operating branch of Wenzhou Hospital in Rui'an City and is not an independent established medical institution. Rui'an Branch Hospital has a GFA of approximately 2,100 sq.m. for use as dental hospital with two operation rooms, 23 service rooms including independent treatment rooms, treatment areas with multiple treatment cubicles, consultation room, radiology rooms and emergency room, staff room, supply room, waiting area, and 11 dental chairs in operation.

For the three years ended 31 December 2021 and the five months ended 31 May 2022, approximately 1,920, 2,445, 2,462 and 1,389 active patients, meaning patients who have received at least one dental treatment in the relevant financial year, have visited our Rui'an Branch Hospital, respectively, representing approximately 3.2%, 3.9%, 4.0% and 4.3% of our total active patients for the same year/period.

As at 31 May 2022, Rui'an Branch Hospital had 2 dentists and 5 nurses. Most of the dentists in Rui'an Branch Hospital hold multi-site practice licences and are able to practise at certain private dental hospitals of our Group. The revenue derived from Rui'an Branch Hospital represented approximately 3.4%, 2.7%, 2.9% and 2.2%, respectively, of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Wenzhou Oral Care

Geographic location

Wenzhou Oral Care is located in Dongming Road and Jiangbin West Road in Wuma Residential District (五馬街道) of Lucheng District in the east of Wenzhou. Wuma Residential District is a sub-district located in the centre of the main urban area of Lucheng District. With a total area of about 4.65 sq. km., Wuma Residential District has a population of approximately 137,000 by the end of 2021 and there are 14 communities in Residential District Street in total. It is where the government of Lucheng District is located, and is a new central business area in Lucheng District. In addition, the number of high streets and large shopping centers well demonstrate the comparative commercialisation of the neighborhood. Jiangbin West Road is an urban road near the Ou River (甌江) with a total length of approximately 600 meters. Luxury residential communities and commercial high streets are the iconic features long street. Wenzhou Oral Care mainly serves the downtown community of Wenzhou, the nearby counties, and the northern part of Fujian Province.

Operational capacity

The development of Wenzhou Oral Care would be implemented in two phases. Part of the first phase of Wenzhou Oral Care has been completed and has since then commenced operations in November 2021. As at the Latest Practicable Date, Wenzhou Oral Care has a GFA of approximately 6,942 sq.m., and a GFA of approximately 3,600 sq.m. were currently in use. Wenzhou Oral Care is structured with seven operation rooms, 56 service rooms including independent treatment rooms, consultation rooms, radiology room, supply room, emergency room, and waiting areas, among which, 2 operation rooms and 18 service rooms were currently in operation for the first phase. Part of the existing premises of Wenzhou Oral Care in the GFA of approximately 2,700 sq.m. was allocated for the second phase, which is expected to commence operation in the fourth quarter of 2023, comprising the establishment of Wenzhou Children Hospital and a dentistry training centre. For further details of the intended development of the second phase of Wenzhou Oral Care, please refer to the paragraph headed "Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" above in this section.

For the year ended 31 December 2021 and the five months ended 31 May 2022, approximately 537 and 4,027 active patients, meaning patients who have received at least one dental treatment in the relevant financial year, visited Wenzhou Oral Care, representing approximately 0.9% and 12.6% of our total number of active patients for the same year/period.

As at 31 May 2022, Wenzhou Oral Care had 10 dentists and 19 nurses. Most of the dentists in Wenzhou Oral Care hold multi-site practice licences and are able to practise at each certain private dental hospitals of our Group. The revenue derived from Wenzhou Oral Care represented with approximately 1.1% and 12.9% of our total revenue for the year ended 31 December 2021 and the five months ended 31 May 2022.

Utilisation rate of our dental hospitals

For illustrative purposes, the table below sets out details of the utilisation rate of our dentists of our dental hospitals for dental services for the years/period indicated:

	For the year ended 31 December									For the five months ended 31 May 2022		
	2019			2020			2021					
	Service capacity(1)	Actual number of hours of service delivered(2)	Utilisation rate(3)	Service capacity(1)	Actual number of hours of service delivered(2)	Utilisation rate(3)	Service capacity(1)	Actual number of hours of service delivered(2)	Utilisation rate(3)	Service capacity(1)	Actual number of hours of service delivered(2)	Utilisation rate(3)
			%			%			%			%
Wenzhou Hospital	56,780	36,628	64.5	39,862	32,655	81.9	48,606	33,137	68.2	16,841	11,777	69.9
Longgang Hospital	6,058	3,683	60.8	7,549	4,586	60.7	6,350	4,050	63.8	2,194	1,797	81.9
Lucheng Hospital	14,305	11,468	80.2	14,700	7,958	54.1	19,122	11,999	62.8	8,774	3,732	42.5
Rui'an Branch Hospital	4,890	1,546	31.6	4,503	1,787	39.7	4,160	1,849	44.4	2,689	961	35.7
Wenzhou Oral Care(4)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5,024	1,319	26.3
Total	82,033	53,325	65.0	66,614	46,986	70.5	78,238	51,035	65.2	35,522	19,586	55.1

Notes:

(1) Our service capacity refers to our ability to provide medical services to our patients which in turn depends on the servicing hours of our qualified dentists, and the provision of dental services by which essentially takes place in the operation and/or service rooms in our dental hospitals with necessary dental equipment assigned, such as dental chairs and other specific devices. For the purpose of calculating the utilisation rates of our dentists of our dental hospitals, the service capacity for each year/period refers to the maximum number of service hours we can provide in our dental hospital each year/period which is calculated based on: (i) the average number of qualified dentists in dental hospital for each year/period dedicated for dental services; (ii) the maximum number of servicing hours per day of each dentists (being approximately 5.8 hours excluding the rest and preparation time for our dentists); and (iii) 302, 274, 302 and 122 working days for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

(2) The estimated actual number of hours of service delivered is calculated for illustrative purpose only. In the calculation, we have, based on our experience, estimated the average service time of 35 minutes (being the average duration of the core treatment stage, which are handled by qualified dentists) comprising the duration of the entire course of dental treatment of 50 minutes on average multiplied by the actual number of patient visits of our four service sectors.

(3) Utilisation rate is calculated by dividing the estimated actual number of hours of services delivered by the service capacity in each year/period. According to the Frost & Sullivan Report, the method of calculation of utilisation rates of our dental hospitals is in line with the industry norm by adopting the same drivers, i.e. (i) the estimated actual number of hours of services delivered is calculated based on the total number of patient visits for the year/period; and (ii) the maximum service capacity for the respective year/period by the average of the actual number of qualified dentists as at the end of each calendar month for each year/period, subject to certain variables, such as (i) the type of the dental services handled by the qualified dentists; (ii) the average duration of the treatments; and (iii) the maximum servicing hours of the qualified dentists.

(4) The service capacity and the estimated actual number of hours of services delivered of Wenzhou Oral Care in 2021 are excluded from the above calculation of the annual utilisation rates of our dental hospitals as it only commenced business operation in November 2021.

For the three years ended 31 December 2021 and the five months ended 31 May 2022, our overall utilisation rate was approximately 65.0%, 70.5%, 65.2% and 55.1%. The fluctuations in our overall utilisation rate during the Track Record Period were subject to a number of factors, among others, including the number of visits, the average number of qualified dentists in our dental hospitals and the number of working days for the relevant year.

For the year ended 31 December 2020, our utilisation rate increased from approximately 65.0% to 70.5%, primarily due to the decrease in our service capacity as affected by the outbreak of COVID-19 pandemic, which caused temporary suspension of operations of our dental hospitals in the first half of 2020 and the delay in our recruitment process of our dentists.

For the year ended 31 December 2021, our utilisation rate decreased to the similar level as that of the year ended 31 December 2019 as both of our service capacity and actual number of servicing hours delivered increased as compared to the year ended 31 December 2020.

For the five months ended 31 May 2022, our utilisation rate decreased to approximately 55.1% which primarily due to (i) an increase in average number of qualified dentists for Lucheng hospital and (ii) a relatively low utilisation rate of Wenzhou Oral Care, which was newly established in November 2021.

With sufficient service capacity, we believe (i) we can handle patient bookings more flexibly; (ii) we can allow ample time between dental treatments to maintain a soothing atmosphere in the dental hospitals and better protect the privacy of patients; and (iii) our dentists and nurses will also have ample time to rest and prepare themselves in between treatments. As such, we do not aim to maximise the utilisation of our dental hospital to their respective maximum limits. Thus, in order to increase service capacity, we believe we need to implement our expansion plans as detailed in the paragraph headed "Our Strategies – Expanding our dental medical institutions network in the PRC" in this section.

During the Track Record Period, the utilisation rates of our Group's dental chairs were generally lower than that of our dentists in our dental hospitals as set out above. As a private dental hospital group, unlike dental clinics, we adopt a typical hospital workflow to provide dental services in our dental hospitals, typically structured with more dental chairs and service rooms in order to simultaneously manage more than one patient at a time to optimise our scale of operation. Dental hospitals usually have a higher dental chair to dentist ratio as they involve assistant dentists and dental assistants to assist and handle several steps of the dental treatment of low risk under supervision and guidance of qualified dentists, such as pre-examination, image analysis and communication of post-treatment precautions. In other words, more than one dental chair may be involved throughout the entire course of one single dental treatment in a dental hospital with the involvement of other dental personnel in addition to the involvement of one dentist in the circumstances. Accordingly, dental chairs shall not be regarded as the bottleneck of the entire course of a dental treatment, and therefore, is not a preferred indicator reflecting the utilisation of resources of our Group as a patient does not necessarily remain on the same dental chair throughout the entire course of dental treatment in a dental hospital. Such operational data is presented below for illustration purposes only.

The following table sets forth the utilisation rates of our dental chairs in our dental hospitals for the periods indicated below:

	For the year ended 31 December									For the five months ended 31 May 2022		
	2019			2020			2021					
	Service capacity	Number of visits	Utilisation rate[(1)]	Service capacity	Number of visits	Utilisation rate[(1)]	Service capacity	Number of visits	Utilisation rate[(1)]	Service capacity	Number of visits	Utilisation rate[(1)]
			%			%			%			%
Wenzhou Hospital	115,410	62,791	54.4	96,237	55,981	58.2	100,357	56,807	56.6	40,542	20,189	49.8
Longgang Hospital	33,452	6,313	18.9	30,351	7,861	25.9	33,452	6,942	20.8	13,514	3,080	22.8
Lucheng Hospital	33,452	19,660	58.8	30,351	13,642	44.9	33,452	20,570	61.5	13,514	6,397	47.3
Rui'an Branch Hospital	18,399	2,650	14.4	16,693	3,064	18.4	18,399	3,169	17.2	7,433	1,647	22.2
Wenzhou Oral Care	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	29,055	2,261	7.8
Total	200,714	91,414	45.5	173,632	80,548	46.4	185,660	87,488	47.1	104,057	33,574	32.3

Note:

(1) The utilisation rate of our dental chairs represents the actual number of visits per chair during the given period as a percentage of the maximum visit capacity per chair of our hospitals in such period. The maximum visit capacity per chair represents the maximum number of patient visits we can accommodate theoretically with each dental chair during a given period. We offer a diverse range of dental services with varying treatment durations. To calculate the maximum visit capacity per chair, we assume (i) 65 minutes per visit and (ii) the maximum number of servicing hours of dental chairs (being approximately 6 hours per day), taking into account the preparation time of our dental hospital. Accordingly, each chair can theoretically accommodate up to 5.5 patient visits on each working day.

The following table sets forth the number of dental chairs used in calculating the utilisation rate of dental chairs for the periods indicated below:

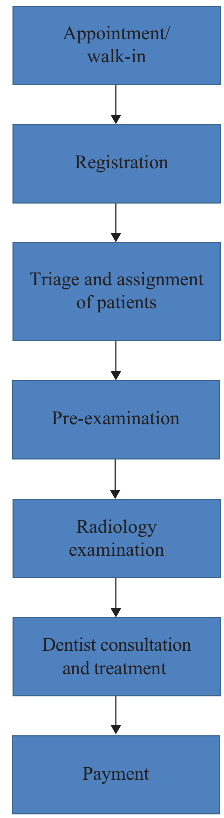
	For the year ended 31 December			For the five months ended 31 May
	2019	2020	2021	2022
Wenzhou Hospital	69	63	60	60
Longgang Hospital	20	20	20	20
Lucheng Hospital	20	20	20	20
Rui'an Branch Hospital	11	11	11	11
Wenzhou Oral Care	N/A	N/A	N/A	43
Total	120	114	111	154

For the three years ended 31 December 2021 and the five months ended 31 May 2022, the overall utilisation rate of our dental chairs was approximately 45.5%, 46.4%, 47.1% and 32.3%, respectively. The fluctuations in the overall utilisation rate of our dental chairs during the Track Record Period were subject to a number of factors, among others, including the number of dental chairs, the number of visits and the number of working days for the relevant year/period.

For the three years ended 31 December 2021, the utilisation rates of our dental chairs remained relatively stable. For the five months ended 31 May 2022, the utilisation rates of our dental chairs decreased to approximately 32.3%, which was primarily due to the relatively low utilisation rate of dental chairs in Wenzhou Oral Care, which was newly established in November 2021 and was still in a ramp-up period in the five months ended 31 May 2022.

OUR OPERATION PROCESS

Based on years of industry experience and accumulated know-how, we have developed and implemented highly standardised treatment procedures, and continuously review such procedures for areas of potential improvement. Our treatment process focuses on individualised treatment by providing patients with the most suitable treatment in order to maximise their prospects of recovery and satisfaction. Our operation may involve assistant dentists and dental assistants in our course of dental treatments under the supervision and/or guidance of dentists, especially in certain pre- and post-treatment stages, subject to availability of human resources and patient traffic in the circumstances. The following diagram sets for an overview of the generic treatment process of our dental services:



Appointment/Walk-in

Our patients can choose to walk in our hospitals directly or make appointments with us. Our patients can make appointments by (i) online registration at our website or at website operated by the Health Commission of Wenzhou (溫州市衛生健康委員會) for making online appointment for medical institutions in Wenzhou; (ii) making phone calls to our hospital directly or to local directory assistance number at "114" and "12580"; or (iii) messaging us via our WeChat official account.

Registration

Our patients will go to the receptions of our hospitals for registration. During the registration process, the patients are required to provide their name, age, address and contact number for our record, and pay a nominal registration fees which is usually less than RMB10 in accordance with industry practice. Patients who wish to settle their medical bills in part or in full via basic medical insurance programme will be asked to show and swipe their respective Social Medical Insurance Card (社會醫療保險卡) with our system. In view of the importance of maintaining confidentiality of personal information of our patients, we have implemented data protection policy and patient information policy to ensure safe and secure handling of confidential information of our patients so as to comply with applicable laws and regulations.

Triage and assignment of patients

After registration, our patients will be triaged based on their initial symptoms and the severity of their condition and be assigned to relevant dental sector for pre-examination.

Pre-examination

During the pre-examination, our dentists will ask patients about their symptoms and have a regular examination on the teeth and gums of the patients to have an initial diagnosis.

Radiology examination

After pre-examination, based on the dental symptoms of the patients, our dentists may arrange regular dental or facial x-rays to capture the teeth and maxillofacial bone structure in order to assist their diagnosis. Based on the advice of our dentists, our patients may be required to have a CT-scan to produce three dimensional images of the teeth and soft tissues to enhance the accuracy of dentists' diagnosis, if necessary.

Dentist consultation and treatment

Together with the results from the radiology examination and the pre-examination, our dentists are able to identify the dental problems of the patients, including cavities, gum disease, bone loss, and other dental problems. Our dentists will then determine the appropriate treatment option(s) and explain the treatment option(s) to the patients. After the patients and the dentists reach an agreed treatment plan, our dentist will provide the core treatment or procedure to patients, including performing dental surgery, dental treatment and/or medical prescription. We may arrange follow-up consultation if needed.

Payment

Our patient will then be asked to settle the medical bills, including the consultation fees, treatment fees and drug prescription fees, after receiving the respective dental treatment. Patients are not required to settle all or part of the fees in relation to the dental service item covered under the basic medical insurance programme. The price of dental service items covered under the basic medical insurance programme are determined by the pricing guidelines set by the Health Commission of Zhejiang Province (浙江省衛生健康委員會) and pursuant to such pricing guidelines, 60% to 100% of the price of a dental service item covered under such basic medical insurance programme could be settled by such programme. We will settle such fees with the respective medical insurance agency (醫療保險經辦機構) of the relevant healthcare bureaux according to the relevant arrangement. According to the relevant arrangement, the respective medical insurance agency of Wenzhou Health Bureau will complete the verification of the transaction record monthly and settle such fees within three months from the end of each month with our Group. Such trade receivables from basic medical insurance programme is recognised when performance obligation of the dental services is satisfied. Patients are required to settle the remaining balance of the fees in relation to the dental service item or the part of the price of dental service item not covered under the basic medical insurance programme.

OUR MEDICAL PROFESSIONALS

The qualification and expertise of our dentists, nurses and other medical professionals are vital to the quality of our services and our competitiveness. Our dentists, nurses and other medical professionals are our employees and regularly practice at one of our dental hospitals on a full-time basis. Occasionally, some of our dentists and nurses also practise at more than one of our dental hospitals on an as-needed basis.

We enter into employment contracts with our dentists, nurses and other medical professionals in accordance with relevant labour laws and regulations in the PRC. The remuneration of our dentists, nurses and other medical professionals comprises basic salary and performance based bonus. We are responsible for making social insurance and housing provident fund contributions for and on behalf of our dentists, nurses and other medical professionals to the extent required by the applicable PRC laws and regulations. As at 31 May 2022, we had 53 dentists, 74 nurses and 46 other medical professionals.

Qualification of our medical professionals

During the Track Record Period and up to the Latest Practicable Date, our dentists (including assistant dentists) and nurses had obtained necessary licenses and practising certificates. We closely monitor the qualification registration and licensing records on a continuing basis to ensure that our dentists and nurses comply with all applicable requirements under PRC laws and regulations in all material respects. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints or penalties in relation to our dentists and nurses practicing beyond the scope of their respective licenses.

As at 31 May 2022, we had 46 other medical professionals, which includes assistant dentists (執業助理牙科醫師), dental assistants, radiologists, radiological technicians and pharmacists to provide support essential to our hospital operation. Our assistant dentists and dental assistants provide pre-treatment and post-treatment patient services on their own under the requisite guidance and supervision by our qualified dentists, such as initial assessment, record keeping, explaining post-treatment care instructions to patient as well as chairside assistance during the course of dental treatment. As at the Latest Practicable Date, each of our other medical professionals (except dental assistants) had obtained the necessary qualification certificate for his or her medical practise in the PRC. Dental assistants include dental students and dental graduates with dental education background but without any practising licenses or qualifications to participate in dental treatments. As advised by our PRC Legal Advisers, according to the Interim Regulations on the Management of Clinical Practice in Medical Education (醫學教育臨床實踐管理暫行規定), dental assistants, including medical students and probationary medical graduates may participate in clinical practice activities of medical education under the guidance and supervision of qualified dentists. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material complaints or penalties in relation to our medical professional practicing beyond the scope of their respective licenses.

For licence and qualification requirements of our medical professionals, please refer to the section headed "Regulatory Overview" in this prospectus for more details.

Recruitment and retention of our medical professionals

In selecting new dentists and other medical professionals to join us, we assess, among others, their academic and professional qualifications, years of relevant experience, as well as their character and integrity. To attract more talent medical professionals to join our Group, we collaborated with Anhui Medical University (安徽醫科大學) and Hubei Polytechnic Institute (湖北職業技術學院) and offered internship opportunities to their medical students and may recruit their top medical students with good performance during the internships.

According to the Frost & Sullivan Report, dentists are the core assets of dental service industry, and many dental service providers are striving to cultivate talents and experts by investing in education and research projects. In order to retain our talented dentists, we sponsor our dentists or assistant dentists for dental training courses provided by third party medical schools or institutions. Those employees who get our education sponsor are required to sign a contract with us to guarantee their further employment with us after they finish their medical studies. To ensure the quality of our dental services, we also offer internal medical training for our medical professionals covering topics such as the latest technologies or developments in dental services.

Since 2018, we have cooperated with China Oral Health Foundation (中國牙病防治基金會) to act as the designated Clinical Skills Training Centre in Wenzhou for the "Pink Activity" (粉紅行動). The "Pink Activity" is a non-profit action organised by the China Oral Health Foundation in which lectures in relation to oral heath are provided by qualified dentists with an aim to improve the dental skills of the dentists in different communities in general. Being the designated Clinical Skills Training Centre (臨床技能培訓基地) of the Pink Activity, we believe not only our dentists can benefit from the trainings offered, our reputation among dentist profession are also enhanced.

We review the performance of our medical professionals in terms of their treatment quality and clinical skills annually. The results of such reviews will later be used in salary determinations, bonus awards and promotion appraisals.

The following table sets forth certain information about the remuneration of our dentists, nurses and other medical professionals for the three years ended 31 December 2021:

Remuneration of dentists, nurses and other medical professionals[(1)]

	For the year ended 31 December								
	2019			2020			2021		
	Approximate range of annual basic salary *(RMB)*	Approximate range of annual performance bonus *(RMB)*	Approximate range of total annual remuneration *(RMB)*	Approximate range of annual basic salary *(RMB)*	Approximate range of annual performance bonus *(RMB)*	Approximate range of total annual remuneration *(RMB)*	Approximate range of annual basic salary *(RMB)*	Approximate range of annual performance bonus *(RMB)*	Approximate range of total annual remuneration *(RMB)*
Dentists and assistant dentists[(2)]	**34,000-67,000**	**116,000-482,000**	**67,000-526,000**	**24,000-36,000**	**87,000-748,000**	**111,000-784,000**	**24,000-36,000**	**63,000-743,000**	**93,000-779,000**
– Assistant dentists	–	–	–	24,000	87,000	111,000	24,000	116,000	140,000
– Dentists (non-managerial level)	34,000-67,000	116,000-395,000	67,000-429,000	30,000	174,000-529,000	204,000-559,000	30,000	63,000-333,000	93,000-363,000
– Dentists (managerial level)	36,000-44,000	218,000-482,000	252,000-526,000	36,000	120,000-748,000	156,000-784,000	36,000	144,000-743,000	180,000-779,000
Nurses	**20,000-24,000**	**28,000-71,000**	**48,000-95,000**	**20,000**	**24,000-73,000**	**44,000-93,000**	**20,000**	**20,000-80,000**	**40,000-100,000**
Other medical professionals[(3)]	**31,000-62,000**	**–**	**31,000-62,000**	**35,000-116,000**	**–**	**35,000-116,000**	**27,000-49,000**	**–**	**27,000-49,000**

Notes:

(1) Only the remuneration of those dentists, nurses and medical professionals who served our Group for the immediate 12 preceding months of 31 December of each of the three years ended 31 December 2021 or for the immediate five preceding months of 31 May of the five months ended 31 May 2022, are included.

In particular, we paid our employees on the minimum wage standard of Zhejiang Province in accordance with the relevant governmental notice as a relief measure from the outbreak of COVID-19 since 1 February 2020 until the respective date on which our dental hospitals partially resumed operation in March 2020 and have resumed to pay normal wage to our employees afterwards.

Dentists: The approximate range of aggregate basic salary was from RMB10,000 to RMB15,000, the approximate range of performance bonus was from RMB18,000 to RMB287,000, and the approximate range of aggregate remuneration was from RMB31,000 to RMB302,000, for the five months ended 31 May 2022.

Nurses: The approximate aggregate basic salary was RMB8,500, the approximate range of performance bonus was from RMB3,000 to RMB31,000, and the approximate range of aggregate remuneration was from RMB11,000 to RMB40,000, for the five months ended 31 May 2022.

Other medical professionals: The approximate range of aggregate basic salary was from RMB12,000 to RMB66,000 for the five months ended 31 May 2022.

Except annual increment of basic salary based on number of years of services of individual dentists, nurses and medical professionals, we did not significantly increase the basic salary of our dentists, nurses and medical professionals during the Track Record Period. Only the remuneration of dentists and nurses include their basic salary and performance bonus. The performance bonus of dentists used to be calculated based on a uniform percentage point of the sales made by the particular dentist in the month; and while the performance bonus of nurses used to be only calculated based on the monthly assessment of their performance standards in terms of, among others, professional technical skills, proper attitude, proper appearance and labour discipline.

(2) Managerial level dentists include dean, vice dean and department heads of our dental hospitals.

(3) Other medical professionals here include dental assistants, radiologists, radiological technicians and pharmacists.

OUR DEVICES AND EQUIPMENT

According to the Frost & Sullivan Report, one of the key competitive factors between private and public hospitals and among private hospitals is the availability of advanced equipment. In order to keep up with the prevailing technology, we had historically been investing substantial amount in acquiring new equipment to either replace old machineries which are reaching the end of their useful lives, or to introduce new technology to improve patients' experience, efficiency and/or quality of our dental services offered. Advanced dental devices and equipment used are throughout our dental services. Set forth below is a table summarising certain information of certain of our key dental devices and equipment:

Type of Devices	**Photo of Devices**	**Number of Devices**	**Approximate weighted average remaining lives[1]** *(Years)*	**Net book value as at 31 May 2022** *(RMB'000)*
Dental integral treatment units (牙科綜合治療台)[2]		216	3.2	3,483
Dental scaler machine (潔牙機)		30	5.3	218
Dental microscope (牙科顯微鏡)		10	7.1	636
Vacuum Sterilizer (真空滅菌器)		8	4.4	82
Dental implants equipment (種植機)		10	6.1	151
X-ray for computed tomography (X射線計算機斷層攝影設備) and panoramic radiography equipment (口腔全景機)		8	6.2	2,696
Dental X-ray (牙科X射線機)		13	7.4	383

Notes:

(1) The weighted average of remaining useful life assumes a useful life of 10 years for each unit of equipment based on our accounting policy for depreciation of equipment. The actual length that we will use the equipment may be different from the estimates due to reasons such as periodic maintenance.

(2) Certain of our dental integral treatment units are equipped with root canal treatment equipment (根管治療儀).

According to our accounting policies, depreciation of our equipment is calculated using the straight line method to allocate their cost to their residual values over its estimated useful lives of 10 years. We do not have a specific replacement cycle for our equipment and we will only replace them when necessary. Replacement decisions are made on a case-by-case basis having regard to the factors such as the operating conditions and cost effectiveness. Our Directors consider that our major dental devices and equipment are in good condition as at the Latest Practicable Date.

We perform regular maintenance on our dental devices in accordance with the relevant suggestions by the respective manufacturers.

OUR OTHER ACTIVITIES AND FUNCTIONS

Though we own and operate a private dental hospital network, we actively take part in various activities that are not only for revenue generating purpose but also for fulfilling the social responsibility of a hospital in the local communities.

Social contribution

We regard social contribution as one of our core values. We actively provide voluntary dental assistance to the local community. We pride ourselves on being a socially responsible private dental hospital operator. Our social contribution primarily takes the form of free or discounted dental services and education seminars. The social activities we held during the Track Record Period include "Dentists Role Play for Children (小牙醫活動)" which is a free dentistry lecture for children, "Free Consultation on Chinese Teeth Care Day (愛牙日義診)" which is a voluntary free dental consultation provided by us, "Dentistry Open Day" which the public comes to the dental hospitals and experiences the environment of our dental hospital and understands how we operate. We also occasionally offer teeth protection lectures and dental health lectures to schools and local community. Nevertheless, the aforesaid activities have been suspended in response to the outbreak of COVID-19. For further details of the impact of the outbreak of COVID-19 on our business operation, please refer to the paragraph headed "Impact of Outbreak of COVID-19 on our Operation in the PRC – Potential impact on our patient visits and our Group's Business" in this section.

Our social contribution efforts are highly regarded in the community and the oral healthcare sector. We believe such initiatives not only improve the oral health of the underserved local communities in society, but also generate positive media coverage for our Group. Such efforts also serve as part of our marketing and promotion efforts to raise awareness of children dental care among children and their parents as well as to cultivate a pool of potential children patients.

OUR PATIENTS

Our patients are individuals of all ages. Except Wenzhou Oral Care, each of our private dental hospitals has children department to offer dental services to children under 14 years old. Our active patients, meaning patients who have received at least one dental treatment in the three years ended 31 December 2021 and the five months ended 31 May 2022 were 60,830, 62,988, 61,910 and 31,992, respectively. The aggregate sales to our top five patients accounted for less than 1% of our total revenue during the Track Record Period. To the best knowledge of our Directors, all of our top five patients are Independent Third Parties. None of our top five patients was also our supplier during the Track Record Period.

Active and repeat patients

The following table sets out the number of active patients, repeat patients and new patients during the years/period indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Number of patients	% of active patients	Number of patients	% of active patients	Number of patients	% of active patients	Number of patients	% of active patients	Number of patients	% of active patients
		%		%		%		%		%
New patients(1)	41,396	68.1	35,487	56.3	41,091	66.4	16,222	55.7	19,859	62.1
Repeat patients(2)	19,434	31.9	27,501	43.7	20,819	33.6	12,908	44.3	12,133	37.9
Active patients(3)	60,830	100.0	62,988	100.0	61,910	100.0	29,130	100.0	31,992	100.0

Notes:

(1) New patients refer to patients who have received at least one treatment in the relevant financial year/period for the first time.

(2) Repeat patients for the relevant year/period refer to patients who are active patients and have previously received at least one treatment provided by us within two years preceding the relevant year/period. Save for the year ended 31 December 2020, the number of repeat patients remained relatively stable during the Track Record Period. The increase in number of repeat patients by approximately 41.5% for the year ended 31 December 2020 as compared to 2019 was mainly attributable to (i) the larger new patient base in the pre-pandemic period for the years ended 31 December 2018 and 2019; and (ii) our increased effort to improve customer engagement through additional marketing activities to interact with, and attract more visits from our past and existing patients, such as conducting follow-up phone calls and offering discounted offers and different complimentary treatments bundled with dental treatments purchased under different service sectors, to promote our dental services in the fourth quarter of 2020 as part of our measures to cope with the impact of the outbreak of COVID-19. For the three years ended 31 December 2021 and the five months ended 31 May 2022, the revenue from our repeat patients accounted for approximately 32.8%, 39.8%, 30.5% and 31.4% of our total revenue, respectively.

(3) Active patients refer to patients who have received at least one treatment in the relevant financial year/period provided by us.

The following table sets out the number of active patients by age group during the years/period indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
Age Group	Number of patients	% of active patients %	Number of patients	% of active patients %	Number of patients	% of active patients %	Number of patients	% of active patients %	Number of patients	% of active patients %
Age of 16 or below	17,007	28.0	16,652	26.4	16,172	26.1	7,848	26.9	7,007	21.9
Above the age of 16	43,823	72.0	46,336	73.6	45,738	73.9	21,282	73.1	24,985	78.1
Total	60,830	100.0	62,988	100.0	61,910	100.0	29,130	100.0	31,992	100.0

Our results of operations are exposed to slight seasonal fluctuations of demand for our services. During the Track Record Period, we have experienced relatively higher patient visits in the third quarter of each financial year, which was mainly because we experienced relatively higher patient visits during school summer vacation. In particular, demand for our services of orthodontics and cosmetic dentistry increased during such times. This is mainly due to student patients can take advantage of their summer vacation to have orthodontics and cosmetic dentistry service at our Group. As such, our revenue was relatively higher in the third quarter of each financial year during the Track Record Period.

Medical bill settlement

Patients who have Social Medical Insurance Card (社會醫療保險卡) can directly settle all or part of the service fees of certain specified medical treatment within the scope of basic medical insurance programme by swiping their Social Medical Insurance Card with our settlement system. For other medical treatment not within the scope of basic medical insurance programme or patients who do not have valid Social Medical Insurance Card, patients are required to settle the medical bills after receipt of our dental services in full with personal funding via cash or bank card. The table below sets forth, for the years/period indicated, the medical bill settlement amounts by different sources:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Revenue *(RMB'000)*	% of the total revenue %	Revenue *(RMB'000)*	% of the total revenue %	Revenue *(RMB'000)*	% of the total revenue %	Revenue *(RMB'000)*	% of the total revenue %	Revenue *(RMB'000)*	% of the total revenue %
Personal funding[1]	79,522	95.6	78,809	93.2	98,578	93.6	31,904	92.7	46,113	98.4
Basic medical insurance programmes[2]	3,637	4.4	5,747	6.8	6,737	6.4	2,518	7.3	745	1.6
Total	83,159	100.0	84,556	100.0	105,315	100.0	34,422	100.0	46,858	100.0

Notes:

(1) It represents the payments from patients who finance their medical treatments by themselves (including their settlement of the self-pay portion of their medical bills that were not covered by basic medical insurance programmes).

(2) It represents the payments we directly settled with the respective medical insurance agency (醫療保險經辦機構) of the relevant healthcare bureaux under the basic medical insurance programmes.

For treatment of orthodontics and cosmetic dentistry which generally involves a course of treatment with multiple treatment sessions, patients are generally required to settle the service fees in respect of the services they received after each session.

Basic medical insurance programmes

All of our dental hospitals are "medical insurance designated" (醫療保險定點) hospitals under basic medical insurance programmes operated by the relevant healthcare bureaux, save for Wenzhou Oral Care which commenced its operation in November 2021 and was yet to attain the relevant requirements to apply for such status as at the Latest Practicable Date. All or part of the fee of a dental service item covered under such programmes is settled by relevant PRC government authorities with our hospitals. Patients are not required to settle all or part of the fees in relation to the dental service items covered under the basic medical insurance programme. Our dental service items offered are either covered by such basic medical insurance programme or not covered by such basic medical insurance programme. For dental service items that are not covered by the basic medical insurance programme, we, as private dental hospitals, are entitled to set the prices for these dental services at our own discretion; while the price of the dental service items covered under the basic medical insurance programme are fixed by the pricing guidelines set by the Health Commission of Zhejiang Province (浙江省衛生健康委員會). There is no difference in price charged for the same dental service item for patients with or without such basic medical insurance programme. Further, such pricing guidelines also set out the portion of the price of a dental service item covered under such basic medical insurance programme that could be settled by such programme; and as at the Latest Practicable Date, 60% to 100% of the prices of the dental service items covered by such basic medical insurance programme could be settled by such programme.

Generally, basic medical insurance programmes operated by the relevant healthcare bureaux only covers certain basic or essential supplementary dental services and items, including registration fees, digital imaging, routine examination of coagulation function of blood, local anaesthesia procedure, various basic items involved in root canal treatment, various basic items involved in teeth filling treatment and various basic medication. As such, only certain basic service items offered in our general dentistry sector and our other miscellaneous and supplemental dental services offered (such as imaging and medication) are covered by such basic medical insurance programmes operated by the relevant healthcare bureaux while none of our service items offered in our reparative dentistry, implant dentistry and orthodontics and cosmetic dentistry are covered by such basic medical insurance programmes. Since such basic medical insurance programmes only cover certain basic or essential supplementary dental services and items, the price range of such services and items are at the lower end compared with all other dental services and items our Group offers. As at the Latest Practicable Date, the price range of our dental services and items covered by such basic medical insurance programmes ranged from RMB0.5 to RMB680 with over 75% of such dental services and items cost RMB100 or below. As at the Latest Practicable Date, approximately 33.8% of service items of our general dentistry sector are covered by such basic medical insurance programmes, which also represent approximately 13.2% of all our service items. Both patients with or without basic medical insurance programmes can obtain dental services and items within or outside the coverage of basic medical insurance programmes which our dentists and medical professionals prescribe to them as the most suitable treatment. Given the limited number of service items and the relatively low price range of the such services covered by basic medical insurance programmes, the revenue contribution from services covered by basic medical insurance programmes were not high during the Track Record Period, with approximately 4.4%, 6.8%, 6.4%, and 1.6% of the revenue being settled through basic medical insurance programmes, respectively.

According to the Frost & Sullivan Report, patients covered by basic medical insurance programmes are more willingly to go to dental hospitals with “designated” status to save personal costs, as all or part of such patients’ medical bills could be settled by basic medical insurance if the medical treatment is within the scope of basic medical insurance program, and designated hospitals connected to the basic medical insurance achieve higher acceptance and preference than other private dental service providers. For the three years ended 31 December 2021 and the five months ended 31 May 2022, the active patients used basic medical insurance programmes to settle their medical bills in our Group were 24,467, 38,207, 47,163 and 13,585, accounting for 40.2%, 60.7%, 76.2% and 42.5% of the total number of active patients of our Group for the same year/period, respectively. Moreover, according to the Frost & Sullivan Report, 8.0 million and 56.5 million of residents in Wenzhou and Zhejiang Province are covered by basic medical insurance programmes, accounting for 82.8% and 86.5% of the total resident population in Wenzhou and Zhejiang Province in 2021, respectively; and it is further estimated that the total residents covered by basic medical insurance in Wenzhou will continue to grow with a CAGR of 1.7% to approximately 86.4% of the total resident population in 2026. As such, our Directors consider our “designated” hospital status under the basic medical insurance programme of our dental hospitals can continue to assist us to enlarge our patient base.

The table below show the validity period of our “designated” status under the basic medical insurance programmes operated by the relevant healthcare bureaux:

Hospital	**Current Validity period**
Wenzhou Hospital	1 July 2022 to 31 December 2023
Longgang Hospital	1 January 2022 to 31 December 2022
Lucheng Hospital	1 July 2022 to 31 December 2023
Rui’an Branch Hospital	1 July 2021 to 31 December 2022

Each of the above four dental hospitals has signed a service agreement with the respective local medical insurance agency (the "**Medical Insurance Agency**") (醫療保險經辦機構) of the relevant healthcare bureaux under the basic medical insurance programme, and the major terms of such service agreement are set out as follows:

Scope of medical service	:	The basic medical insurance only covers certain medical services approved by National Health and Family Planning Commission and relevant administration authorities from time to time (the "**Specified Service Items**").
Pricing policy	:	The pricing of the Specified Service Items shall strictly follow the pricing guidelines approved and published by the Health Commission of Zhejiang Province.
Supervising management	:	The relevant Medical Insurance Agency may inspect on site or otherwise the medical services provided by our Group.
Information data management	:	The relevant Medical Insurance Agency shall be responsible for the operation and maintenance of the medical insurance settlement intranet system and we shall ensure our settlement system has proper connection with such system for settlement purpose.
Termination	:	The relevant Medical Insurance Agency may terminate the agreement if we, among others, (i) maliciously apply for basic medical insurance settlement against the requirements as stated in the agreement and causing loss to the medical insurance fund; (ii) provide false or incomplete medical insurance transaction record; (iii) maliciously attack the medical insurance settlement system causing damage; or (iv) our Medical Institution Practicing License is revoked by relevant governmental department.
Payment	:	The relevant Medical Insurance Agency shall complete the verification of the transaction record monthly and settle such bills within three months from the end of the month.

PATIENT SERVICES AND PATIENT FEEDBACK

Patient feedback system

Our patient service receptionists are responsible for following up with our patients and collecting patient feedbacks. After the completion of each treatment, our patient service personnel will call our patients to check their recovery progress and remind them of return visits and post-procedure cares if necessary.

As a measure to enhance patients loyalty and establish long-term relationships with our patients, we have implemented a patient feedback system to ascertain patients' expectations and collect patients' comments. This system enables us to improve our services to meet patients' needs.

We collect patient feedbacks through various channels including patient service hotline, comment collection surveys that we actively encourage patients to fill out, suggestion boxes we put in each dental hospital and face-to-face communication with frontline staff at our dental hospital.

Management of complaints

Patients' complaints are generally made to us (i) directly on-site through our frontline staff at our dental hospitals; and (ii) complaints made to local governmental authorities, including local health bureau, and referred to us by relevant local governmental authorities.

In order to ensure prompt and proper handling of patient complaints, we have implemented internal guidelines of medical complaints and disputes which we strictly require our staff to follow. Our patient service receptionist and/or dentist in charge (當事醫生) will preliminarily handle the complaints made on-site at our dental hospitals. Our patient service receptionist and/or dentist in charge will retrieve the relevant medical record, understand the nature of the complaint and try to resolve and address patients' concern, by providing explanation promptly to the largest extent possible.

In rare circumstances where the patient is not satisfactory with the explanation provided by our patient service receptionist and/or dentist in charge, our patient service receptionist and/or dentist in charge will report the case to the administrative office at our headquarters which will coordinate the medical department of the relevant dental hospital to handle the case. Each of our dental hospital has established a medical department comprising two senior dentists. The administrative office will receive complaint cases made to local governmental authorities, including local health bureau, and referred to us by relevant local governmental authorities. The administrative office will then coordinate the medical department of the relevant dental hospital, the dentists in charge and nurses in charge to resolve the patients' concern by way of provision of detailed and professional explanations to the patient and/or arranging follow-up medical consultation provided by alternate dentists. In order to maintain good patient relationships, we seek to resolve these complaints reasonably and amicably as soon as possible. Each dental hospital maintains detailed records of the complaints and reports all complaints to the administration office. To prevent recurring complaints of a similar nature, each of our private dental hospital holds internal discussions periodically to review major complaints and implement appropriate measures for rectification.

During the Track Record Period and up to the Latest Practicable Date, we received a total of 38 complaints from our patients in relation to our provision of our dental services, representing less than 0.1% of the total number of dental treatments performed during the same period. Such rate is extremely low comparing with the industry average in Wenzhou, being around 1.0%, according to the Frost & Sullivan Report. In order to ensure prompt and proper handling of patient complaints, we have implemented internal guidelines which we require our staff to strictly follow, and all of these complaints were properly addressed as at the Latest Practicable Date. Our Directors confirmed that we were not involved in any litigation or arbitration proceedings in relation to those complaints as a defendant, and after consulting our PRC Legal Advisers, our Directors confirmed that we were not involved in any "medical incident" as defined under the Medical Incidents Regulations during the Track Record Period and up to the Latest Practicable Date.

PRICING

For dental treatments that are not covered by the basic medical insurance programmes, we, as private dental hospitals, are not subject to such pricing guidelines and entitled to set the prices for these dental services at our own discretion. We generally set price of our services based on price recommendation provided by our suppliers and factors including the specific contents of our services, operating costs, market conditions and market pricing of similar services.

With respect to the dental services covered by basic medical insurance programmes, our dental hospitals, as "designated" hospitals under basic medical insurance programmes, are subject to the pricing guidelines for our provision of certain items of our dental services set by Health Commission of Zhejiang Province (浙江省衛生健康委員會).

Our executive Directors and the accounting department monitor and review our pricing from time to time and keep up to date on the regulatory changes to ensure our pricing is maintained at a competitive level.

OUR SUPPLIERS

Our suppliers primarily include suppliers for pharmaceuticals, medical consumables, customised products and dental tools. For the three years ended 31 December 2021 and the five months ended 31 May 2022, cost of inventories, consumables and customised products amounted to approximately RMB11.9 million, RMB10.8 million, RMB11.2 million and RMB5.7 million, respectively, representing approximately 31.5%, 31.7%, 29.2% and 28.1% of total costs of sales for the same year/period, respectively.

We have a centralised procurement management team which is responsible for approving supply channels and negotiating the terms for our medical supplies. We have implemented internal guidelines for our procurement process. Our dental hospitals report their procurement needs on a weekly basis to our centralised procurement management team, which then aggregates all procurement needs, selects quality suppliers and places purchase orders with the suppliers. We believe centralised procurement allows us to achieve economies of scale and to better control the quality of the supplies we procure. We sourced customised products from our suppliers only after we confirm the demands with our patients.

We have a stringent system for selecting reliable, high-quality suppliers. We select and appraise our suppliers based on pricing, reputation, product quality, and aftersale service. Our suppliers are required to possess relevant licenses and permits necessary to conduct their operations. Only those suppliers which fulfil all our selection criteria are selected. Our centralised procurement management team maintains an approved suppliers list and we only source from these suppliers. We routinely review and assess our suppliers' performance and check their qualifications to ensure the legality and quality of our supplies, and update the approved suppliers list annually. Those suppliers who fail to meet our standards or requirements are removed from our approved suppliers list.

Depending on the different types of supplies and our relationships with the suppliers, the terms of the supply agreements with our suppliers vary from supplier to supplier. We generally enter into framework agreements with our suppliers, with essential terms include quality standards, logistics, product return and payment methods, to set out the general rights and obligations of the parties. We are generally given credit terms ranging from one to three months by our suppliers. We normally pay our suppliers via bank transfer. Our suppliers are generally responsible for arranging the delivery of supplies to our respective dental hospital at their own costs. We are entitled to return any supplies that do not meet our quality standards upon inspection after delivery. During the Track Record Period, we had not experienced any significant return of supplies that did not meet our standards and had not suffered any significant loss or damage caused by quality problems with the supplies.

Our pharmaceuticals, medical consumables, customised products and dental tools are sourced from suppliers within the PRC. We are usually able to choose suppliers from a range of suppliers for our dental devices and medial consumables, but for certain of our products, such as invisible braces and dental implants, we cooperated with renowned suppliers to provide quality options to our patients in order to increase our patients' satisfaction with their dental treatment. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant shortage of or delay in the delivery of supplies. We maintained stable business relationships with our suppliers during the Track Record Period. During the Track Record Period, we had not experienced any significant fluctuation in the prices of our supplies.

Top Suppliers

During the Track Record Period, the aggregate purchases from our five largest suppliers in each year/period during the Track Record Period amounted to approximately RMB5.8 million, RMB5.0 million, RMB5.8 million and RMB3.6 million, respectively, accounting for approximately 50.1%, 45.5%, 47.5% and 62.2% of our total purchases for the respective year/period. Our purchases from our largest supplier in each year/period during the Track Record Period amounted to approximately RMB2.2 million, RMB2.3 million, RMB2.3 million and RMB1.3 million, respectively, representing approximately 19.2%, 20.5%, 18.7% and 22.6% of our total purchases for the respective year/period.

The following table sets out the information of purchases from our five largest suppliers during the Track Record Period:

For the five months ended 31 May 2022

Rank	Supplier	Background and business nature	Major product/services supplied	Purchase for the period *(RMB'000)*	Payment method	% of our total purchases *(%)*	Years of relationship (up to the Latest Practicable Date)
1	Supplier J	a private company principally engaged in the production and manufacturing of dentures, and accessories to dentures	denture processing	1,317	bank transfer	22.6	1
2	Supplier G	a private company mainly engaged in the wholesale, import and export of medical devices	implant and other materials	801	bank transfer	13.7	2
3	Supplier E	a private company principally engaged in wholesale and retail of medical devices	implant material	628	bank transfer	10.8	6
4	Supplier K	a private company principally engaged in the production and manufacturing of dentures, and accessories to dentures	Dentures	586	bank transfer	10.0	1
5	Supplier L	a private company principally engaged in the production and manufacturing of dentures, and accessories to dentures	Dentures	300	bank transfer	5.1	3
	Total purchases from our five largest suppliers			3,632		62.2	

For the year ended 31 December 2021

Rank	Supplier	Background and business nature	Major product supplied	Purchase for the period *(RMB'000)*	Payment method	% of our total purchases *(%)*	Years of relationship (up to the Latest Practicable Date)
1	Supplier A	a private company principally engaged in production and manufacturing of dentures and accessories to dentures	dentures	2,259	bank transfer	18.7	12
2	Supplier G	a private company mainly engaged in the wholesale, import and export of medical devices	implant and other materials	1,359	bank transfer	11.2	2
3	Supplier E	a private company principally engaged in wholesale and retail of medical devices	implant material	1,010	bank transfer	8.3	6
4	Supplier H	a private company principally engaged in retail and wholesale of medical devices	slip self-locking bracket	586	bank transfer	4.8	4
5	Supplier I	a private company principally engaged in the production and sales of medical devices and equipment	medical instrument	550	bank transfer	4.5	12
	Total purchases from our five largest suppliers			**5,764**		**47.5**	

For the year ended 31 December 2020

Rank	Supplier	Background and business nature	Major product supplied	Purchase for the year *(RMB'000)*	Payment method	% of our total purchases *(%)*	Years of relationship (up to the Latest Practicable Date)
1	Supplier A	a private company principally engaged in production and manufacturing of dentures and accessories to dentures	dentures	2,268	bank transfer	20.5	12
2	Supplier D*(Note)*	a private company principally engaged in retail and wholesale of medical devices	INVISALIGN® invisible braces	963	bank transfer	8.7	4
3	Supplier B	a private company principally engaged in retail and wholesale of medical devices	dentures	816	bank transfer	7.4	12
4.	Supplier E	a private company principally engages in retail and wholesale of medical equipment	dental products, such as surface treatment for dental implants	504	bank transfer	4.5	6
5	Supplier F	a private company principally engaged in retail and wholesale of medical and dental supplies	dental products, such as bone and root canal filling materials	489	bank transfer	4.4	4
	Total purchases from our five largest suppliers			**5,040**		**45.5**	

Note: We started to purchase medical consumables from Supplier D since February 2019. Since January 2020, we also purchase INVISALIGN® invisible braces from Supplier D, as INVISALIGN® brand has designated Supplier D in replacement of Hang Zhou Lava Biological Science & Technology Co., Ltd. (杭州拉瓦生物科技有限公司) as the designated supplier of INVISALIGN® invisible braces to our Group.

For the year ended 31 December 2019

Rank	Supplier	Background and business nature	Major product supplied	Purchase for the year *(RMB'000)*	Payment method	% of our total purchases *(%)*	Years of relationship (up to the Latest Practicable Date)
1	Supplier A	a private company principally engaged in production and manufacturing of dentures and accessories to dentures	dentures	2,238	bank transfer	19.2	12
2	Hang Zhou Lava Biological Science & Technology Co., Ltd. (杭州拉瓦生物科技有限公司)	a private company principally engaged in retail and wholesale of medical devices	INVISALIGN® invisible braces and dentures	1,170	bank transfer	10.0	9
3	Supplier B	a private company principally engaged in retail and wholesale of medical devices	dentures	964	bank transfer	8.3	12
4	Hangzhou Yuanhua Trade Co., Ltd. (杭州原華貿易有限公司)	a private company principally engaged in retail and wholesale of medical devices	dental products, such as dental adhesives, cavity temporary filling material, stainless steel/ceramic crown	926	bank transfer	7.9	12
5	Supplier C	a private company principally engaged in retail and wholesale of medical devices	invisible braces	543	bank transfer	4.7	7
	Total purchases from our five largest suppliers			**5,841**		**50.1**	

As at the Latest Practicable Date, we have an average of approximately seven years business relationship with our five largest suppliers. To the best knowledge of our Directors, all our top five suppliers are Independent Third Parties. None of our Directors or their respective close associates or any Shareholders, which to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company, had any interest in our five largest suppliers during the Track Record Period. None of our five largest suppliers was also our patient during the Track Record Period.

INVENTORY AND PROCUREMENT

Our inventory comprises mainly of pharmaceuticals and medical consumables. We closely monitor our inventory level to meet our service requirements, minimise any waste on inventory and avoid obsolete inventory.

We carry out regular physical inventory counts to verify the accuracy of our inventory records and we closely monitor inventory expiry dates to ensure no expired items will be used. Certain of our medical consumable suppliers allow us to return and/or exchange supplies within a certain period of time before the expiry dates. Once the supplies are expired, or the dental devices have reached the end of their service lives, we will safely dispose them in accordance with applicable laws and regulations, and such supplies will be written off accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories. As we carefully monitor our inventory, we do not maintain a high level of inventory for pharmaceuticals and medical consumables. As at 31 December 2019, 2020 and 2021 and 31 May 2022, our inventory amounted to approximately RMB1.8 million, RMB1.6 million, RMB2.4 million and RMB2.4 million, respectively.

MARKETING AND PROMOTION

As a healthcare institution, we rely heavily on patient referrals and word-of-mouth to promote our dental services. During the Track Record Period, we used various forms of marketing which include publishing advertisement in the newspaper and on public commune, and optimising online search engine so that our services can be more easily searched by consumers who needed our services. We also actively participated in social activities to generate positive media coverage for our brand such as "Dentists Role Play for Children (小牙醫活動)" which is a free dentistry lecture for children and "Free Consultation on Chinese Teeth Care Day (愛牙日義診)" which is a voluntary free dental consultation provided by us. For details, please refer to the paragraph headed "Our other activities and functions" in this section. In light of the COVID-19 pandemic which restricted our social marketing activities, we enhanced our online marketing effort in 2021 including online advertisement placement on websites and search engines.

We are subject to certain PRC laws and regulations relating to the advertisement and promotion of our services. Please refer to the section headed "Regulatory Overview – Applicable Laws and Regulations to Our Business in the PRC – Regulations on medical advertising in the PRC" in this prospectus for further details. In order to comply with relevant PRC laws and regulations on advertising, we have adopted a series of internal control measures which include: (i) appropriate trainings in relation to the regulatory framework on advertising are given to key staff of our marketing department, administration department and executive Directors from time to time; (ii) our annual advertising plan prepared by our marketing department will be reviewed and approved by the managers of our administration and finance departments and the Board for appropriateness and reasonableness; (iii) our administration and procurement departments will conduct background check for potential advertising services providers to ensure that such service providers are qualified; and (iv) each advertising proposal will be reviewed by our PRC legal counsels and the Board prior to publication to prevent false or misleading advertising content or marketing activities and to ensure compliance with relevant laws and regulations. Our Directors confirmed that our Group was in compliance with applicable advertising laws and regulations in the PRC in all material respects and we have not encountered penalty for failure to comply with the applicable advertising laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Further, in order to attract new patients, boost repeated visits and increase the loyalty of our patients, we offer five-session service plans for teeth cleansing where our patients may enjoy five sessions of teeth cleansing at a discounted price. For the three years ended 31 December 2021 and the five months ended 31 May 2022, our five-session service plans for teeth cleansing contributed revenue of approximately RMB1.9 million, RMB2.1 million, RMB2.6 million and RMB1.0 million, respectively, representing approximately 2.3%, 2.5%, 2.5% and 1.8% of our total revenue for the same year/period.

The following are the key characteristics of our five-session service plans offered to our patients during the Track Record Period:

- patient can enjoy five sessions of teeth cleansing services;
- service plans are valid for an indefinite period of time without expiry; and
- service plan is freely transferable to any other third party.

As part of our internal controls, we monitor patients' unused session of the service plans by arranging booking of the next appointment when our patients completed one treatment.

If our dentists have diagnosed the patients with specific oral or teeth problems during the teeth cleansing service, we will refer such patients to our other dentistry sectors, such as reparative dentistry or orthodontics and cosmetic dentistry, for other dental services. We offer five-session service plans of teeth cleansing services to our patients with an aim (i) to promote oral health awareness among the population and to attract new patients; and (ii) to increase the frequency of visits of patients to our dental hospitals and increase their loyalty.

Payments received from such five-session service plan are recorded as contract liabilities in our consolidated statements of financial position at the time of payment and are subsequently recognised as revenue in our consolidated statements of profit or loss when the service is performed. For further details, please refer to the section headed "Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Contract liabilities" in this prospectus.

IMPACT OF OUTBREAK OF COVID-19 ON OUR OPERATION IN THE PRC

Background

There has been an outbreak of the novel coronavirus, COVID-19, since January 2020 across China and around the world. Such outbreak of epidemic has endangered the health of many people residing in the PRC and around the world and significantly disrupted travel and economy. In order to combat the COVID-19 outbreak, PRC governmental authorities have imposed various controls and restrictions, which include quarantine order to restrict entry and exit of Wuhan, extension of the Chinese New Year Holiday in February 2020 and temporary suspension of work in various provinces and cities. On 29 January 2020, the Health Commission of Zhejiang Province (浙江省衛生健康委員會) issued a notice (the "**Notice**") to all medical institutions in Zhejiang Province imposing controls on oral diagnosis and treatment carried out by medical institutions in light of the epidemic brought by the COVID-19. According to the Notice, among others, private dental hospitals and the dental departments in public and private general hospitals, save and except for oral and maxillofacial surgery performing in emergency situation and in the circumstances where prevention and control measures for hospital infection are strictly implemented, shall suspend services; and such suspension shall continue until further notice from the Health Commission of Zhejiang Province subject to the development of COVID-19. In compliance with the Notice, the operation of all dental hospitals of our Group had temporarily suspended since 29 January 2020. On 22 February 2020, the Health Commission of Zhejiang Province issued a further notice (the "**Further Notice**") to all the medical institutions regarding the gradual resumption of dental services in Zhejiang Province. According to the Further Notice, the dental emergency services could be resumed gradually in the cities where the infection risk of the COVID-19 is low. The Government of Wenzhou also issued a notice to streamline the process in approving the resumption of work of enterprises on 22 February 2020 ("**Streamline Notice**"). In accordance with the Further Notice and Streamline Notice, and relevant permission of governmental authorities, the operation of Wenzhou Hospital, Longgang Hospital, Lucheng Hospital and Rui'an Branch Hospital has been partially resumed on 1 March 2020, 6 March 2020, 15 March 2020 and 18 March 2020, respectively. We resumed dental emergency services, general dentistry services, and orthodontics and cosmetic dentistry services at our first phase, while we were not allowed to offer high risk dental services, such as certain services under implant dentistry and reparative dentistry, to our patients, according to relevant governmental guidelines and notices. On 18 May 2020, the Health Commission of Zhejiang Province issued the third notice (the "**Third Notice**") to all the medical institutions in Zhejiang Province allowing the full resumption of dental services in Zhejiang Province. In accordance with the Third Notice, as at the Latest Practicable Date, the operation of all of our dental hospitals for provision of all of our dental services have been fully resumed.

Due to our temporary suspension of operation of our dental hospitals in February 2020, the number of patient visits to our Group's dental hospitals for the month ended 29 February 2020 was nil. However, with the partial resumption of operation of our dental hospitals since March 2020, the number of patient visits to our Group's dental hospitals had been gradually recovering, reaching approximately 6,300 in March 2020, and further to approximately 8,300 in May 2020 when we had fully resumed all of our dental services. In July 2020, the number of patient visits to our Group's dental hospitals recovered back to the level prior to the outbreak of COVID-19, reaching approximately 9,500, which represented an increase of approximately 24.1% and 2.4% as compared to the month ended 30 June 2020 and 31 July 2019, respectively. Although all our Group's dental hospitals partially resumed operation in March 2020, we were not allowed to offer high risk dental services until May 2020. Therefore, our reparative dentistry and implant dentistry were hardly hit by the outbreak of COVID-19 the most, which resulted in a drop in revenue from reparative dentistry and implant dentistry from approximately RMB17.2 million and approximately RMB9.4 million in 2019, respectively, to approximately RMB16.8 million and approximately RMB7.9 million in 2020, respectively. As such, our service mix was also affected with lower revenue contribution from our reparative dentistry and implant dentistry, which decreased from approximately 20.6% and approximately 11.4% in 2019, respectively, to approximately 19.9% and approximately 9.3% in 2020, respectively. However, such negative impact was offset by our growth in the number of patients receiving treatment in orthodontics and cosmetic dentistry from 2,880 in 2019 to 4,391 in 2020 due to the growing acceptance of orthodontics and cosmetics services for the improvement of personal appearance and our service quality and broad service scope. Such growth was also attributable to our enhanced marketing and promotion efforts, including but not limited to, the provision of the complimentary services including examination, diagnosis and teeth cleansing during the fourth quarter of 2020 and maintaining active contact with our existing patient base upon full resumption of the operations of our dental hospitals, thereby resulting in the increase in our patient visits in the second half of 2020 when our business rebounded in the second half of 2020 and an overall slight increase in our revenue from approximately RMB83.2 million in 2019 to approximately RMB84.6 million in 2020 despite the temporary suspension of the operations of our dental hospitals. Our adjusted net profit margin (non-HKFRS measures) also increased from approximately 27.6% in 2019 to approximately 30.4% in 2020 due to the increase in our gross profit margin, which was in turn attributable to (i) the rental reliefs and social insurance relief in response to the outbreak of COVID-19 during the year ended 31 December 2020; and (ii) the change in our service mix with lower revenue contribution from our reparative and implant dentistry, which are generally with lower gross profit margin among all of our dental services. Since the full resumption of operation of our Group's dental hospitals in May 2020 and up to the Latest Practicable Date, we had not received any correspondences or notices from any governmental authorities nor were our Directors aware of any laws, regulations, announcement or notices being issued by any governmental authorities imposing any controls or restrictions in relation to the outbreak COVID-19 that may materially and adversely affect the operation of our Group.

Recent resurgence of regional outbreak of COVID-19

Since late July 2021, new regional COVID-19 outbreaks has recurred in certain provinces across China, and more recently, there have been regional outbreaks of COVID-19 variants, including highly transmissible Delta and Omicron, particularly in cities such as Shanghai and Beijing (the "**Resurgence**"). To contain the Resurgence, local governments in PRC have imposed various restrictions on business and social activities, including stringent travel restrictions, heightened quarantine measures and mandated temporary suspension of business operations across certain regions, causing disruptions to business operations of dental service providers in major cities in the PRC to varying degrees according to Frost & Sullivan. Notwithstanding the Resurgence, our Directors consider that the impact of the Resurgence on our Group was manageable considering that (i) Wenzhou had only a few sporadic cases reported since the Resurgence and up to the Latest Practicable Date; (ii) we have developed the corresponding mechanism in response to the outbreak of COVID-19 and its possible recurrence to relieve its potential impact based on past experience, such as paying our employees on the minimum wage standard of Zhejiang Province and adjusting the duty roster of our employees in case of full/partial suspension of the operations of our dental hospitals again; (iii) the relatively high overall vaccination rate in the PRC; and (iv) our business operations continued to grow as demonstrated by an upward trend in our results of operations and the total number of patient visits during the year of 2021 and the five months ended 31 May 2022 as compared to the same period in 2020 and 2021, respectively. As at the Latest Practicable Date, there had been no material adverse impact on our Group's financial performance and business operation, including its expansion and acquisition plan in Zhejiang Province despite the Resurgence. For details, please refer to the paragraphs headed "Financial Information – Period to Period Comparison of Results of Operations – Year ended 31 December 2021 compared to year ended 31 December 2020" and "– Five months ended 31 May 2022 compared to five months ended 31 May 2021" in this prospectus.

While we have experienced a rebound of our business since the second half of 2020 as the PRC government gradually lifted restrictions and quarantine measures in the PRC, there remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and the recent regional resurgence of COVID-19 cases in certain areas in the PRC. With the measures implemented by the PRC government and information currently available to our Directors, our Directors believe that the outbreak of COVID-19 will not have a material or sustained impact on our Group. The potential impact of the outbreak of COVID-19 on our Group's operations in the PRC as discussed here and below is prepared according to the best estimate and belief of our Directors, based on latest information currently available to our Directors as at the Latest Practicable Date, subject to development of the outbreak of COVID-19 in the PRC. For details of the relevant risk, please refer to the section headed "Risk Factors – Risks Relating to our Business and Industry – The outbreak of the contagious COVID-19 in Zhejiang Province, the PRC and worldwide may have a material adverse effect on our business, results of operation, financial condition and prospects" in this prospectus.

Our employees

As at the Latest Practicable Date, we were not aware of any employees who were unavailable to resume duties due to quarantine restriction of COVID-19 or related travel restrictions. Since the outbreak of COVID-19, there had not been any layoffs of our employees nor any request to our Group's employees to have no-pay leave, nor any plan of the same. We paid our employees on the minimum wage standard of Zhejiang Province in accordance with the relevant governmental notice as a relief measure from the outbreak of COVID-19 since 1 February 2020 until the respective date on which our dental hospitals partially resumed operation in March 2020 as aforementioned and have resumed to pay normal wage to our employees afterwards.

Supplies and supply chain

Our supplies primarily include pharmaceuticals, medical consumables, customised products and dental tools. Considering (i) the stable supply from all of our top five suppliers in 2020 and 2021; (ii) the level of inventories of our Group's major inventories as at 31 December 2021; and (iii) stable local logistics, our Directors did not expect our Group to experience any significant shortage of or delay in the delivery of supplies in 2022 which may materially affect our operation. Since the outbreak of COVID-19 in January 2020 and up to the Latest Practicable Date, we did not experience any significant shortage of supplies which materially and adversely would affect our operation.

Potential impact on our patient visits and our Group's business

As our temporary suspension of operation of our dental hospitals occurred in and immediately after the Chinese New Year in 2020 while our patient visits during such times are usually lower comparing to our peak season in the third quarter of each financial year, our Directors consider that the impact of such temporary suspension to our business and financial performance would be relatively less severe. Due to our temporary suspension of operation of our dental hospitals in February 2020, the number of patients visits to our Group for the month ended 29 February 2020 was nil compared to approximately 7,400 and 8,900 for the month ended 31 January 2020 and 31 December 2019, respectively. As a dental service provider, our dental hospitals generally accept booking for our services on a no-commitment basis. We managed to arrange to postpone certain bookings of our patients to a date after our resumption of services. As at the Latest Practicable Date, we did not encounter any claims or complaints from our clients arising from the temporary suspension of our operation.

All of our Group's dental hospitals have partially resumed operation where our Group was not allowed to offer high risk dental services, such as certain services under implant dentistry and reparative dentistry to our patients since March 2020; and have fully resumed operation since May 2020. With the full resumption of operation of our dental hospitals in May 2020 and the gradual recovery of the PRC economy as a result of the effective prevention and control of the COVID-19 pandemic by the PRC government, the total number of visits to our Group has soon recovered with the revenue and the adjusted net profit (non-HKFRS measures) for the year ended 31 December 2020 significantly recovered and even exceeded the level recorded for the year ended 31 December 2019.

Although our revenue was nil since 29 January 2020 until the respective date on which our Group's dental hospitals partially resumed operation in March 2020 due to temporary suspension of operation of our dental hospitals, our expenses also decreased in the same period mainly due to the decrease in our staff costs, which was because we paid our staff on the minimum wage standard of Zhejiang Province in accordance with relevant governmental notice as a relief measure from the outbreak of COVID-19 since 1 February 2020 until the respective date on which our dental hospitals partially resumed operation in March 2020 as aforementioned. In addition, we received rental reliefs of approximately RMB542,000 in aggregate as offered by the landlords of the premises of our dental hospitals for the year ended 31 December 2020. Further, according to the policies issued by the Ministry of Human Resources and Social Security of the Government of Zhejiang Province and local municipal departments issued in February and June 2020, our Group was also entitled to the social insurance relief granted by the relevant PRC authorities from February to December 2020 due to the outbreak of COVID-19. Despite the impact of the outbreak of COVID-19 on our Group's business operations in the first quarter of 2020, our Group recorded revenue of approximately RMB84.6 million for the year ended 31 December 2020, representing an increase of approximately 1.7% as compared to that of 2019.

Moreover, due to certain community restrictions in response to the COVID-19 pandemic, certain large-scale social activities targeting at the mass public in Wenzhou, including but not limited to, "Dentistry Open Day" and "Dentists Role Play for Children (小牙醫活動)", as well as teeth protection and dental health lectures to schools that our Group used to hold as part of its marketing and promotion efforts before the outbreak of COVID-19, have been suspended since the outbreak of COVID-19 in 2020. Thus, the outbreak of COVID-19 and the Resurgence have slowed down the growth rate of our Group's patient base to a certain extent.

Since the Resurgence and up to the Latest Practicable Date, there had not been regional outbreak of COVID-19 in Wenzhou, where only a few sporadic cases were reported. Notwithstanding the Resurgence, thriving on the continued recovery of demand for dental services in Wenzhou, our Group's revenue further increased substantially by approximately 24.5% from RMB84.6 million for the year ended 31 December 2020 to RMB105.3 million for the year ended 31 December 2021, along with the corresponding increase in patient visits from 74,268 for the year ended 31 December 2020 to 80,734 for the year ended 31 December 2021.

Our Directors have conducted a holistic review on the impact of the outbreak of COVID-19 and the Resurgence on our operations and are of the view that the outbreak of COVID-19 and the Resurgence are not expected to have a material or sustained adverse impact on our Group considering that (i) the COVID-19 pandemic has been put under control across China since the second half of 2020 and remained stable in Wenzhou; (ii) the Resurgence has been effectively under control as a result of the heightened measures imposed by the relevant government authorities in response to the regional COVID-19 outbreaks; (iii) the vaccination coverage is expected to continue to rise on a national scale and therefore our Directors do not expect the Resurgence will be as severe as previous waves which warranted suspensions of operations for a material term; and (iv) since the full resumption of operation of our Group's dental hospitals in May 2020 and up to the Latest Practicable Date, we had not received any correspondences or notices from any governmental authorities nor our Directors were aware of any laws, regulations, announcement or notices being issued by any governmental authorities imposing any controls or restrictions in relation to the outbreak of COVID-19 that may materially affect the operation of our Group. Our Directors will continue to assess the impact of the COVID-19 on our Group's operation and financial performance and closely monitor our Group's exposure to the risks and uncertainties in connection with the epidemic. We will take appropriate measures as necessary and inform our Shareholders and potential investors as and when necessary.

RISK MANAGEMENT AND INTERNAL CONTROL

Our internal control department is generally responsible for approving all the risk management procedures and internal control systems. Our department oversees the implementation of such procedures and systems by our dental hospitals, while the respective departments of our dental hospitals are responsible for daily affairs in respect of implementation of such procedures and systems. Our employees receive training on relevant policies, standards, protocols and procedures from time to time and are required to strictly follow them in daily operations. At each dental hospital, the management and operations are headed by the management dean who is experienced in management of medical institutions. For Wenzhou Hospital and Rui'an Branch Hospital, Mr. Wang, our Chairman and executive Director, is their management dean. Please refer to the section headed "Directors and Senior Management" in this prospectus for details of Mr. Wang's biography.

Quality control

The management dean of each of our dental hospital is responsible for the quality control of our services. We have weekly meeting comprising senior management members and dentists of each hospital and chaired by the management dean to update our internal guidelines and policies governing various quality aspects of our operations, including but not limited to employee handbooks, procedures for prescription, selection of qualified suppliers, handling of medical centre operation procedures and waste disposal.

To ensure the safety and quality of our dental services, we have established a comprehensive quality control system in our dental hospitals, comprising primarily:

- The implementation of standardised hospital quality control procedures across all of our dental hospitals, comprising primarily guidelines relating to the performance of our dental service procedures;

- The adoption of standardised operational procedures across all of our dental hospitals, which lay out step-by-step instructions and protocols for client services and for handling client complaints and other feedback;

- The implementation of centralised procurement. In addition, the approval of our procurement team at our headquarters needs to be obtained before we introduce any new medical device or service. We will not adopt a new device or service if we determine that it presents too great of a risk; and

- Recruitment and retaining of qualified medical professionals. Our dentists are properly trained and licensed in the performance of the relevant procedures, and are also knowledgeable in advising our patients as to the necessary treatment to achieve the desired results. We closely monitor the qualification registration and licensing records on a continuing basis to ensure that all our dentists comply with all applicable requirements under PRC laws and regulations.

Patient and staff safety

The safety of our patients and staff is of utmost importance to our operations. We have designated personnel responsible for responding to emergency such as power outage at our hospitals. We have backup ring circuits at each of our hospitals in case of emergency power failure to ensure the proper functions of our operations. In addition, our operation rooms are equipped with uninterruptible power supply system. In addition, we have adopted a set of stringent security protocols and fire and explosive protection procedures in case of emergency.

Patient information security

Our patient information security management mainly ensures the safe storage and usage of patient information, including personal information and medical records. We use our information management system to manage our patients' information, and access to such system is subject to security level control and authorisation. During the Track Record Period, we did not experience any breach of patient confidential information or any other patient information related incidents which could cause a material adverse effect on our business, financial condition or results of operations.

Dispensary

We impose strict safety guidelines for dispensing procedures and the storage of pharmaceuticals. Our pharmacists play an important supervisory role in the drug ordering and dispensing process, which includes checking the identity and dose of the specific drug against the prescription. We also have a designated professional team that is in charge of keeping records of the stock of our pharmaceuticals and to ensure proper storage of our pharmaceuticals. Information is provided to dentists regularly to remind them of the appropriate usage of drugs to patients.

Sales and marketing

We have implemented the following internal control measures to govern the sales and marketing activities of our frontline staff:

- Descriptions and materials used in any marketing activities shall be reviewed by the management dean of each dental hospital and our senior management at headquarters to ensure the content is within the scope under the Medical Advertisement Review Certificate (醫療廣告審查證明) as approved by relevant governmental authorities;

- Prices of our services should be based on the price list approved by the management dean of each dental hospital, which has to be filed with our headquarters. The finance department at our headquarters conducts from time to time inspections on sales transactions to ensure the price list and discount policy have been complied with; and

- Patients' payment process should be handled by cashier, instead of the frontline staff, to ensure segregation of duties.

Anti-corruption risk management

The PRC government has recently enhanced its anti-bribery efforts to prevent improper payments and other benefits received by dentists and hospital administrators in connection with the procurement of medical consumables and medical devices and the provision of healthcare services. We have implemented the following policies and procedures to address potential bribery and corruption incidents:

- The administration department at our headquarters is responsible for design and implementation of our anti-bribery and corruption policies and procedures. We provide anti-bribery and corruption trainings to our senior management and employees.

- We have a zero-tolerance policy towards acceptance of any bribes by our dentists and other medical professionals. We have established a whistle blower program, including a dedicated hotline and an whistle blower box, to receive reports of corruption charges, with the option of anonymity. Any employee found in breach of our anti-bribery and corruption policies and procedures will be disciplined or dismissed depends on the severity of the case.

- With respect to procurement, we have centralised the procurement of medical supplies, thereby minimising the risk of corruption or abuse. In addition, we require our suppliers to sign an anti-bribery and corruption undertaking to us ensure their understanding and compliance with our anti-bribery and corruption policies.

As confirmed by our Directors, we were not involved in any bribery incident during the Track Record Period and up to the Latest Practicable Date.

MARKET AND COMPETITION

Compared with other regions such as Hong Kong, Japan, Taiwan, U.S. and South Korea, where the number of dentists per million populations was between approximately 362 and 841 in 2021, the number of dentists per million populations in Wenzhou and China were only 207 and 202, respectively. Similarly, the penetration rates of dental services in Wenzhou, Beijing, and Shanghai are about 30%, 49.3%, and 45.0% in 2021, respectively. From the national perspective, the penetration of dental services (in terms of the percentage of population with at least one dental visit) in China was 25.0% in 2021, which is significantly less than other developed economies such as the U.S. (70.5%) and Taiwan (48.7%). According to the Frost & Sullivan Report as such, there is large growth room for China dental service market. According to the Frost & Sullivan Report, Wenzhou, as a well-developed city in Zhejiang Province, showed a higher level of disposable income of its urban residents than the average level of Zhejiang Province in the last five years. Accordingly, Wenzhou residents are able to spend more for single dental service visit, which increased from approximately RMB329.2 in 2017 to RMB404.6 in 2021 and exceeded the average level of RMB303.2 to RMB373.2 for overall Zhejiang Province in the same period. The market size of dental service market in Wenzhou experienced remarkable growth between 2017 and 2021, increasing from approximately RMB512.8 million to RMB794.9 million with a CAGR of 11.6%. Since the 21st century, the government has accelerated the release of favourable policies for private healthcare institutions. Compared to other specialised healthcare categories such as obstetrics and gynaecology and ophthalmology, dental services are more standardised and their capital threshold is relatively low, and the private dental hospitals become more accepted by residents with their more advanced equipment, diverse healthcare programs and less crowded environment, as a result, the market of dental service market provided by private dental hospitals experienced remarkable growth from approximately RMB129.8 million in 2017 to RMB222.7 million in 2021 with a CAGR of 14.4%, and the percentage in total market size of dental service market in Wenzhou increased from 25.3% to 28.0% in this period.

We compete primarily with other private dental hospitals, dental clinics as well as dental departments in general hospitals and public dental hospitals located in the same geographic areas as our dental hospitals. According to the Frost & Sullivan Report, as at the end of 2021, the public sector of dental service market in Wenzhou includes one public dental hospital group and 76 dental departments of general hospital, accounted for 32.4% and 15.0% of the market size in Wenzhou. As a private dental hospital group, we offer quality dental services and better patient experiences, targeting at middle to high income class consumers who are less price sensitive than mass consumers. As compared with public dental hospitals serving the mass public, we are established with comfortable decoration and equipped with better facilities and equipment, offering customised dental services to patients tailormade to their needs and enhanced patient experience with soothing atmosphere and shorter waiting time. As such, the service fees we charge on our patients are at slight premium as compared to that of public dental hospitals.

According to the Frost & Sullivan Report, among the top five private dental hospital groups in operation, there were a total of 16 branches in Wenzhou in 2021, while we operate five of them. Each of our Rui'an Branch Hospital and Longgang Hospital was the only private dental hospital in operation in Rui'an city and Longgang City, respectively, as at the Latest Practicable Date. Leveraging on our leading position in the dental service market with proven track record in Wenzhou and comfortable decoration and setup which offer soothing atmosphere to enhance patient experience, better equipped facilities, and more experienced dentists offering professional and holistic dental services bespoke to our patients' particular needs, we believe we can differentiate ourselves from our competitors and are well-positioned to capture the growing market as highlighted in the Frost & Sullivan Report.

According to the Frost & Sullivan Report, it is estimated that the market size of private dental hospitals will further grow in the future and reach approximately RMB423.2 million by 2026 with a CAGR of approximately 13.7% between 2021 and 2026, taking up approximately 31.6% of total market size of dental service market in Wenzhou. Thus, we face competition from a number of small to medium size private dental hospitals that provide similar services to ours. However, our Directors foresee our competitive strengths will solidify and further enhance our business with the implementation to our strategies. For more details of our competitive strengths, please refer to the paragraph headed "Our Competitive Strengths" in this section for further information.

AWARDS AND RECOGNITIONS

We have received the following major awards and recognitions:

Year of grant	Award/Recognition	Issuing authority/ institution
2013	Executive Vice President of the Dentistry Academy of Wenzhou (溫州市牙科學會常務副會長單位)	Dentistry Academy of Wenzhou
2013	Most Popular Enterprises awarded by Citizens of Wenzhou (市民滿意單位)	Wenzhou Radio & Television Media Group (溫州電視台)

Year of grant	Award/Recognition	Issuing authority/ institution
2014	Five Star Dental Institution cooperated with EMS (瑞士口腔潔治五星診所)	EMS (瑞士口腔學院) which is the leading manufacturer of precision medical devices for dental prophylaxis, orthopaedics and urology
2016	the Vice President Unit of Wenzhou Private Medical Institutions Association (溫州市非公醫療機構協會副會長單位)	Wenzhou Private Medical Institutions Association (溫州市非公醫療機構協會)
2016	Member of Stomatological Branch of Wenzhou Private Medical Institutions Association (溫州市非公醫療機構協會會員單位)	Wenzhou Private Medical Institutions Association (溫州市非公醫療機構協會)
2017	10th Consumer's Trustworthy Enterprise Awards (第十屆消費者信得過單位)	Consumers' Rights Protection Committee of Lucheng District, Wenzhou, Zhejiang, the PRC (中國浙江溫州鹿城區消費者權益保護委員會)
2017	Member of Zhejiang Province Hospital Association (浙江省醫院協會會員)	Zhejiang Province Hospital Association (浙江省醫院協會)
2018	Top 50 Among all the Service Enterprises (服務類企業50強)	The government of Lucheng District of Wenzhou (中共溫州市鹿城區委)
2018	Designated Clinical Skills Training Centre (臨床技能培訓基地) in Wenzhou for the "Pink Activity (粉紅行動)"*(Note)*	China Oral Health Foundation (中國牙病防治基金會)
2020	2019 Lucheng District Top 100 Enterprises (2019年度鹿城區百強企業)	Wenzhou Lucheng District Enterprise Federation (溫州市鹿城區企業聯合會), Wenzhou Lucheng District Entrepreneurs Association (溫州市鹿城區企業家協會) and Wenzhou Lucheng District Industrial Economic Federation (溫州市鹿城區工業經濟聯合會)

Year of grant	Award/Recognition	Issuing authority/ institution
2020	Top 30 in the Service Industry (服務業30強)	The government of Lucheng District of Wenzhou (中共溫州市鹿城區委)
2021	2020 Lucheng District Top 100 Enterprises (2020年度鹿城區百強企業)	Wenzhou Lucheng District Enterprise Federation (溫州市鹿城區企業聯合會), Wenzhou Lucheng District Entrepreneurs Association (溫州市鹿城區企業家協會) and Wenzhou Lucheng District Industrial Economic Federation (溫州市鹿城區工業經濟聯合會)
	Top 20 in the Service Industry (服務業20強)	The government of Lucheng District of Wenzhou (中共溫州市鹿城區委)
2022	2021 Lucheng District Top 100 Enterprises (2021年度鹿城區百強企業)	Wenzhou Lucheng District Enterprise Federation (溫州市鹿城區企業聯合會), Wenzhou Lucheng District Entrepreneurs Association (溫州市鹿城區企業家協會) and Wenzhou Lucheng District Industrial Economic Federation (溫州市鹿城區工業經濟聯合會)

Note: The "Pink Activity" is a non-profit action organised by the China Oral Health Foundation (中國牙病防治基金會) in which lectures in relation to oral heath are provided by qualified dentists with an aim to improve the dental skills of the dentists in different communities in general.

INFORMATION TECHNOLOGY

We have licensed from Independent Third Parties business management systems, which facilitates our business operations in three major areas: (i) management of patients' accounts; (ii) monitoring of front-line staff's key performance indicators; and (iii) computerisation of management and administrative tools for our dental hospitals. These business management systems enable us to, among others, manage our patient bookings, compute operational and financial data, manage inventory, and store patient data and treatment history through a centralised informational technology platform, which enhances our efficiency, cost-effectiveness, data analysis, record keeping and risk management. All data generated in the business management system are backed up periodically. As confirmed by our Directors, there had been no unexpected system or network failure which caused material interruption to our operations during the Track Record Period.

PATIENTS' DATA PRIVACY MANAGEMENT

We acknowledge that our patients' personal information and privacy are particularly essential to our dental hospitals, and our patients expect us to keep their information strictly confidential. Our dentists are required by the relevant professional code of conducts not to disclose any medical information of our patient to any third party without the patient's consent other than in certain special circumstances. We have implemented data protection policies and patient information policy specifically designed to ensure that our employees handle and dispose patients' information properly. According to such policies, we collect our patient information on an as-needed basis to fundamentally reduce privacy abuse risks and limit access to sensitive patient information and medical records to certain authorised personnel. To safeguard our patient's personal information and data integrity of our systems, our patient's medical records are protected by regular back-ups. Furthermore, we implement appropriate levels of access rights for our employees on our computer systems to safeguard our patients' information.

We are also subject to, among others, regulations on personal information protection in the PRC which limits the use of personal information of our patients collected by us for such purposes for which they were collected or for a directly related purpose. In light of the increasingly stringent regulatory oversight in this area given certain recent updates to the PRC laws and regulations in relation to data privacy and cybersecurity as detailed in the section headed "Regulatory Overview – Applicable Laws and Regulations to Our Business in the PRC – Laws and regulations related to data privacy, data security and cyber security" in this prospectus, we may be subject to more stringent compliance requirements. Accordingly, we are prepared to enhance our internal control measures as and when appropriate subject to the then applicable regulatory requirements.

We adopt a variety of rigorous data security practices to protect our patient data and mitigate our exposure to potential data security risks, including:

- *Data system upgrade*. We update our operational systems timely and regularly to guard against cyber-attacks, hackers and other security attacks.

- *Restricted data access*. Based on the overall IT infrastructure and the restriction on access to data, our employees can only access data to the extent necessary with proper authorisation.

- *Data back-up*. Our systems are protected by regular back-ups, up-to-date anti-virus software and firewall to safeguard the security of our patient information and data integrity of our system.

We evaluate our data protection and security practices from time to time, and enhance our measures against data privacy and cybersecurity related risks as appropriate. We believe our current data security measures in place are adequate to protect our patient data, and our current usage of patients' medical information is in compliance with applicable laws and regulations governing the use of such information in all material respects. Our Directors confirm that there had been no incidents relating to cybersecurity, data protection, and leakage of data or personal information relating to us which had a material adverse impact on our business operations during the Track Record Period and up to the Latest Practicable Date.

RESEARCH AND DEVELOPMENT

In order to keep ourselves abreast of the latest industry and market trends as well as technological developments, we encourage our dentists to attend and participate in dental industry expositions, events, seminars and conferences from time to time and endeavour to develop our own patents. As at the Latest Practicable Date, our Group had applied for registration of three patents, being (i) a type of material and approach for teeth whitening; (ii) a type of approach for dental extraction; and (iii) an intelligent device and approach to assist dental cleaning. Our Directors are of the view that these efforts enhanced the dental skills of our dentists and therefore our service quality.

As at the Latest Practicable Date, we were the registered owner of three trademarks in the PRC and two trademarks in Hong Kong, and seven domain names in the PRC. We have also applied for the registration of three patents in the PRC. For details, please refer to the section headed "Statutory and General Information – B. Further Information about our Business – 2. Intellectual property of our Group" in Appendix IV to this prospectus.

PROPERTIES

As at the Latest Practicable Date, we do not own any properties but leased properties. As at 31 May 2022, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required pursuant to Chapter 5 of the Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, pursuant to section 6(2) of the Companies (Exemption of Companies Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report with respect to all our interests in land or buildings.

All of our dental hospitals are located on our leased properties. The term of our leases varies ranging from a term of one year to nine years. Details of the properties we leased from third parties as at the Latest Practicable Date are set out as follows:

No.	Lessee	Address	Approximate GFA *(sq.m)*	Lease term	Use of property	Monthly rental fee/ average monthly rental fee during the Track Record Period *(RMB)*
1.	Wenzhou Hospital	Unit 123, Level 1, Unit 201-2, Unit 202-203, Block A, Lifu Building, Fuqian Street, Lucheng District, Wenzhou, China*(Note)*	1,722	1 January 2020 – 31 December 2022	Private dental hospital	74,300
2.	Wenzhou Hospital	Unit 201-1, Block A, Lifu Building, Fuqian Street, Lucheng District, Wenzhou, China	629	1 January 2020 – 31 December 2025	Private dental hospital	50,000
3.	Rui'an Branch Hospital	Unit 66-1, East Wan Song Road, Anyang Street, Rui'an, Wenzhou, Zhejiang, China	2,100	1 September 2020 – 31 August 2028	Private dental hospital	62,500
4.	Lucheng Hospital	Level 1-2, Hongjia Building, Lucheng, Wenzhou, Zhejiang, China	2,954	15 September 2016 – 14 September 2025	Private dental hospital	162,333 – 169,748
5.	Longgang Hospital	Room 201, Longgang Guangdian Building, Xi San Jie Lu Kou, Renmin Road, Longgang, Cangnan, Wenzhou, Zhejiang, China	1,614	1 May 2018 – 30 April 2023	Private dental hospital	48,041 – 50,967
6.	Wenzhou Hospital	Level 3, Lifu Building, Fuqian Street, Lucheng District, Wenzhou, China	259	15 September 2022 – 14 September 2023	Office	9,167
7.	Wenzhou Oral Care	Levels 1-6, Zhupu Commercial Building, No. 283 Dongming Road, Wenzhou	6,942	15 May 2021 – 14 May 2025	Private dental hospital	352,500

Note: Except for this premises, all the other premises are leased from Independent Third Parties. Please refer to the section headed "Connected Transactions" in this prospectus for further details. In light of the expiring lease term of this premises, the relevant parties have entered into a lease agreement in respect of this premises, pursuant to which the parties thereto have agreed to renew the lease term for another three years upon expiry of the existing lease term on the same terms and conditions as the existing lease agreement.

Defective leased properties

Lease registration

As at the Latest Practicable Date, all of the above lease agreements have not been registered with the relevant PRC authorities, primarily due to the relevant landlords under their respective lease agreements entered into with us failed to fulfil their obligations under the relevant PRC laws and regulations to register the leases with the local government authorities. As advised by our PRC Legal Advisers, failure to register an executed lease agreement will not affect its validity. However, our Group and the relevant landlords may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the specified time. As at the Latest Practicable Date, we estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB70,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our operations and financial condition. We will actively liaise with the respective lessors and the relevant local authorities to complete the registration of all such lease agreements, if possible.

Other defective leased properties

As at the Latest Practicable Date, certain of these leased properties were subject to potential land and title defects as described below (the "**Defective Leased Properties**"). Our PRC Legal Advisers are of the view that the Defective Leased Properties may be affected by relevant governmental authorities or third parties' claims or challenge against the lease, the relevant lease agreements may be deemed invalid. As a result, we may be required to vacate the Defective Leased Properties and relocate our dental hospitals.

Rui'an Branch Hospital

For the property leased by Rui'an Branch Hospital under the lease as specified in no. 3 above with GFA of approximately 2,100 sq.m., the actual use of the premises is not consistent with the designated use of land as stated in the relevant Land Use Right Certificate and that the premises was located on allocated land and collectively owned land as stated in the relevant Land Use Right Certificate.

According to the confirmations issued by Rui'an Natural Resources and Planning Bureau (瑞安市自然資源和規劃局) ("**Rui'an Natural Resources and Planning Bureau**") on 15 January 2020, such authority, among others, (i) acknowledged the major terms of the lease as specified in no. 3 above, including the term of the lease and the use of the property as medical institution operation, under the lease; (ii) confirmed the relevant lease and the use of the property under the lease, and confirmed that such lease is legal and valid; (iii) confirmed that Rui'an Branch Hospital may use the property for medical institution operation; and (iv) confirmed that they will not reclaim the land use rights of such properties in any ways and will not impose any adverse measures to the leasehold properties right or the use by Rui'an Branch Hospital of the property as medical institution operation during the term of the lease.

Lucheng Hospital

For the property leased by Lucheng Hospital under the lease as specified in no. 4 above with GFA of approximately 2,954 sq.m., the actual use of the premises is not consistent with the designated use of land as stated in the Land Use Right Certificate and that the premises was located on allocated land as stated in the relevant Land Use Right Certificate.

According to the confirmation issued by the Health Bureau of Lucheng District Wenzhou (溫州市鹿城區衛生健康局) ("**Lucheng Health Bureau**") issued on 3 April 2020, Lucheng Health Bureau, among others, (i) acknowledged the major terms of the lease specified in no. 4 above; (ii) approved the relevant lease and confirmed that such lease and lease activity is legal and valid; (iii) confirmed that Lucheng Hospital may use the property for medical service operation; and (iv) confirmed that they will not impose any adverse measures on the leasehold property right, the lease as specified in no. 4 above or the use by Lucheng hospital of the property as medical service operation during the term of the lease.

According to the confirmations issued by Housing and Construction Bureau of Lucheng District Wenzhou (溫州市鹿城區住房和城鄉建設局) and Natural Resources and Planning Bureau of Lucheng District Wenzhou (溫州市自然資源和規劃局鹿城分局) (the "**Relevant Lucheng Authorities**"), and Housing Management Centre of Lucheng District of Wenzhou (溫州市鹿城區房產管理中心) issued on 15 April 2020, such authorities, among others, (i) confirmed that the land use rights owner and property owner of the property as specified in no. 4 above is entitled to authorise Lucheng Health Bureau to lease the property to Lucheng Hospital; (ii) the relevant lease and lease activity as specified in no. 4 above is legal and valid; (iii) confirmed Lucheng Hospital may use the property for the operation of medical institution for profit and medical services; (iv) confirmed that they will not reclaim the land use rights of such properties in any ways and will not impose any adverse measures to the leasehold property right or the lease as specified in no. 4; and (v) confirmed there will not be any legal or actual impediment in renewing such lease as medical institution operation for profit subject to the commercial agreement between the lessor and lessee.

Longgang Hospital

For the property leased by Longgang Hospital under the lease as specified no. 5 above with GFA of approximately 1,614 sq.m., the actual use of the premises is not consistent with the designated use of land for press or publication and premises for office as stated in the Real Property Ownership Certificate.

According to the confirmations issued by Cangnan Housing and Construction Bureau (蒼南縣住房和城鄉建設局) and Cangnan Natural Resources and Planning Bureau (蒼南縣自然資源和規劃局) ("**Relevant Cangnan Authorities**") on 27 August 2019, such authorities, among others, (i) acknowledged the major terms of the lease specified in no. 5 above, including the term of the lease and the use of the property as medical institution and medical service operation under the lease; (ii) confirmed that such lease and lease activity is legal and valid; (iii) confirmed that Longgang Hospital may use the property for operation of medical institution and medical service operation for profit; and (iv) confirmed that they will not reclaim the land use rights of such properties in any ways and will not impose any adverse measures to the lease, the leasehold properties or the use by Longgang Hospital of the property as medical operation during the term of the lease.

Wenzhou Oral Care

For the property leased by Wenzhou Oral Care under the lease as specified in no. 7 above with GFA of approximately 6,942 sq.m., the landlord was unable to provide the relevant Land Use Right certificate and Real Property Ownership Certificate as at the Latest Practicable Date. The lease may be recognised invalid if no construction project planning permit was obtained or the property was not constructed in conformity with the provisions in the construction project planning permit pursuant to the Interpretation of Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases Involving Disputes over Contracts for Lease of Urban Houses (最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋). Wenzhou Wuma City Investment Co., Ltd. (溫州市五馬城市投資有限公司) ("**Wuma Investment**"), the landlord, obtained the relevant construction project planning permit in December 2015 and completed the inspection and acceptance record at the Housing and Construction Bureau of Lucheng District Wenzhou (溫州市鹿城區住房和城鄉建設局) in July 2019. According to the confirmation issued on 26 July 2021 by Wuma Investment, the landlord, Wuma Investment confirms (i) that it is the legal owner of the subject land parcel; (ii) that it was in the active process of applying for the relevant property right related permits and certificates; and (iii) the parcel of land is not subject to any other title defects, ownership disputes and land use inconsistency issues that would affect the normal use of the property by Wenzhou Oral Care for operation of medical institution and medical service operation for profit.

In addition, as advised by our PRC Legal Advisers, according to the information published on the official website of the Department of Natural Resources of Zhejiang Provincial (浙江省自然資源廳), such parcel of land was obtained by Wuma Investment by way of government allocation (劃撥地). In order to lease allocated land, one must obtain necessary approval from relevant government authorities and comply with legal procedures to convert allocated land into assigned land (出讓地). Pursuant to the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例), the leasing of any property built on allocated land should be approved by local competent land and housing administrative authorities. Otherwise, the land administrative departments may confiscate the illegal income of the lessor and impose a fine. As at the Latest Practicable Date, the landlord failed to provide the approval obtained from the relevant government authorities permitting the lease. As such, the lease entered into by us may be deemed invalid and unenforceable under the applicable PRC laws, and we may be required to vacate such premises.

According to the confirmation issued by Natural Resources and Planning Bureau of Lucheng District Wenzhou (溫州市自然資源和規劃局鹿城分局) on 27 July 2021 and the interview conducted by the PRC Legal Advisers with the Housing and Construction Bureau of Lucheng District Wenzhou (溫州市鹿城區住房和城鄉建設局) on 27 July 2021, such authorities, among others, (i) acknowledged the major terms of the lease specified in no. 7 above, including the term of the lease and the use of the property as medical institution and medical service operation under the lease; (ii) confirmed that Wuma Investment is the legal owner of such parcel of land and is entitled to the right to lease; (iii) confirmed that such lease is legal and valid and Wenzhou Oral Care is entitled to use the property for operation of medical institution; (iv) confirmed that the relevant property related certificates of the property is still in process and believed that there is no substantial obstacles in obtaining such certificates; (v) further acknowledged that such parcel of land is an allocated land and the lease of the property on such land to Wenzhou Oral Care by Wuma Investment conforms with the supervision practice of land planning of such state-owned land in Lucheng District, which does not involve any prior approval or prerequisite from the relevant government authorities; and (vi) confirmed that they will not reclaim the land use rights of such property in any ways and will not impose any adverse measures to the lease, the leasehold properties or the use by Wenzhou Oral Care of the property as medical operation during the term of the lease.

Our Directors are of the view that the risk of enforcement action by the relevant government authorities resulting in eviction from the Defective Leased Properties is remote and thus our Directors believe that such defects in the leases will not have any material adverse effect on our operations and financial condition. This is based on the following reasons:

- the confirmations (the "**Confirmations**") issued by relevant competent government authorities (the "**Relevant Government Authorities**"), namely Rui'an Natural Resources and Planning Bureau, Lucheng Health Bureau, Relevant Lucheng Authorities and Relevant Cangnan Authorities, above mentioned, confirmed, among others, the validity of the relevant leases. Considering that the Relevant Government Authorities have indicated in their respective Confirmations or official websites that they are the competent land, real estate and planning administrative departments, our PRC Legal Advisers are of the view that the Relevant Government Authorities are the competent authorities to issue the respective Confirmations;

- the contractual parties to the relevant lease agreements of the Defective Leased Properties have confirmed in writing that such agreements remain enforceable. Further, the Relevant Government Authorities in their Confirmations have acknowledged the major terms of the Defective Leased Properties and confirmed that the relevant lease agreements are legal and valid; and that our PRC Legal Advisers, based on reasons mentioned above, are of the view that the Relevant

Government Authorities are the competent land, real estate and planning administrative departments with regard to the Defective Leased Properties and the lease-related matters thereof;

- based on the Confirmations obtained by our Group, our PRC Legal Advisers are of the view that the risk that we will be ordered to vacate the Defective Leased Properties due to invalidity of the lease agreements, thus causing material adverse effect to the overall business operation of our Group are low; and

- during the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that we had not been requested by government authority or third party to vacate the Defective Leased Properties due to the land defects or otherwise and we had not received any claims or notices or warning letters from the relevant governmental authorities or any third parties regarding our right to lease those properties.

Our Defective Leased Properties represent the entire GFA of the premises of our Longgang Hospital, Lucheng Hospital, Rui'an Branch Hospital and Wenzhou Oral Care.

In the remote circumstances that we are requested to vacate of the defective leased properties of Longgang Hospital, Lucheng Hospital, Rui'an Branch Hospital and Wenzhou Oral Care, given (i) since it is unlikely that we will be requested to be vacated from all of our Defective Leased Properties at the same time taking into account (a) the different respective lease terms of the Defective Leased Properties, and (b) the Confirmations obtained by our dental hospitals from the Relevant Government Authorities confirming the validity of the relevant lease agreements, in the event that we are forced to reallocate any of our dental hospitals located on the Defective Leased Properties, our other dental hospitals located in Wenzhou can cover our provision of dental services during the relocation period to minimise the adverse impact on our business operation; (ii) Wenzhou Hospital is planned to be renovated to expand its children dental department and we will be expanding our dental medical institutions network; and (iii) the relocation costs of each of Longgang Hospital, Lucheng Hospital, Rui'an Branch Hospital and Wenzhou Oral Care are estimated to be approximately RMB4.5 million and such relocation will take approximately 12 to 18 months for each hospital, our Directors are therefore of the view that the such land defects to the Defective Leased Properties are not critical to our operations and that the potential relocation of any of the Defective Leased Properties will not have any material and adverse impact on our business, financial condition and results of operations.

For relevant risks, please refer to the paragraph headed "Risk Factors – Risks Relating to our Business and Industry – We lease premises in various place as our dental hospital premises and offices, to carry out our operations and certain of these leased properties are subject to land and title defects" in this prospectus for further details.

EMPLOYEES

As at 31 May 2022, we had a total of 336 employees, all of whom were based in the PRC. The following table sets out the functional distribution of our Group's employees as at 31 May 2022:

Function	Number
Directors	2
Dentists	53
Nurses	74
Other medical professionals*(Note)*	46
Finance and accounting staff	18
Procurement	7
Human Resources and administrative staff	13
Supporting staff	123
Total	**336**

Note: Other medical professionals include assistant dentists (執業助理牙科醫師), dental assistants, radiologists, radiological technicians and pharmacists.

We believe we have maintained good relationships with our employees. Our employees are not represented by a labour union. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strikes or any labour disputes with our employees which have had or are likely to have a material disruptions to our business operations.

Our employees typically enter into standard employment contracts with us. Each dental hospital independently recruits and enters into employment contracts with its own employees. We generally recruit our employees through placing advertisements in the market. We did not engage any recruitment agencies for our recruitment or have any labour despatch arrangement during the Track Record Period.

We provide both in-house and external trainings for our employees to improve their skills and knowledge. For training details of our medical professionals, please refer to the paragraph headed "Our Medical Professionals – Recruitment and retention of our medical professionals" in this section. Remuneration packages for our employees mainly comprise basic salary and bonus. We annually review their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. Save and except for the non-compliances as stated in the paragraphs headed "Legal Proceedings and Non-compliance – Non-compliance incidents – 1. Failure to comply with the relevant PRC legal requirements in relation to social insurance and housing provident fund" in this section, we contribute to social security insurance and housing provident funds for our employees in accordance with applicable PRC laws, rules and regulations in all material respects.

INSURANCE

As at the Latest Practicable Date, we maintained public liability insurance covering third party bodily injury in our premises, property insurance covering property damage in connection with our business (subject to certain exceptions and limitations), and employee liability insurance. However, we do not maintain (i) professional malpractice liability insurance for our dentists or medical staff working in our dental hospitals, (ii) medical institution liability insurance for our dental hospitals, nor (iii) product liability insurance or business interruption insurance. According to the Frost & Sullivan Report, it is an industry norm for market players in the dental service industry to be without maintaining medical liability insurance as there are no suitable insurance product programmes available in the market. During the Track Record Period and up to the Latest Practicable Date, we did not make or been the subject of any material insurance claims.

Save and except for the non-compliances as stated in the paragraphs headed "Legal Proceedings and Non-compliance – Non-compliance incidents – 1. Failure to comply with the relevant PRC legal requirements in relation to social insurance and housing provident fund" in this section, we contribute to social security insurance for our employees in accordance with applicable PRC laws, rules and regulations in all material respects.

Our Directors believe that the insurance coverage for our operations was in line with industry practice as at the Latest Practicable Date. However, the risks related to our business and operations may not be fully covered by insurance. Please refer the section headed "Risk Factors – Risks Relating to our Business and Industry – Our insurance coverage may be insufficient to cover all risks involved in our business operations" in this prospectus for details.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Governance

We give high regard for environment protection, and are committed to promoting corporate social responsibility and sustainable development. Therefore, we seek to integrate these core values into our business operation by the adoption of a comprehensive policy on environmental, social and corporate governance responsibilities (the "**ESG Policy**") in accordance with the Listing Rules. The ESG Policy sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations.

Our ESG policy also sets out the respective responsibility and authority of different parties in the above processes. Our Board has the overall responsibility for overseeing and determining our Group's environmental-related, climate-related and social-related risks and opportunities impacting the Group, establishing and adopting the ESG policy, strategies and targets of our Group, and reviewing our Group's performance annually against ESG-related targets and revising the ESG strategies as appropriate if significant variance from the target is identified. Our Board may assess or engage external consultants to evaluate our risks in these regards and will take necessary improvement measures to mitigate identified risks.

Our Board has established an ESG Committee that comprises of heads of relevant functional departments, including business units, financial management, human resources, audit control, corporate affairs, etc. The ESG Committee serves as a supportive role to our Board in implementing the agreed ESG policy, targets and strategies, conducting materiality assessments of environmental-related, social-related risks and assess how the Group adapts its business in light of changes, collecting ESG data from the relevant interested parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address our Group's ESG-related risks and responsibilities. The ESG Committee is also responsible for the investigation of deviation from targets and liaise with the functional department to take prompt rectification actions. The ESG Committee has to report to our Board on a half-year basis via board meeting on the ESG performance of our Group, the effectiveness of these ESG systems and any applicable recommendations, while the Audit Committee remains responsible for reviewing our risk management systems.

We are subject to the PRC national and local environmental laws, regulations and rules including, among others, dental hospital sanitation, disease control, disposal of medical waste, and discharge of waste water, pollutants and radioactive substances. For further details, please refer to the section headed "Regulatory Overview – Applicable Laws and Regulations to our Business in the PRC – Regulations on environmental protection related to healthcare institutions" in this prospectus.

Environmental

As a company with social responsibility, we are committed to protecting the environment and saving resources. After identification and evaluation of key environmental factors, we have identified the possible environmental impact of the operations of our dental hospitals, including: (i) treatment and emission of hazardous and non-hazardous waste; (ii) greenhouse gas (GHG) emissions; and (iii) use of resources including water and electricity. Our Company has established a range of mid to long-term targets for the identified impacts. In setting the targets, we have considered the future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to pursue a sustainable business growth. We will review our targets on an annual basis to ensure that they remain appropriate to the needs of our Group. If any deviance is found, the ESG Committee will follow-up with the responsible personnel to identify the cause and adopt remedial actions accordingly.

For hazardous and non-hazardous waste, especially for disposing medical waste and the storage of pharmaceutical drugs, we, as the dental service provider, would generate medical wastes during our operation. We are committed to reducing or maintaining the intensity of hazardous waste and non-hazardous waste generated between 90% to 120% of the level of baseline year ending 31 December 2022 in the next three years ending 31 December 2025.

We have established policy in handling hazardous and non-hazardous wastes. For all medical waste including hazardous waste and non-hazardous waste, we make wise use of the qualified packing bags to pack and collect various medical wastes by category, and store them in a recycle case at the designated temporary storage point of medical waste. Medical wastes will be then properly collected, stored and disposed of by professional environmental service suppliers recognised. Trainings will be provided to our employees on proper medical wastes handling and disposal. Besides medical waste, another major non-hazardous waste produced by our business activities is paper consumed for administrative purposes. We encourage our employees to reduce paper consumption whenever possible, and work towards a paperless environment. Our wastes also involve the generation of retainers, functional appliances and temporary dental crowns. As the production scale of the aforesaid materials is small, the impact is relatively immaterial. Nevertheless, our employees will minimise any unnecessary waste of such materials. Our designated staff will conduct on-site inspection and perform spot checks on a regular basis to ensure that hazardous wastes are properly handled and disposed in accordance with the relevant laws and regulations. In case of any non-compliance found, such incidents will be reported to the senior management team in a timely manner with the details of the incident and the proposed rectification action. Disciplinary actions may be taken against the responsible employee. The disposal records of the non-hazardous wastes will also be monitored on a regular basis, with follow-ups on those deviating from the normal standards, if any.

For GHG emissions, according to our business nature, the other key performance index for our emissions includes Nitrogen Oxides (NOx), Sulphur Oxides (SOx), Particulate Matters (PM) and the GHG. NOx, SOx and PM are generated from the use of our Group's vehicles. The

GHG emissions of various scopes are respectively generated from the fuel consumption of vehicles of our Group (Scope 1), power consumption (Scope 2), water consumption, wastewater discharge, waste disposed at landfill and paper consumption (Scope 3) during business operation. Currently, our Group only have 2 vehicles, and thus no material NOx, SOx, PM and GHG emissions (Scope 1) are generated. Our Group's GHG emission results principally from Scope 2 energy indirect GHG emission which is power consumption to support our operations, followed by Scope 3 other indirect emissions. We are committed to reducing or maintaining the total GHG emission intensity between 90% to 120% of the level of baseline year ending 31 December 2022 in the next three years ending 31 December 2025.

Our Group has implemented an array of measures in mitigating the GHG emissions, including but not limited to the following:

- Provide trainings and educate our employees on the concept of energy efficiency;
- Promote paperless environment, encourage the usage of electronic copies instead of hard copies, the use of double-sided printing, and the use of single-sided printed paper when there is no confidential information on it;
- Require employee to turn off all electrical appliances when they are not in use; and
- Maintain indoor temperature at 24 degrees Celsius or above to reduce unnecessary use of energy.

For use of resources including water and electricity, in addition to our effort to comply with the relevant environmental laws and regulations, we also strive to maintain and reduce the electricity and water consumption intensity between 90% to 120% of the level of baseline year ending 31 December 2022 in the next three years ending 31 December 2025.

In addition to the energy-saving measures mentioned above, we have also adopted various measures to lessen the use of water, including regular checking on water taps and pipes to avoid unnecessary leakage, installation of water-efficient fittings, and promotion of the awareness of water scarcity issues among our employees in order for them to use water wisely.

Our costs of compliance with the applicable PRC environmental protection laws and regulations for the three years ended 31 December 2021 and the five months ended 31 May 2022 were approximately RMB75,000, RMB80,000, RMB109,000 and RMB54,000, respectively. We expect such compliance cost to increase in the future in line with the growth and expansion of our business.

Save and except for the non-compliance as stated in the paragraph headed "Legal Proceedings and Non-compliance – Non-compliance incidents – 2. Failure to obtain pollutant discharge permits" in this section, our Directors confirmed that our Group was in compliance with applicable environmental laws and regulations in the PRC in all material respects and we have not encountered penalty for failure to comply with the applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Employment

To protect the rights of our employees, we strictly comply with the relevant laws and regulations on employment in the jurisdictions where we operate. For details, please refer to the section headed "Regulatory Overview" in this prospectus.

We value the importance of maintaining a safe, healthy and efficient work environment for all of our employees. Our employees are required to abide by occupational health and safety regulations in the PRC, as well as our safety and health guidelines. In order to provide a safe working environment, we set out a series of work safety measures in the staff manual for our staff to follow. In addition, it is our policy to provide our employees with occupational safety updates to enhance their awareness of safety issues. We believe that we were in compliance with health and work safety requirements in all material respects during the Track Record Period up to the Latest Practicable Date.

We place significant emphasis on employee trainings and development. We invest in the education and training programmes for our employees with the purpose of upgrading their knowledge on the latest development of the dental industry. To cultivate a positive corporate culture, we also provide anti-corruption training programmes to our employees on an annual basis.

We will conduct an array of trainings, including the induction training to newly-joined employees in discharging their duties; regular safety trainings including fire safety; regular training in customer handling; technical trainings on the operation of medical devices; and trainings to our professional staff to keep abreast of the relevant and latest medical standards, procedures, and technology adopted in dental hospitals. We also formulated staff handbook to strengthen our communication with our employees internally and organise community initiatives to maintain our bonding with external stakeholders.

We are also committed to promoting diversity of our employees to enhance effectiveness of our corporate governance. We strive to achieve diversity not only in terms of gender, but also age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience in the recruitment of our employees. We support diversity, equity, and inclusion in the workplace and believe that by providing all individuals with equal opportunities, we can make the most of their capabilities as part of our social responsibility. We have established a set of rules in our Employee Handbook to ensure that no employee is mistreated, harassed, discriminated against, or deprived of any opportunities including but not limited to recruitment, promotion, training, and company welfare because of their nationality, religion, beliefs, disability, gender, age, birthplace, sexual orientation, values, workstyles and family status. These important values within the Group are well communicated to all of our employees. We strive to provide equal opportunities to disabled individuals by recruiting employees strictly based on their abilities through an impartial and transparent recruitment system. We acknowledge the value of diversity and will ensure gender equality in our board composition by having at least one female board members.

We strictly prohibit any forced and child labour, our Human Resources Department will perform detailed interview screening procedures on each candidate. A thorough background check is conducted to verify personal data stated on the application form by examining the applicant's original identity card and making detailed inquiries to ensure that we do not employ child and forced labour. If our management discovered any child and forced labour, we would immediately terminate the contract and investigate into the incident, and might take disciplinary actions against any staff members who are responsible for the causes of the incident.

Social Responsibility

We care about our social responsibility and our relationship with different stakeholders in the community. We will make continuous effort in strengthening our communication with our employees internally and organise community initiatives to maintain our bonding with external stakeholders.

As part of our efforts to fulfil our social responsibility, we actively provide voluntary dental assistance to the local community. Our social contribution primarily takes the form of free or discounted dental services and education seminars. The social activities we held during the Track Record Period include "Dentists Role Play for Children (小牙醫活動)" which is a free dentistry lecture for children, "Free Consultation on Chinese Teeth Care Day (愛牙日義診)" which is a voluntary free dental consultation provided by us, "Dentistry Open Day" which the public comes to the dental hospitals and experiences the environment of our dental hospital and understands how we operate. We also occasionally offer teeth protection lectures and dental health lectures to schools and local community. For further details, please refer to the paragraph headed "Our other Activities and Functions – Social contribution" in this section.

LICENCES AND PERMITS

We operate in a heavily regulated industry. As a result, we are required to obtain various licenses, permits and approvals for our operations. For details of the relevant requirements, please refer to the section headed "Regulatory Overview" in this prospectus.

Save and except for (i) the non-compliance as stated in the paragraph headed "Legal Proceedings and Non-compliance – Non-compliance incidents – 2. Failure to obtain pollutant discharge permits" in this section; and (ii) operation without the Radiation Treatment Licence and the Radiation Safety Licence for certain period as detailed below, during the Track Record Period and up to the Latest Practicable Date, we have obtained all requisite licences, permits and approvals from competent authorities for our business operations in all material respects. The following table sets forth the major licences and permits relating to our business and operations in major jurisdictions where we operate as at the Latest Practicable Date (apart from those pertaining to general business requirements):

Licence/permit	Private dental hospital/branch	Issuing authority	Effective date	Expiration date
Medical Institution Practising Licence (醫療機構執業許可證)	Wenzhou Hospital[(1)]	Commission of Hygiene and Health of Wenzhou (溫州市衛生健康委員會)	16 May 2013	15 May 2028
	Longgang Hospital	Bureau of Social Affairs of Longgang (龍港市社會事業局)	6 September 2021	5 September 2026
	Lucheng Hospital	Bureau of Hygiene and Health of Lucheng, Wenzhou (溫州市鹿城區衛生健康局)	25 May 2022	24 May 2027
	Wenzhou Oral Care	Commission of Hygiene and Health of Wenzhou (溫州市衛生健康委員會)	1 November 2021	31 October 2026
Radiation Treatment Licence (放射診療許可證)[(2)]	Wenzhou Hospital	Health Bureau of Wenzhou (溫州市鹿城區衛生局)	6 February 2015	N/A
	Longgang Hospital	Bureau of Social Affairs of Longgang (龍港市社會事業局)	29 December 2021	N/A
	Lucheng Hospital	Bureau of Hygiene and Health of Lucheng, Wenzhou (溫州市鹿城區衛生健康局)	8 January 2020	N/A
	Rui'an Branch Hospital	Bureau of Health and Family Planning of Rui'an (瑞安市衛生和計劃生育委員會)	22 October 2018	N/A
	Wenzhou Oral Care	Bureau of Hygiene and Health of Lucheng, Wenzhou (溫州市鹿城區衛生健康局)	15 July 2022	N/A

Licence/permit	Private dental hospital/branch	Issuing authority	Effective date	Expiration date
Radiation Safety Licence (輻射安全許可證)[2]	Wenzhou Hospital	浙江省生態環境廳 (Zhejiang Ecology and Environment Bureau)	19 September 2018	18 September 2023
	Longgang Hospital	浙江省生態環境廳 (Zhejiang Ecology and Environment Bureau)	24 March 2022	23 March 2027
	Lucheng Hospital	浙江省生態環境廳 (Zhejiang Ecology and Environment Bureau)	27 October 2022	26 October 2027
	Rui'an Branch Hospital	浙江省生態環境廳 (Zhejiang Ecology and Environment Bureau)	13 April 2020	10 June 2023[3]
	Wenzhou Oral Care	浙江省生態環境廳 (Zhejiang Ecology and Environment Bureau)	10 December 2021	9 December 2026

Notes:

(1) As a branch of Wenzhou Hospital, Rui'an Branch Hospital operates its dental services based on the Medical Institution Practising Licence of Wenzhou Hospital in accordance with relevant PRC laws and regulations.

(2) Longgang Hospital, Lucheng Hospital and Rui'an Branch Hospital (the "**Relevant Hospitals**") first obtained the Radiation Treatment License on 24 August 2017, 24 January 2018 and 22 October 2018, respectively. According to the interview conducted by our PRC Legal Advisers with the Approval Centre of the Health Commission of Wenzhou (溫州市衛生健康委員會), its officer confirmed that (i) there were no adverse effect caused by such Relevant Hospitals during the period before each of them first obtained the Radiation Treatment License, and that (ii) such Relevant Hospitals would not be deemed to have committed acts of major violations of laws and regulations and would not be subject to administrative penalties or adverse effect. Our PRC Legal Advisers are of the view that the Health Commission of Wenzhou is the competent authority to issue such confirmations.

Further, Longgang Hospital, Lucheng Hospital and Rui'an Branch Hospital first obtained the Radiation Safety License on 21 March 2017, 19 October 2017 and 11 June 2018, respectively. According to the interview conducted by our PRC Legal Advisers with the Administrative Approval Office of the Environment Bureau of Wenzhou (溫州市環保局), its officer confirmed that (i) there were no adverse effect caused by such Relevant Hospitals during the period before each of them first obtained the Radiation Safety License, and that (ii) such Relevant Hospitals would not be deemed to have committed acts of major violations of laws and regulations and would not be subject to administrative penalties or adverse effect. Our PRC Legal Advisers are of the view that the Environment Bureau of Wenzhou is the competent authority to issue such confirmations.

Based on our internal records, including but not limited to our management accounts, Rui'an Branch Hospital, Longgang Hospital and Lucheng Hospital generated revenue of approximately RMB7,000, RMB45,000 and RMB600, respectively, from all radiological imaging services, which included services requiring the Radiation Treatment License and/or the Radiation Safety License (collectively, the "**Licenses**") for the period from the respective establishment of our dental hospitals to the date when each of the Relevant Hospitals first obtained their respective Licenses for the years ended 31 December 2017 and 2018.

This was primarily due to our relevant staff responsible for radiological imaging services being unfamiliarity with the relevant laws and regulations and commenced the provision of radiological imaging services before obtaining the relevant Licenses. Based on the aforesaid interviews with the relevant competent governmental authorities and that each of the Relevant Hospitals had obtained the relevant Licenses and remained valid and effective, our Directors believe that the historical failure to obtain Licenses during will not have any material adverse impact on the business operations and financial condition of our Group.

(3) According to the Measures for Administration of the Safety Licensing of Radioactive Isotopes and Radioactive Equipment (放射性同位素與射線裝置安全許可管理辦法), such license shall be renewed 30 days prior to its expiry date. We will apply for renewal of such license as and when appropriate in compliance with the aforesaid measures.

We monitor the validity status of our licenses and permits and make timely applications for the renewal of relevant licenses and permits prior to the expiration date. We had not experienced any material difficulty in obtaining or renewing the required licenses and permits for our business operations during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that we will be able to obtain or renew all requisite licenses or permits in the future. For more details, please refer to the section headed "Risk Factors – Risks Relating to our Business and Industry – We conduct our business in a heavily regulated industry and incur on-going compliance costs and face potential penalties for non-compliance" in this prospectus.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

Litigation

As at the Latest Practicable Date, to the best knowledge of our Directors after having made reasonable enquiries, there was no litigation or arbitration proceedings pending or threatened against us or any of our Directors which would have a material adverse effect on our financial condition or operating results.

Non-compliance incidents

During the Track Record Period, our Group did not comply with certain applicable laws and regulations in the PRC, a summary of such non-compliances and our remedial measures are set out below:

1. Failure to comply with the relevant PRC legal requirements in relation to social insurance and housing provident fund

Incidents and reasons

During the Track Record Period, our Group did not comply with the relevant PRC legal requirements in relation to social insurance and housing provident fund, in particular, we did not make prompt and full payments in relation to social insurance and housing provident fund for our employees in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法) (the "**Social Insurance Law**") and the Administrative Regulations on the Housing Provident Fund of the PRC (中華人民共和國住房公積金管理條例) (the "**Housing Provident Fund Regulations**"). Such non-compliance was primarily a result of (i) inadvertent oversight of the relevant PRC laws and regulations; (ii) our local staff responsible for handling social insurance and housing provident fund contributions at the relevant time being unfamiliar with the relevant laws and regulations in the PRC, and thus did not have a comprehensive understanding of the relevant regulatory requirements; and (iii) inconsistent interpretation by local authorities in the PRC of the relevant laws and regulations.

During the Track Record Period, the aggregate shortfall in social insurance and housing provident fund contributions amounted to approximately RMB6.2 million.

Possible legal consequences

According to Social Insurance Law and the Housing Provident Fund Regulations, we are required to make social insurance fund contributions and housing provident fund contributions for our employees in the PRC.

If an employer fails to pay its social insurance contributions in accordance with Social Insurance Law, the regulator may demand that the employer to pay all outstanding social insurance contributions within a prescribed time limit. The employer may also be subject to a surcharge at a daily rate of 0.05% on the outstanding amount, accruing from the date when the social insurance funds are due. If the employer fails to make such payment within a prescribed time limit, the relevant authority may impose an additional fine of one to three times the outstanding amount.

Based on the estimation of our Directors, the shortfall in social insurance amounted to RMB2.0 million, RMB0.3 million, RMB1.6 million and RMB0.8 million for the three years ended 31 December 2021 and five months ended 31 May 2022, respectively. Our Directors estimate that the potential maximum penalty with respect to fines that our Group may be exposed to and assuming that our Group fails to make such payment within a prescribed time limit, would be approximately RMB6.0 million, RMB0.9 million, RMB4.8 million and RMB2.4 million for the three years ended 31 December 2021 and five months ended 31 May 2022, respectively.

If an employer fails to pay its housing provident fund contributions in accordance with the Housing Provident Fund Regulations, the regulator has the power to order the employer to make contribution within a prescribed time limit and if the employer fails to act accordingly, an application of compulsory enforcement can be made to the People's Court of the PRC.

Since our Group has not received any notice or demand from any relevant competent authorities for any payments of its underpaid social insurance and housing provident fund contributions, and on the assumption that our Group shall pay the underpaid contributions within the prescribed time limit in case any such notice or demand from any relevant competent authorities is served on our Group, our Directors estimate that the potential maximum surcharge, being a daily rate of 0.05% pursuant to the Social Insurance Law on the outstanding amount accrued from the date when the social insurance funds were due, that our Group may be exposed to due to the shortfall in social insurance and housing provident fund contributions would be approximately RMB0.3 million as at 31 May 2022, and our Directors consider that our Group would not be subject to any other potential penalty pursuant to the Social Insurance Law and the Housing Provident Fund Regulations save for the aforesaid surcharge.

Rectification actions taken and potential impact on our Group

As at the Latest Practicable Date, we have received written confirmations from the relevant competent authorities (the "**Written Confirmations**"), confirming that, among others, during the Track Record Period, each of the operating dental hospitals of our Group did not have records of any administrative action, fine or penalty with respect to the social insurance and housing provident fund contributions, and the relevant competent authorities would not impose late payment penalty, demand supplementary payment, impose fine or any other form of punishment to Wenzhou Hospital, Rui'an Branch Hospital, Lucheng Hospital and Longgang Hospital.

As at the Latest Practicable Date, we had not received any notice or demand from the relevant competent authorities ordering us to make retrospective payments or any differences of the payments for the social insurance and housing provident fund contributions and no administration action, fine or penalty had been imposed by the relevant competent authorities for failure to make adequate contributions to both the social insurance and housing provident fund. We also had not received any complaint from our employees and were not aware of any employees lodging any complaint to any of the relevant competent authorities or initiating any arbitration or court proceedings against our Group in relation to our failure to contribute to the social insurance and housing provident fund. As confirmed by our Directors, our Group will make up such payment in full and on time upon request from the relevant competent authorities and the non-compliances in relation to social insurance and housing provident funds had been rectified, as at the Latest Practicable Date subject to the limitation that (i) the contribution base could usually be adjusted in a designated time each year, in such case, we would only be able to adjust the relevant contribution bases for the affected employees in the next available time window, and (ii) certain employees are reluctant to participate in the relevant schemes of our Group for personal reasons. Based on the Written Confirmations and the aforesaid confirmation from our Directors, our PRC Legal Advisers are of the view that if our Group makes the payment within prescribed time upon request from the relevant competent authorities, the risk that our Group will be imposed a fine by the relevant competent social insurance and housing provident fund authorities is remote. Based on the foregoing, taking into account the rectification made by our Group in this regard, the enhanced internal control measures taken to ensure due compliance going forward and the provisions made in this regard by our Group as more particularly described in this section below, our Directors are of the view that it is unlikely for our Group to be subject to any penalty to be imposed by any relevant competent authorities.

For the two years ended 31 December 2020 and the five months ended 31 May 2022, we have made net provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB1.3 million, RMB0.1 million and RMB0.6 million, respectively. For the year ended 31 December 2021, we recorded a net reversal of provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB0.6 million. For details of the reversal of the aforesaid provisions during the Track Record Period, please refer to the section headed "Financial Information" in this prospectus. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the provision of the underpaid social insurance and housing provident fund contributions made by our Group amounted to approximately RMB4.6 million, RMB4.7 million, RMB4.1 million and RMB4.7 million, respectively. Our Directors are of the view that sufficient provisions have been made by our Group for the estimated underpaid social insurance and housing provident fund contributions during the Track Record Period.

Our Directors believe that the provisions made for the underpaid social insurance and housing provident fund contributions would not cause any material adverse effects on our business, financial condition and results of operations. In addition, our Directors believe that such historical non-compliance would not have a material adverse effect on our financial performance. For further details, please refer to the section headed "Risk Factors – Risks Relating to our Business and Industry – Certain of our PRC subsidiaries did not make adequate contributions to housing provident fund and social insurance and additional payment may adversely and materially affect our results of operation and financial condition" in this prospectus.

Aside from rectifying the non-compliances in this regard and making provisions for the underpaid social insurance and housing provident fund contributions, we have also adopted certain enhanced internal control measures, including the provision of trainings on corporate governance to our Directors and the implementation of internal guidelines for our Group to make contributions for social insurance and housing provident fund in accordance with the PRC legal requirements.

In addition, we have designated the head of our human resources department to carry out the following procedures before Listing to ensure that we comply with the relevant PRC laws and regulations related to social insurance fund and housing provident fund contributions including:

(i) reviewing the employee records and the salary calculation sheets to examine whether our Group has made social insurance and housing provident fund contributions for our every employee;

(ii) reviewing the base numbers for calculating the social insurance and housing provident fund contributions to be made and keeping abreast of the relevant updates on the social insurance and housing provident fund related policies on an annual basis;

(iii) reporting to our finance department on the number of employees, social insurance and housing provident fund contributions. Our finance department would check the amount of contributions paid against the employee records; and

(iv) investigating variances with the records kept by our finance department, if any.

In addition, we will adopt the following on-going compliance measures after the Listing:

(i) our Group will continue to regularly communicate with the relevant government authorities and, where necessary, consult our PRC legal adviser, among others, as to the contribution requirements of the social insurance fund contributions and housing provident fund contributions to ensure compliance with the relevant laws and regulations in relation to social insurance and housing provident fund contributions in the PRC;

(ii) after the Listing, we will disclose in our interim and annual reports on the outstanding amount of the social insurance fund and the housing provident fund and state whether a provision is required to be made; and

(iii) we will provide regular trainings to our responsible staff in respect of legal compliance who will from time to time consult our PRC legal counsels on the relevant laws and regulations and any updates thereof and report the same to our Board.

2. Failure to obtain pollutant discharge permits

Incident and reasons

We did not obtain pollutant discharge permits (排污許可證) for our dental hospitals during the Track Record Period. This was primarily due to (i) our unfamiliarity with the relevant laws and regulations in relation to environmental protection regulatory requirements in the PRC, and (ii) the inconsistent interpretation by local authorities in the PRC of the relevant laws and regulations.

Applicable laws and regulations

According to the Administrative Measures for Pollutant Discharge Permitting Administration (for Trial Implementation) (排污許可管理辦法(試行)), if discharging pollutants without applying for a pollutant discharge permit as required by law or obtaining a pollutant discharge permit after the aforesaid application, the competent environmental protection authority at or above the county level may order to correct or order to restrict production, stop production and rectification, and impose a fine of more than RMB100,000 but less than RMB1 million, and if the circumstances are serious, order to suspend business or shut down after reporting to and obtaining approval from the competent PRC government authorities.

Rectification actions taken and status

We have obtained written confirmations from, and our PRC Legal Advisers have conducted interviews with the responsible officers of, the relevant competent environmental protection authorities (the "**Environmental Protection Bureaux**"), namely Wenzhou Ecological Environmental Bureau Lucheng Branch (溫州市生態環境局鹿城分局) dated 11 October 2019, 9 March 2021 and 2 July 2021 (in respect of our Wenzhou Hospital and Lucheng Hospital), Wenzhou Ecological Environmental Bureau Cangnan Branch (溫州市生態環境局蒼南分局) dated 22 and 27 November 2019 and Longgang Comprehensive Administrative Law Enforcement Bureau (龍港市綜合行政執法局) dated 23 and 27 March 2021 (in respect of our Longgang Hospital), Wenzhou Ecological Environmental Bureau Rui'an Branch (溫州市生態環境局瑞安分局) dated 21 November 2019, 3 March 2021 and 5 July 2021 (in respect of our Rui'an Branch Hospital), respectively, being the competent governmental authorities responsible for our dental hospitals.

As advised by our PRC Legal Advisers, pursuant to the aforesaid confirmations of and interviews with the Environmental Protection Bureaux, save and except for Rui'an Branch Hospital, our other dental hospitals, namely Wenzhou Hospital, Longgang Hospital and Lucheng Hospital, being medical institutions shall apply for the old version of pollutant discharge permits prior to 28 July 2017, and the main details of the aforesaid written confirmations obtained from and interviews conducted with the Environmental Protection Bureaux are set forth below:

(a) on 11 October 2019, Wenzhou Ecological Environmental Bureau Lucheng Branch issued a written confirmation, indicating that Wenzhou Hospital and Lucheng Hospital were not required to apply for the old version of pollutant discharge permit as it was no longer issued, and their failure to obtain such permits will not be deemed as a violation of laws or regulations;

(b) on 27 November 2019 and 21 November 2019, Wenzhou Ecological Environmental Bureau Cangnan Branch and Wenzhou Ecological Environmental Bureau Rui'an Branch issued written confirmations, indicating that the date for medical institutions to apply for new version of pollutant discharge permits shall be the year of 2020 (the "**New Regime**"), whereas the old version of pollutant discharge permits shall no longer be issued; and

(c) according to interviews with the Environmental Protection Bureaux conducted on 9 January 2020 and 10 January 2020, the application channels for new version of pollutant discharge permits were not yet announced, the respective failure of our dental hospitals to apply for and obtain the relevant pollutant discharge permits under the New Regime would not be considered as a non-compliance situation, and the Environmental Protection Bureaux will not require our dental hospitals to cease operations, or impose any administrative penalty or impose adverse impact on our dental hospitals.

In summary, according to the Environmental Protection Bureaux, (i) since the application channels under the New Regime have not been announced by the Environmental Protection Bureaux, the failure to apply for and obtain the pollutant discharge permit under the New Regime will not be considered as non-compliance situation; (ii) the Environmental Protection Bureaux will not suspend the operations of our dental hospitals or impose any form of administrative punishment or adverse effects on our dental hospitals due to the failure to obtain the pollutant discharge permits; and (iii) there is no impediment for our dental hospitals to obtain the pollutant discharge permits under the New Regime.

As at the Latest Practicable Date, we had not received any notice or demand from any of the Environmental Protection Bureaux or other competent PRC authorities for any penalty imposed on us.

Under the New Regime, instead of obtaining any pollutant discharge permits, specialised hospitals with less than 100 beds are subject to the pollutant discharge registration. As at the Latest Practicable Date, Wenzhou Hospital, Longgang Hospital, Lucheng Hospital, Rui'an Branch Hospital and Wenzhou Oral Care had 15, 15, 15, 5 and 15 beds, respectively, and each of the dental hospitals of our Group had completed the aforesaid pollutant discharge registrations in compliance with the New Regime. According to the interview with Wenzhou Ecological Environmental Bureau (溫州市環保局) conducted on 7 April 2020, (i) our dental hospitals have completed the procedures as required by the relevant PRC environmental protection laws and regulations, being in compliance with the current rules and local regulatory practices; (ii) from 28 July 2017 to the date when the pollutant discharge registration has been completed, the failure of our dental hospitals to obtain pollutant discharge permits shall not be deemed as a violation of laws or regulations; and (iii) with regards to the failure of Wenzhou Hospital, Lucheng Hospital and Longgang Hospital to obtain the pollutant discharge permits in accordance with the then effective regulations during the period from their respective operation dates to 28 July 2017, Wenzhou Ecological Environmental Bureau and those other environmental protection authorities under its jurisdiction will not impose any administrative penalty or adverse impact on Wenzhou Hospital, Lucheng Hospital and Longgang Hospital considering that each of the aforesaid dental hospitals has complied with local regulatory practice and the rectification in this regard has been completed. Based on the aforesaid confirmations of and interviews with the Environmental Protection Bureaux and the aforesaid rectification by our Group, we believe that the historical failure to obtain pollutant discharge permits will not have any material adverse impact on the business operations and financial condition of our Group and our PRC Legal Advisers are of the view that such historical failure to obtain pollutant discharge permits is an immaterial non-compliance.

To avoid the future reoccurrence of such similar incident, we have adopted certain enhanced internal control measures prior to Listing, including:

(i) providing regular training for employees on the latest pollutant discharge registration regime;

(ii) reviewing the necessary permits and approval or equivalent requirement regime relating to pollutant discharge on an annual basis to ensure that our dental hospitals have obtained all necessary pollutant discharge permits, approvals and/or equivalent and complied with all relevant pollutant discharge requirements as required under the applicable PRC laws and regulations; and

(iii) designating specific personnel to manage the use of permits, certificates, licenses and/or equivalent relating to pollutant discharge by our Group and monitor the status of these permits, certificates, licenses and/or equivalent.

3. Failure to comply with certain fire safety requirements

Incident and reasons

Our dental hospital, Wenzhou Hospital, was subject to a fine of RMB35,000 (the "**Fine**") imposed by Wenzhou Lucheng District Fire and Rescue Brigade on 25 May 2022 due to (i) the lack of water in the indoor fire hydrant system and in the automatic sprinkler system of its leased properties; and (ii) the firefighting facilities and equipment were not kept intact and effective (the "**Fire Safety Incident**"). This was primarily due to the inadvertent oversight by the staff of Wenzhou Hospital of the status of the aforesaid relevant fire safety systems in the premises of Wenzhou Hospital, which were accidentally switched off by the management office of the premises in between the regular inspection by the staff.

Applicable laws and regulations

Pursuant to the Fire Protection Law of the PRC (中華人民共和國消防法), enterprises shall configure firefighting facilities and equipment pursuant to State and industry standards, install fire safety signs, and organise inspection and maintenance on a regular basis to ensure that the facilities and equipment are in good working conditions. Otherwise, they may be ordered to make correction and be subject to a fine ranging from RMB5,000 to RMB50,000.

Rectification actions taken and status

We had settled the payment of the Fine on 9 June 2022 and had fully rectified the Fire Safety Incident. In addition, pursuant to the consultation with Wenzhou Lucheng District Fire and Rescue Brigade conducted by our PRC Legal Advisers on 19 July 2022, Wenzhou Lucheng District Fire and Rescue Brigade confirmed that (i) it had completed the inspection of the rectification of the Fire Safety Incident and there was no outstanding matter to be followed up by Wenzhou Hospital; and (ii) Wenzhou Hospital shall not be regarded as a fire major hidden danger unit as it had rectified the Fire Safety Incident.

Apart from rectifying the Fire Safety Incident, we have also reviewed the compliance with the fire safety requirements of our other dental hospitals under the applicable PRC laws and regulations. Each of our operating dental hospitals has completed the fire control acceptance procedures, as required under the applicable PRC laws and regulations, and has obtained written compliance certificates (the "**Compliance Certificates**") issued by the relevant fire safety authorities. According to the Compliance Certificates, except the Fire Safety Incident, no fire-safety related administrative penalties were found in relation to our operating dental hospitals during the Track Record Period. Our Directors confirm that each of our operating dental hospitals had obtained all required fire safety approval permits or equivalent under the applicable PRC laws and regulations during the Track Record Period and up to the Latest Practicable Date.

To avoid the future reoccurrence of such similar incident, we have adopted certain enhanced internal control measures relating to fire safety, including:

(i) providing regular training for employees on general fire safety awareness and knowledge, as well as training on the proper use of fire safety equipment in the respective premises of our dental hospitals;

(ii) implementing the fire safety policy, which sets out fire safety measures and procedures for our dental hospitals, including more frequent inspections on the indoor fire hydrant system, automatic sprinkler system and firefighting facilities and equipment;

(iii) reviewing the necessary permits and approval or equivalent requirement regime relating to fire safety on an annual basis to ensure that our dental hospitals have obtained all necessary fire safety permits, approvals and/or equivalent and complied with all relevant fire safety related requirements as required under the applicable PRC laws and regulations; and

(iv) designating specific personnel to manage the use of permits, certificates, licenses and/or equivalent relating to fire safety by our Group and monitor the status of these permits, certificates, licenses and/or equivalent.

Save as disclosed above, our Directors confirm that our Group has complied with the relevant applicable laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Indemnity from our Controlling Shareholders in relation to the non-compliances

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of, among others, any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by us directly or indirectly as a result of and in connection with any non-compliance(s) of our Group with all applicable laws, rules or regulations on or before the Listing Date. Further details of the Deed of Indemnity are set out in "Statutory and General Information – E. Other Information – 1. Estate duty, tax and other Indemnity" in Appendix IV to this prospectus.

Internal control measures in place before Listing to avoid future reoccurrence of non-compliance incidents

To avoid the future reoccurrence of non-compliance incidents in general, we have adopted certain enhanced internal control measures before Listing, including:

(i) providing regular training for our employees on the latest updates on the regulatory landscape that would affect our Group's operation and business on a regular basis, in order for our employees to keep abreast of the latest development in the applicable laws and regulations to ensure timely compliance by our Group with the changes;

(ii) regularly communicating with the relevant government authorities and, where necessary, consult our PRC legal adviser, on the relevant laws and regulations and any updates that could potentially affect our Group's operation and business;

(iii) reviewing the necessary permits and approval regime under which our Group operates on an annual basis to ensure that our dental hospitals have obtained all necessary permits, approvals and/or equivalent and complied with all applicable PRC laws and regulations; and

(iv) designating specific personnel to manage the use of permits, certificates, licenses and/or equivalent by our Group and monitor the status of these permits, certificates, licenses and/or equivalent, and to apply for renewals of the same in a timely manner prior to their respective expiry dates.

Additional measures to ensure future compliance

To enhance the effectiveness of our corporate governance, to strengthen our monitoring and internal control system and to ensure compliance with the relevant laws and regulations, we have adopted the following measures to ensure on-going compliance with all applicable laws and regulations after the Listing:

(a) we have established the Audit Committee comprising three independent non-executive Directors to oversee the internal control procedures and accounting and financial reporting matters of our Group. Pursuant to its terms of reference, one of the duties and obligations of the Audit Committee is to ensure our Group's compliance with the relevant regulatory requirements and to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters;

(b) we have appointed Innovax Capital Limited as our compliance adviser to advise our Company on compliance matters upon Listing in accordance with Rule 3A.19 of the Listing Rules. Please refer to "Directors and Senior Management – Compliance Adviser" in this prospectus for duties of our compliance adviser; and

(c) we shall engage external legal advisers after Listing to assist us in performing the requisite legal due diligence and complying with the relevant registration/filing and other legal requirements in respect of any agreements to be entered into by us and/or matters associated with business operated by our Group in the future as well as to advise us on compliance with applicable laws, rules and regulations.

We have appointed an independent internal control adviser to conduct an internal control review. Such internal control adviser has reviewed the implementation status of the above corrective actions. The above corrective actions are consistent with those recommended by the internal control adviser in addressing some key findings of its review on our internal controls. Based on the findings, recommendations and testing results of the work performed by the internal control adviser, it is considered that such remedial actions are adequate and effective.

Having taken into account the fact that (i) our Group has taken corrective measures in relation to the non-compliance incidents abovementioned; (ii) our Group has implemented the abovementioned additional measures to avoid reoccurrence of the non-compliance incidents; and (iii) the non-compliance incidents were unintentional, did not involve any fraudulent act on the part of our Directors or cast doubt on their integrity, our Directors are of the view, and the Joint Sponsors concur, that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors and our suitability for Listing. Our Directors are satisfied that our internal control system is adequate and effective for our current operating environment.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options may be granted under the Share Option Scheme), JTC BVI, Ricon BVI and Meihao BVI will hold 56.25%, 7.5% and 7.5% of the issued share capital of our Company, respectively. Each of JTC BVI and Ricon BVI is directly wholly owned by Mr. Wang and Meihao BVI is directly wholly owned by Ms. Zheng. Each of Mr. Wang and Ms. Zheng is the spouse of each other. Mr. Wang and Ms. Zheng, through JTC BVI, Ricon BVI and Meihao BVI, will together control 71.25% of the issued share capital of our Company. Accordingly, Mr. Wang, Ms. Zheng, JTC BVI, Ricon BVI and Meihao BVI are regarded as a group of Controlling Shareholders under the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates for the following reasons:

Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group's business. Our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. We have an independent management team which is led by a team of senior management with experience and expertise in our business to implement our policies and strategies.

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. For a summary of the positions held by our Directors at our Company and its subsidiaries as at the Latest Practicable Date, please refer to the section headed "Directors and Senior Management" in this prospectus.

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. The provisions of the Articles also ensure that matters involving a conflict of interests which may arise from time to time will be managed in line with accepted corporate governance practice.

Our Company has also appointed three independent non-executive Directors, comprising over half of our Board, to provide a balance between the number of executive Directors and independent non-executive Directors to ensure that there is a strong independent element on our Board and with a view to promoting the best interests of our Company and shareholders taken as a whole. The independent non-executive Directors have diversified skills and experience in their respective fields of expertise and our Directors believe that our Board will benefit from their independent advice.

In light of the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders after the Listing.

Operational independence

We have established our own business independent of that of our Controlling Shareholders and/or their respective associates. We make business decisions independently, hold all relevant licenses necessary to carry on our business and have sufficient capital, and manpower to operate our business independently. We have established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to financiers and customers. We have not shared any operational resources such as sales and marketing, risk management and general administration resources with our Controlling Shareholders and/or their respective associates during the Track Record Period. We have established a set of internal controls to facilitate the effective operation of our business. As at the Latest Practicable Date, save as the transactions described in the section headed "Connected Transactions" in this prospectus, there were no significant business transactions between us and any of our Controlling Shareholders and/or their respective associates.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial independence

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function.

During the Track Record Period, we primarily funded our operations and expansions through cash flow from our operations, our Shareholders' equity and capital contribution from non-controlling interests of a subsidiary. Our amount due to and/or from our Controlling Shareholders and/or their respective associates, details of which are set out in notes 19 and 31 to the Accountants' Report on Historical Financial Information set out in Appendix I to this prospectus will be settled prior to the Listing, and all guarantees from our Controlling Shareholders for our banking facility obtained during the Track Record Period will be fully released upon Listing. As such, we believe that our financial operation is independent from our Controlling Shareholders.

RULE 8.10 OF THE LISTING RULES

Save as disclosed in this section, our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a "**Covenantor**" and collectively as the "**Covenantors**") has given an irrevocable non-competition undertaking in favour of our Company (for itself and for benefit of each of the members of our Group) under the Deed of Non-competition pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with our Company that, among others, with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange and the Covenantors are individually or collectively with any of their respective close associates interested directly or indirectly in not less than 30% of the then issued Shares (the "**Restricted Period**"), each Covenantor shall not, and shall procure that their respective close associates will not:

(i) save for engaging in the Restricted Business (as defined below) through our Group, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, carry on, develop, invest in, engage in, participate or be interested in or acquire or hold any right or interest in or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venture, employee, consultant, agent or otherwise, and whether for profit, reward or otherwise) which competes or likely to compete directly or indirectly with the existing business carried on by our Group in Hong Kong, the PRC and any other country or jurisdiction (the "**Restricted Business**");

(ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (a) soliciting our Group's customers, suppliers, employees or personnel of any member of our Group; (b) inducing or soliciting any person to induce any competition or suspension of the business of our Group; and (c) engaging in any business or activity on its own account or jointly with any person, that uses any trade name or trademark (registered or non-registered) of our Group, or any name of our Group that is used in association with our Group's business or activity at intervals, or any fraudulent imitations (except for circumstances in which our Group is involved); and/or

(iii) without the prior consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as the Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business.

Each of the Covenantors also undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity within and/or outside the PRC relating to the Restricted Business (the "**Business Opportunity**") identified by or offered to the Covenantors and/or any of their close associates (the "**Offeror**") is first referred to our Company in the following manner:

(i) the Covenantors are required to, and shall procure their close associates to, refer, or procure the referral of, the Business Opportunity to our Company, and shall give written notice to our Company of any Business Opportunity containing all information reasonably necessary for our Company to consider whether (i) the Business Opportunity would constitute competition with its core business and/or any other new business which our Group may undertake at the relevant time, and (ii) it is in the interest of our Group to pursue the Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition (the "**Offer Notice**") within 30 business days of identifying the Business Opportunity;

(ii) the Offeror will be entitled to pursue the Business Opportunity only if (i) the Offeror has received a written notice from our Board declining the Business Opportunity and confirming that the Business Opportunity would not constitute competition with the core business of our Company, or (ii) the Offeror has not received the notice from our Board within 20 business days from the receipt of the Offer Notice, provided that the principal terms by which the Offeror subsequently pursues the Business Opportunity are substantially the same and are not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable; and

(iii) if there is a material change in the terms and conditions of the Business Opportunity pursued by the Offeror, the Offeror shall refer the Business Opportunity as so revised to our Company again in the manner as set out above as if it were a new Business Opportunity.

Upon receipt of the Offer Notice, our Company shall seek opinions and decisions from our Board (other than Directors who have a material interest in the matter) as to whether (a) such Business Opportunity would constitute competition with our Company's core business, and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the Business Opportunity. Any Director who has actual or potential material interest in the Business Opportunity shall abstain from attending and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from holding or being interested in a direct or indirect shareholding interest of not more than 5% of the issued shares in a company listed on a recognised stock exchange and engaged in any Restricted Business provided that the relevant Covenantors and/or their respective close associates do not control the majority of the composition of the board of directors of that company.

CORPORATE GOVERNANCE MEASURES

We will adopt the following measures to strengthen our corporate governance practice to safeguard the interests of our Shareholders:

(i) our Directors will comply with our Articles of Association which require the interested Director not to vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;

(ii) our independent non-executive Directors will, on an annual basis, review the compliance of the Deed of Non-competition by our Controlling Shareholders and its enforcement. Our Controlling Shareholders have undertaken that they will and will procure their close associates to provide all information necessary for the annual review by our independent non-executive Directors. We will disclose the review in our annual report or by way of announcement to the public. Our Controlling Shareholders have also undertaken that they will make an annual declaration on the compliance of the Deed of Non-competition in our annual report;

(iii) our independent non-executive Directors will also review, on an annual basis, all decisions made in relation to any new business opportunities offered during the year. We will disclose such decisions and basis for them in our annual report or by way of announcement to the public;

(iv) if our independent non-executive Directors consider it necessary or desirable, they may also engage professional advisers (including an independent financial adviser) at the costs of our Company to advise them on matters relating to the Deed of Non-competition or on any business opportunities, which may be referred to us by our Controlling Shareholders;

(v) our Company has appointed Innovax Capital Limited as the compliance adviser who shall provide it with professional advice and guidance, in respect of compliance with the Listing Rules and applicable laws; and

(vi) any transaction between (or proposed to be made between) our Company and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and independent shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

Our Directors reviewed the above corporate governance measures adopted by our Company, and has discussed with our Company's internal control adviser. For details, see "Business – Legal Proceedings and Non-compliance – Additional measures to ensure future compliance".

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Covenantors, our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

ONE-OFF CONNECTED TRANSACTION

On 13 December 2019, a lease agreement (the "**Lease Agreement**") was entered into among Mr. Wang, Ms. Zheng and Mr. Wu Jianjun (吳建軍), an Independent Third Party, and Wenzhou Hospital in respect of Unit 123, Level 1 of Block A Lifu Building, and Units 201-2, 202 and 203, Level 1 of Block A of Lifu Building, Fuqian Street, Lucheng District, Wenzhou City, Zhejiang Province, the PRC, with a total gross floor area of 1,721.83 sq.m. (the "**Premises**") for a term of three years commenced from 1 January 2020 and expiring on 31 December 2022 at an annual rent of RMB891,600, exclusive of management fees, water and electricity charges, and other utility charges. Since each of Mr. Wang and Ms. Zheng is our Controlling Shareholder and our executive Director, and hence, a connected person of our Company.

The annual rent was determined after taking into account (i) the fair rent letter issued by an independent valuer in relation to the Premises who was engaged to perform an appraisal on the prevailing market rent for the Premises in preparation of the Listing, and (ii) the terms and conditions of the Lease Agreement and the historical transaction amounts during the Track Record Period. Our Directors confirm that the annual rent of the Premises is comparable to the prevailing market rate of similar properties in the similar location or at the vicinity. Our Directors therefore are of the view that the Lease Agreement has been entered into after arm's length negotiations, is on normal commercial terms and is fair and reasonable and in the interests of our Company and our Shareholders as a whole.

During the Track Record Period, the Premises had been leased to Wenzhou Hospital at an annual rent lower than the market rate, and the annual rent paid by Wenzhou Hospital in relation to the Premises for the three years ended 31 December 2021 and the five months ended 31 May 2022 were RMB350,340, RMB891,600, RMB891,600 and RMB891,600, respectively. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the value of right-of-use assets we recognised on our balance sheet arising from leasing the Premises was approximately RMB1,607,000, RMB1,071,000, RMB536,000 and RMB312,000, respectively.

In accordance with HKFRS 16 applicable to our Group and pursuant to the guidance issued by the Stock Exchange, when an issuer enters into a lease transaction as a lessee and where the lease is subject to an agreement with fixed terms, such lease transaction is treated as a one-off transaction (i.e., an acquisition of capital assets). As such, the transactions under the Lease Agreement has been recognised as acquisitions of right-of-use assets and constitutes a one-off connected transaction of our Company before the Listing; and will not be classified as a continuing connected transaction under Chapter 14A of the Listing Rules. Accordingly, the reporting, annual review, announcement, circular and independent Shareholders' approval requirements with regard to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Lease Agreement.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this prospectus, the business operations of the VIE Entities constitute a business restricted to foreign investment in the PRC, therefore, we cannot directly acquire the entire equity interest in the VIE Entities. As a result, we have entered into a series of agreements narrowly tailored to provide our Group with control over the VIE Entities and grant our Group the right to acquire the entire equity interest of the VIE Entities when and to the extent permitted by the PRC laws and regulations.Through the shareholdings and the Contractual Arrangements, we supervise and control the business operations of the VIE Entities and derive economic benefits from Tianrui Medical and the VIE Entities.

The Contractual Arrangements consist of the Structured Contracts which are entered into among Dehong Medical on one hand, and Tianrui Medical, the VIE Entities and the Relevant Shareholders (namely, Mr. Wang and Ms. Zheng), where appropriate, on the other hand. Please see the section headed "Contractual Arrangements" in this prospectus for the details of the Structured Contracts.

Listing Rules implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Company. The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationships
Mr. Wang	Mr. Wang is an executive Director, the spouse of Ms. Zheng and a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Ms. Zheng	Ms. Zheng is an executive Director, the spouse of Mr. Wang and a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Tianrui Medical	Tianrui Medical is directly held as to 90% by Mr. Wang and 10% by Ms. Zheng, and is therefore an associate of Mr. Wang and a connected person of our Company under Rule 14A.07 of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our organisational structure and business, that such transactions have been and will be entered into in our ordinary and usual course of business, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by the Relevant Shareholders, Tianrui Medical, any of the VIE Entities and any member of our Group (the "**New Intergroup Agreements**" and each of them, a "**New Intergroup Agreement**") that are (a) solely restricted to matters contemplated under the Contractual Arrangement, and (b) narrowly tailored to achieve our Company's business purposes and minimise the potential for conflict with relevant PRC laws and regulations technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that we are in a special situation in relation to relying on the Contractual Arrangements to operate a substantial portion of our business, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to us if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent shareholders' approval requirements.

Application for waiver

In view of the Contractual Arrangements, in respect of transactions contemplated under the Structured Contracts and any New Intergroup Agreements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange and Tianrui Medical and the VIE Entities will continue to be treated as our Company's subsidiaries subject to the following conditions:

(a) No change without independent non-executive Directors' approval

Save as described in paragraph (d) below, no change to the Contractual Arrangements (including with respect to any fees payable to Dehong Medical thereunder) will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement, circular or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will, however, continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Tianrui Medical and the VIE Entities through (i) our options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the equity interests or assets at a consideration which shall be the lowest price as permitted under the applicable PRC laws and regulations; (ii) the business structure under which the profit generated by Tianrui Medical and the VIE Entities is substantially retained by us, such that no annual cap shall be set on the amount of service fees payable to Dehong Medical by Tianrui Medical and the VIE Entities under the Exclusive Operation Services Agreements; and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the VIE Entities and Tianrui Medical.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Tianrui Medical, the VIE Entities and the Relevant Shareholders, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as ours which we may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements and that the profit generated by Tianrui Medical and our VIE Entities has been substantially retained by our Group; (ii) no dividends or other distributions have been made by Tianrui Medical to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; (iii) no dividends or other distributions have been made by the VIE Entities to Tianrui Medical which are not otherwise subsequently assigned or transferred to our Group; and (iv) any new contracts entered into, renewed or reproduced between us on one hand and Tianrui Medical, the VIE Entities and the Relevant Shareholders, on the other hand, during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as we are concerned and in the interests of our Shareholders as a whole.

- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the Contractual Arrangements and that (i) no dividends or other distributions have been made by Tianrui Medical to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and (ii) no dividends or other distributions have been made by the VIE Entities to Tianrui Medical which are not otherwise subsequently assigned or transferred to our Group. Save as described in paragraph (d) above, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will, however, continue to be applicable.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", as long as the Contractual Arrangements subsist, Tianrui Medical will be treated as our Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Tianrui Medical and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Tianrui Medical), and transactions between these connected persons and our Group (including for this purpose, Tianrui Medical), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. Our Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

- Tianrui Medical will undertake that, for so long as the Shares are listed on the Stock Exchange, Tianrui Medical will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of their review of the continuing connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors, including the independent non-executive Directors, consider that the continuing connected transactions as disclosed in the section headed "Contractual Arrangements" in this prospectus have been entered into: (i) in the ordinary and usual course of the business of our Group; (ii) on normal commercial terms or better; and (iii) in accordance with the respective agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and have participated in the due diligence and discussions with our management and our PRC Legal Advisers. Based on the above, the Joint Sponsors are of the view that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations and on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Based on the above, the Joint Sponsors are also of the view that with respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of the VIE Entities can be effectively controlled by our Group; (ii) our Group can obtain the economic benefits derived from Tianrui Medical and the VIE Entities; and (iii) any possible leakages of assets and values of the VIE Entities can be prevented, on an uninterrupted basis.

BOARD OF DIRECTORS

Our Board consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The functions and duties of our Board include but are not limited to, convening general meetings, reporting on the performance of our Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for profit distributions, and formulating proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conferred by our Articles of Association. In addition, our Board has the overall responsibility for overseeing and determining our Group's environmental-related, climate-related and social-related risks and opportunities impacting the Group, and evaluating, determining and addressing our ESG-related risks regularly. Our Board has established an ESG Committee in this regard in support of the implementation of the agreed ESG policy. For further details of the responsibilities of the ESG Committee, please refer to the section headed "Business – Environmental, Social and Corporate Governance" in this prospectus.

The following table sets forth the information in respect of the members of our Board:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Wang Xiaomin (王曉敏)	49	Chairman, chief executive officer and executive Director	Responsible for overall strategic planning and overseeing general management and daily operation of our Group	March 2011	20 November 2019	Spouse of Ms. Zheng
Zheng Man (鄭蠻)	48	General manager and executive Director	Responsible for overall business development and overseeing administration and public relation affairs of our Group	March 2011	20 November 2019	Spouse of Mr. Wang
Ng Ming Chee (黃晞華)	57	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board	November 2022	8 November 2022	None

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Tam Hon Shan Celia (譚漢珊)	50	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board	November 2022	8 November 2022	None
Zhou Jian (周健)	67	Independent non-executive Director	Responsible for supervising and providing independent judgement to our Board	November 2022	8 November 2022	None

DIRECTORS

Executive Directors

Mr. Wang Xiaomin (王曉敏), aged 49, is the co-founder of our Group and was appointed as a Director on 20 November 2019 and was re-designated as an executive Director on 29 January 2020. Mr. Wang is also the chairman of our Board and our chief executive officer responsible for overall strategic planning and overseeing general management and daily operation of our Group. Save for Wenzhou Hospital, Wenzhou Oral Care and Binda Oral Care, Mr. Wang also holds directorships in each of the subsidiaries of our Group. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee.

Mr. Wang is an entrepreneur who has around 18 years of experience in hospital management in the dental service industry in the PRC. Before participating in the private dental service industry, from March 1993 to June 2004, Mr. Wang worked in Property Management Bureau of the Wenzhou People's Government (溫州市房產管理局). With insight in private dental service industry, he established the predecessor company of Wenzhou Hospital, which first obtained the Medical Institution Practising License in September 2004. To allow more flexibility in managing his business as a sole proprietor at the initial stage of development of his business, Mr. Wang instead commenced the provision of private dental services to individuals in Wenzhou through establishing an individual proprietorship enterprise (個人獨資企業), namely Wenzhou Dental Hospital (溫州牙科醫院) (the "**Predecessor Entity**"), in April 2005, where he was responsible for overall strategic planning and overseeing general management and daily operation of the Predecessor Entity. Subsequently in March 2011, Mr. Wang and Ms. Zheng co-founded Wenzhou Hospital, our first operating subsidiary as a platform for the continuation and further expansion of the dental service business, and began our Group's private dental service business, and the Predecessor Entity was dissolved by way of liquidation.

Mr. Wang graduated from China University of Geosciences (中國地質大學) after completion of a two-year professional learning programme of legal studies through online learning in the PRC in April 2005. He then obtained a master's degree in hospital management in September 2008 jointly offered by Nankai University (南開大學) in the PRC and Flinders University in Australia, and completed a professional programme in stomatology from Shandong Liming Technology Vocational College (山東力明科技職業學院) in the PRC in July 2017. Mr. Wang currently holds a number of public positions. Since May 2011, Mr. Wang has been serving as the executive vice president of U.A.E. Wenzhou Chamber of Commerce (阿聯酋溫州商會). In March 2015, he was appointed as the executive vice president of Wenzhou Non-public Medical Institutions Association (溫州市非公立醫療機構協會) and he was further appointed as the president of the stomatology branch of the aforesaid association (溫州市非公立醫療機構協會口腔醫療分會) in January 2016. In April and September 2017, Mr. Wang was appointed as the executive president of Wenzhou Lucheng Overseas Chinese Association (溫州鹿城海外華僑華人聯合會) and the executive chairman of the Youth Committee of Wenzhou Lucheng Overseas Chinese Association (溫州鹿城海外華僑華人聯合會青年委員會), respectively. Later in October 2017, he was further appointed as the executive vice president of Young Overseas Chinese Association of Zhejiang Province (浙江省僑界青年聯合會).

Mr. Wang was previously a director of each of the following companies/entities shown in the table below which have been dissolved:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Wenzhou Dental Hospital (溫州牙科醫院) (i.e. the Predecessor Entity)	PRC	Provision of dental services	4 March 2011	Liquidation	Cessation of business
Wenzhou Dental Hospital Co., Ltd (溫州牙科醫院有限公司) (i.e. the predecessor company of Wenzhou Hospital)	PRC	Dormant	25 May 2006	Deregistration	Never commenced business
Yangjian Group Co., Limited (養健集團有限公司)	Hong Kong	Healthcare investment management	23 October 2020	Deregistration	Never commenced business

Mr. Wang confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolutions of the above companies.

Mr. Wang is the spouse of Ms. Zheng, our executive Director and general manager.

Ms. Zheng Man (鄭蠻), aged 48, is the co-founder of our Group and was appointed as a Director on 20 November 2019 and was re-designated as an executive Director on 29 January 2020. Ms. Zheng is also our general manager principally responsible for overall business development and overseeing administration and public relation affairs of our Group. She also holds directorships in Wenzhou Hospital, Wenzhou Oral Care and Binda Oral Care.

Ms. Zheng has around 18 years of experience in hospital management in the dental service industry in the PRC. Before participating in the private dental service industry, Ms. Zheng had been working as a teacher from September 1995 to May 1997. Similar to her current responsibilities in our Group, Ms. Zheng has been assisting Mr. Wang and responsible for overall business development and overseeing administration and public affairs of his dental service business since September 2004 when the predecessor company of Wenzhou Hospital first obtained the Medical Institution Practising License. In March 2011, Mr. Wang and Ms. Zheng co-founded Wenzhou Hospital, our first operating subsidiary as a platform for the continuation and further expansion of the dental service business, and began our Group's private dental service business.

Ms. Zheng completed a professional programme in stomatology from Shandong Liming Technology Vocational College (山東力明科技職業學院) in the PRC in July 2017.

Ms. Zheng was previously a director, supervisor, legal representative, and/or principal of each of the following companies/entities shown in the table below which have been dissolved:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Wenzhou Shiyuetian Trading Co Ltd (溫州市世月天貿易有限公司)	PRC	Trading of clothing	21 August 2012	Deregistration	Cessation of business
Wenzhou Lucheng Wuma Kale Fashion Hotel (溫州市鹿城區五馬卡樂時尚賓館)	PRC	Provision of accommodation services	14 June 2011	Deregistration	Cessation of business
Wenzhou Dental Hospital (溫州牙科醫院) (i.e. the Predecessor Entity)	PRC	Provision of dental services	4 March 2011	Liquidation	Cessation of business
Wenzhou Dental Hospital Co., Ltd (溫州牙科醫院有限公司) (i.e. the predecessor company of Wenzhou Hospital)	PRC	Dormant	25 May 2006	Deregistration	Never commenced business

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Wenzhou Bolong Construction and Decoration Materials Co., Ltd. (溫州市博龍建材裝飾有限公司)	PRC	Sales of construction and decoration materials	11 December 2002	Deregistration	Cessation of business
Yangjian Group Co., Limited (養健集團有限公司)	Hong Kong	Healthcare investment management	23 October 2020	Deregistration	Never commenced business

Ms. Zheng confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on her part leading to the dissolutions of the above companies; (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolutions of the above companies; and (iv) no misconduct or misfeasance had been involved on her part in the dissolutions of the above companies.

Ms. Zheng is the spouse of Mr. Wang, our executive Director, chairman and chief executive officer.

Independent Non-executive Directors

Mr. Ng Ming Chee (黃晞華), aged 57, was appointed as an independent non-executive Director on 8 November 2022. Mr. Ng is responsible for supervising the management of our Group and providing independent judgement to our Board. He is also the chairman of the Audit Committee and a member of the Remuneration Committee.

Mr. Ng has over 30 years of experience in the finance field. He has acted as a chief financial officer, finance director or financial controller of multiple corporations spanning different industries, including a computer components manufacturer, Intel Semiconductor Ltd. HK from April 2001 to February 2003; subsidiaries of an advertising company, Publicis Groupe from July 2004 to November 2008; a sports promotion company, NBA Sports and Culture Development (Beijing) Co., LTD from November 2008 to April 2009; an orthopaedic products manufacturer, Trauson Holdings Company Limited from November 2009 to September 2010; a credit services provider, Fullerton Investment & Credit Guarantee Co., Ltd from September 2010 to August 2013; a technology solutions provider, Telstra International Limited from August 2013 to December 2014; and a film production company, Shanghai Oriental DreamWorks Culture Media Co., Ltd. from December 2014 to October 2016. Since June 2018, Mr. Ng has also acted as an executive Director of Intron Technology Holdings Limited (stock code: 1760), whose shares are listed on the Stock Exchange and is principally engaged in the provision of automotive electronics solutions in the PRC.

Mr. Ng graduated with a bachelor's degree in commerce from University of Western Australia in April 1987 and subsequently obtained a master's degree in business administration from Brunel University in the United Kingdom in October 2003. Mr. Ng was admitted as a certified practicing accountant of the Australian Society of Certified Practising Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in November 1995 and July 2018, respectively.

Ms. Tam Hon Shan Celia (譚漢珊), aged 50, was appointed as an independent non-executive Director on 8 November 2022. Ms. Tam is responsible for supervising the management of our Group and providing independent judgement to our Board. She is also the chairperson of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Ms. Tam has over 25 years of experience in financial management. From June 1991 to May 1994, Ms. Tam was a senior financial clerk at Bates Hong Kong Ltd. From August 1994 to October 1997, Ms. Tam served as an accountant at DraftWorldwide Ltd, where she was responsible for managing the financial matters of the company. From October 1997 to May 1999, Ms. Tam served as an accountant at Baker Norton Asia Ltd, where she was principally responsible for financial matters. From June 1999 to November 2000, Ms. Tam served as a senior accountant at World Pioneer Ltd., where she was responsible for setting up the accounting system and managing the accounting functions of the company. From November 2000 to October 2003, Ms. Tam was the finance and administration manager at Infoserve Technology Hong Kong Ltd., where she was responsible for the management of finance, administration and human resources matters. From October 2003 to August 2004, Ms. Tam served as a senior financial manager at e.Energy Technology Limited where she was responsible for managing the finance department, administration department and human resources department, coordinating the daily financial management and reporting directly to the CEO. From August 2004 to March 2007, Ms. Tam served as the group finance manager at Heal Force Development Limited (香港力康發展有限公司) where she was responsible for the financial management of 20 subsidiaries in Hong Kong and mainland, including budget management, capital control, tax planning, financial analysis, and IPO relevant issues. From April 2007 to September 2013, Ms. Tam served as the head of financial department at NetDragon Websoft Holdings Limited (網龍網絡控股有限公司) (stock code: 0777) where she formulated financial development strategies and internal control system of financial management for the company in accordance with the listing requirements of the Stock Exchange and provided financial analysis and decision-making for the company's operations, business development, and other matters. From in January 2011 to February 2015, Ms. Tam served as the chief financial officer and a vice president at 91 Wireless Websoft Limited, a wholly-owned subsidiary of Baidu Inc., a company listed on NASDAQ (NASDAQ ticker: BIDU), where she was responsible for supervising and managing the finance, legal, human resources, internal control, government relationship and administration departments. From September 2014 to March 2018, Ms. Tam was an independent non-executive director and the chairlady of the audit committee and a member of the nomination committee of Zhejiang Tengy Environmental Technology Co., Ltd (浙江天潔環境科技股份有限公司) (stock code: 1527). Since January 2020, Ms. Tam has served as an independent non-executive director of Icon

Culture Global Company Limited (天泓文創國際集團有限公司) (stock code: 8500), where she provides professional financial advice to the board of directors on the company's financial and compliance issues, to ensure compliance with the Listing Rules.

Ms. Tam is a member of The Hong Kong Institute of Certified Public Accountants since April 2002 and a fellow of The Association of Chartered Certified Accountants since November 2006.

Ms. Tam obtained a bachelor's degree in business accounting from University of Lincolnshire and Humberside (currently known as University of Lincoln), United Kingdom in April 2000, and a master's degree in educational counselling from The Education University of Hong Kong in July 2018.

Dr. Zhou Jian (周健), aged 67, was appointed as an independent non-executive Director on 8 November 2022. Dr. Zhou is responsible for supervising the management of our Group and providing independent judgement to our Board. He is also a member of the Audit Committee and the Nomination Committee.

Dr. Zhou has over 30 years of experience in hospital management and clinical research with a focus in the areas of stomatology and dentistry. During the period from 1985 to 2016, Dr. Zhou had held multiple positions at the Stomatology Hospital of Anhui Medical University (安徽醫科大學附屬口腔醫院). From 2000 to 2012, he served as the dean of the aforesaid hospital. Since February 2016, Dr. Zhou has served as the dean of Anhui Swan Lake Stomatological Hospital Holdings Co., Ltd. (安徽天鵝湖口腔醫院股份有限公司).

Dr. Zhou graduated with a bachelor's degree in stomatology from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as Shanghai Second Medical University (上海第二醫學院)) in the PRC in December 1976. He further obtained a master's degree in medicine from Xi'an Medical University (西安醫科大學) (currently known as Xi'an Jiaotong University Health Science Centre (西安交通大學醫學部)) in the PRC in December 1985. In June 2014, Dr. Zhou was appointed as the honorary president of the first committee of Anhui Stomatological Association (安徽省口腔醫學會). Since September 2011, Dr. Zhou has served as a standing director of the Chinese Stomatological Association (中華口腔醫學會). He has also served as the vice president of the Asia Pacific Dental Implantology Association since September 2018. Apart from holding several public position, Dr. Zhou has received a number of recognitions for his achievement in the dental field. Dr. Zhou received the second class award from the State Education Commission of the People's Republic of China (中華人民共和國國家教育委員會) for his research in maxillofacial surgery, and further awarded the third class Science and Technology Progress Award for his achievement in developing techniques for applications in oral and maxillofacial surgery by the Science and Technology Progress Award Review Committee of Anhui Province (安徽省科學技術進步獎評審委員會) in 1998 and 2000, respectively.

Save as disclosed in this section and the sections headed "Substantial Shareholders" and "Appendix IV – Statutory and General Information – C. Further Information about our Directors, Management and Substantial Shareholders" in this prospectus, as at the Latest Practicable Date, our Directors (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management or substantial shareholders of our Company or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to our Shareholders and there was no information relation to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

The following table sets forth the information about the members of our senior management team:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Wang Xiaomin (王曉敏)	49	Chairman, chief executive officer and executive Director	Responsible for overall strategic planning and overseeing general management and daily operation of our Group	March 2011	Spouse of Ms. Zheng
Zheng Man (鄭蠻)	48	General manager and executive Director	Responsible for overall business development and overseeing administration and public relation affairs of our Group	March 2011	Spouse of Mr. Wang
Chen Haibing (陳海兵)	46	Vice dean of Wenzhou Hospital	Responsible for overseeing the daily operation and management of outpatient dental services of our Group	March 2011	None

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Zheng Xiaofeng (鄭曉峰)	58	Vice dean of Wenzhou Hospital	Responsible for overseeing the daily operation and management of the orthodontics and cosmetic dentistry services of our Group	June 2014	None

Mr. Wang Xiaomin (王曉敏). Please refer to the paragraphs headed "– Directors – Executive Directors" above in this section for details of biography of Mr. Wang.

Ms. Zheng Man (鄭蠻). Please refer to the paragraphs headed "– Directors – Executive Directors" above in this section for details of biography of Ms. Zheng.

Dr. Chen Haibing (陳海兵), aged 46, joined our Group in March 2011 as the chief physician of the outpatient services of Wenzhou Hospital, and was promoted to the vice dean of Wenzhou Hospital in 2013. He is primarily responsible for overseeing the daily operation and management of outpatient dental services of our Group.

Dr. Chen has over 15 years of experience in the dental field. Prior to joining our Group, Dr. Chen worked as a dentist at the predecessor company of Wenzhou Hospital from 2004 to 2011.

Dr. Chen graduated from Wannan Medical College of Anhui Province (安徽省皖南醫學院) majoring in Stomatology in the PRC in July 1999 and further obtained a master's degree in esthetic dentistry from Loma Linda University in the United States in September 2015. He also completed the one-year master clinician program in esthetic dentistry in the United States in September 2015. From May 2015 to May 2018, Dr. Chen was appointed as a specialist member of the private stomatological branch of Chinese Stomatological Association (中華口腔醫學會民營口腔分會). He was further appointed as the executive vice president of the second council of Wenzhou Dental Association (溫州市牙科學會) in June 2018.

Dr. Zheng Xiaofeng (鄭曉峰), aged 58, joined our Group in June 2014 as a deputy chief physician of orthodontics and cosmetic dentistry of Wenzhou Hospital, and was promoted to the vice dean of Wenzhou Hospital in 2015. He is primarily responsible for overseeing the daily operation and management of the orthodontics and cosmetic dentistry services of our Group.

Dr. Zheng has over 30 years of experience in the dental field. Prior to joining our Group, Dr. Zheng worked at Wenzhou City No. 2 People's Hospital (溫州市第二人民醫院) (currently known as Wenzhou City Centre Hospital (溫州市中心醫院)) as a dentist from September 1987 to May 2014.

Dr. Zheng obtained a bachelor's degree in medicine majoring in stomatology from Zhejiang Medical University (浙江醫科大學) in the PRC in July 1987.

Dr. Zheng served as the vice chairman of the orthodontics and cosmetic dentistry committee and the private stomatological work committee of Wenzhou Stomatological Association (溫州市口腔醫學會) from July 2016 to July 2019 and from November 2018 to November 2019, respectively. In 2017, Dr. Zheng was awarded the Outstanding Achievement in Treating Patients with INVISALIGN® (Construction to the Advancement of INVISALIGN® Treatment) by Asia Pacific Align Technology.

COMPANY SECRETARY

Mr. Lee Chung Shing (李忠成), was appointed as our company secretary on 3 August 2020. Mr. Lee has over 20 years of experience in providing auditing, financial management, company secretarial and investors relation services to listed companies in Hong Kong. He is currently an assistant vice president of Governance Services of Computershare Hong Kong Investor Service Limited and the joint company secretary/company secretary of various companies, whose shares are listed on the Stock Exchange. Mr. Lee was admitted as an associate of the Hong Kong Institute of Certified Public Accountants in March 1999 and a fellow member of the Association of Chartered Certified Accountants in July 2003. He obtained a bachelor's degree in accountancy from City University of Hong Kong in December 1994 and a master's degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2002.

BOARD COMMITTEES

Audit Committee

An audit committee was established by our Company pursuant to a resolution of our Board on 8 November 2022 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and approve our Group's financial reporting process and internal control system. The members of the audit committee are Mr. Ng Ming Chee, Dr. Zhou Jian and Ms. Tam Hon Shan Celia, all of whom are independent non-executive Directors. Mr. Ng Ming Chee is the chairman of the Audit Committee.

Remuneration Committee

A remuneration committee was established by our Company pursuant to a resolution of our Board on 8 November 2022 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management of our Group. The members of the Remuneration Committee are Mr. Wang, Mr. Ng Ming Chee and Ms. Tam Hon Shan Celia. Ms. Tam Hon Shan Celia is the chairperson of the Remuneration Committee.

Nomination Committee

A nomination committee was established by our Company pursuant to a resolution of our Board on 8 November 2022 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to make recommendations to our Board on appointment of Directors and the management of our Board succession. The members of the Nomination Committee are Mr. Wang, Dr. Zhou Jian and Ms. Tam Hon Shan Celia. Mr. Wang is the chairman of the Nomination Committee.

REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive remuneration in the form of fees, salaries, bonuses, allowances, benefits in kind and pension scheme contributions.

The aggregate remuneration paid to our Directors for the three years ended 31 December 2021 and the five months ended 31 May 2022 were approximately RMB591,000, RMB746,000, RMB770,000 and RMB325,000, respectively.

The aggregate remuneration paid to the five highest paid individuals of our Group, excluding our Directors, for the three years ended 31 December 2021 and the five months ended 31 May 2022 were approximately RMB3,153,000, RMB3,021,000, RMB3,294,000 and RMB1,278,000, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of remuneration of payable to our Directors for the year ending 31 December 2022 is estimated to be approximately RMB817,500 (excluding any discretionary bonus).

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

CORPORATE GOVERNANCE CODE

Board Diversity

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth support the execution of our business strategy. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises five members, including two executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experiences, including business management, strategic development, provision of dental services, administration and management, finance, auditing and accounting experiences. Our Board members also obtained degrees in various majors including hospital management, stomatology and commerce. Furthermore, the ages of our Directors range from 48 to 67 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. In particular, one of the existing executive Directors of our Company is female. We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of our corporate governance and we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole.

The Nomination Committee is responsible for ensuring the diversity of our Board. After the Listing, the Nomination Committee will review the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

Chairman and chief executive officer

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. Wang currently performs these two roles concurrently. Our Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group for more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority within our Group will not be impaired by the present arrangement and the current structure will enable our Company to make and implement decisions more promptly and effectively.

Our Board will from time to time review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Innovax Capital Limited as our compliance adviser. The compliance adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes to use the proceeds from the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information of this prospectus; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares the possible development of a false market in its securities, or any other matters.

The term of this appointment will commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.45 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the Listing Date.

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options may be granted under the Share Option Scheme), the following persons will have or be deemed or taken to have beneficial interests and/or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Nature of interest	Number of Shares as of the Latest Practicable Date[1]	Approximate percentage of interest in our Company as of the Latest Practicable Date	Number of Shares immediately after the Global Offering and the Capitalisation Issue[1]	Approximate percentage of interest in our Company immediately after the Global Offering and the Capitalisation Issue
JTC BVI[2]	Beneficial owner	7,500 (L)	75%	337,500,000 (L)	56.25%
Ricon BVI[2]	Beneficial owner	1,000 (L)	10%	45,000,000 (L)	7.5%
Meihao BVI[3]	Beneficial owner	1,000 (L)	10%	45,000,000 (L)	7.5%
Mr. Wang[2][4]	Interest in controlled corporation Interest of spouse	9,500 (L)	95%	427,500,000 (L)	71.25%
Ms. Zheng[2][4]	Interest in controlled corporation Interest of spouse	9,500 (L)	95%	427,500,000 (L)	71.25%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Each of JTC BVI and Ricon BVI is directly and wholly owned by Mr. Wang. Mr. Wang is therefore deemed to be interested in all the Shares held by each of JTC BVI and Ricon BVI.

(3) Meihao BVI is directly and wholly owned by Ms. Zheng. Ms. Zheng is therefore deemed to be interested in all the Shares held by Meihao BVI.

(4) Mr. Wang and Ms. Zheng are the spouse of one another, and are therefore deemed to be interested in any Shares in which one another is interested.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued under the Over-allotment Option or the exercise of any options may be granted under the Share Option Scheme), have beneficial interests or short positions in any of our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering and the Capitalisation Issue:

Authorised share capital:		*HK$*
1,500,000,000	Shares	15,000,000

Assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

		HK$
Issued share capital:		
10,000	Shares in issue at the date of this prospectus	100
Shares to be issued, fully paid or credited as fully paid:		
449,990,000	Shares to be issued pursuant to the Capitalisation Issue[(1)]	4,499,900
150,000,000	Shares to be issued pursuant to the Global Offering	1,500,000
600,000,000	**Total**	6,000,000

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the completion of the Capitalisation Issue and the Global Offering will be as follows:

		HK$
Issued share capital:		
10,000	Shares in issue at the date of this prospectus	100
Shares to be issued, fully paid or credited as fully paid:		
449,990,000	Shares to be issued pursuant to the Capitalisation Issue[1]	4,499,900
150,000,000	Shares to be issued pursuant to the Global Offering	1,500,000
22,500,000	Shares to be issued upon exercise of the Over-allotment Option in full	225,000
622,500,000	**Total**	6,225,000

Note:

(1) Pursuant to the written resolutions passed by our Shareholders on 8 November 2022 and the resolutions passed by our Board on 8 November 2022, conditional on the share premium account of our Company being credited and our Company having sufficient distributable reserves arising from the issue of the Offer Shares by our Company as a result of the Global Offering, our Directors were authorised to capitalise all or a portion, as the case may be, of the balance of the share premium account of our Company as a result of the Global Offering and apply such sum in paying up in full at par value a total of 449,990,000 Shares for allotment and issue to the existing Shareholders of our Company whose name(s) appear on the register of members of our Company as of the date of such resolutions in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall rank *pari passu* in all respects with the existing issued Shares.

ASSUMPTIONS

The above table assumes that the Global Offering has become unconditional and the Shares are issued pursuant to the Global Offering and the Capitalisation Issue. It takes no account of any Shares, which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates of any Shares referred to below.

MINIMUM PUBLIC FLOAT

At least 25% of the total number of issued Shares must at all times be held by the public. The 150,000,000 Offer Shares represent 25% of the issued share capital of our Company upon Listing.

RANKING

Our Shares are ordinary shares in our share capital and rank pari passu with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of issue of such Share.

ISSUING MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted by the Shareholders a general and unconditional mandate to allot, issue or deal with Shares with a total nominal value of not more than the sum of:

(i) 20% of the aggregate number of Shares in issue and to be issued immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme); and

(ii) the aggregate number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate as referred to below.

The issuing mandate will expire at the earlier of:

(i) the conclusion of the next annual general meeting of our Company; or

(ii) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting; or

(iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For more information on this issuing mandate, please see "Appendix IV – Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 3. Written resolutions of all the Shareholders passed on 8 November 2022" in this prospectus.

REPURCHASE MANDATE

Subject to the Global Offering becoming unconditional, our Directors have been granted by the Shareholders a general mandate to exercise all the powers of our Company to repurchase not more than 10% of the aggregate number of Shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding Shares that may be allotted and issued upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange and/or on any other stock exchange on which the Shares may be listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all other applicable laws, regulations and rules.

The repurchase mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company; or
- the expiration of the period within which our Company is required by its Articles of Association or any applicable laws to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For more information on this repurchase mandate, please see the section headed "Statutory and General Information – A. Further Information about our Company and its Subsidiaries – 7. Repurchase of our own securities" in Appendix IV to this prospectus.

SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

As a matter of Cayman Companies Act, an exempted company is not required by law to hold any general meetings or class meetings on an annual or regular basis. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under the Articles of Association, a summary of which is set out in "Appendix III – Summary of the Constitution of our Company and the Cayman Companies Act" in this prospectus.

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary resolutions of Shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. Besides, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For more information, see "Appendix III – Summary of the Constitution of our Company and the Cayman Companies Act" in this prospectus.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report in Appendix I has been prepared in accordance with the HKFRSs. You should read the entire the Accountants' Report in Appendix I and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties some of which are beyond our control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are the largest private dental service provider in Wenzhou in terms of revenue in 2021, which accounted for approximately 25.2% (being larger than the aggregate market share of the second to fifth largest private dental service providers in Wenzhou in 2021) and 13.2% market share of private and total dental service market in Wenzhou in 2021, respectively, according to the Frost & Sullivan Report. During the Track Record Period, we generated our revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors namely general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科), and orthodontics and cosmetic dentistry (牙齒正畸科).

We started to provide dental services to individuals of all ages in 2011, and since then we expanded our business gradually. As at the Latest Practicable Date, we owned and operated a network of five private dental hospitals in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care in Wenzhou City Area, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City. We operate our business under the trade names of "溫州牙科", "溫州鹿城口腔", "溫州口腔" and "龍港口腔", together with our trademark " " registered in the PRC. Except Wenzhou Oral Care, which was newly established in November 2021, all of our private dental hospitals are "medical insurance designated" (醫療保險定點) hospitals under the basic medical insurance programme operated by relevant healthcare bureaux.

Our revenue generated from our dental services for the three years ended 31 December 2021 and the five months ended 31 May 2022 was approximately RMB83.2 million, RMB84.6 million, RMB105.3 million and RMB46.9 million, respectively. Our profit for the year/period amounted to approximately RMB15.5 million, RMB15.0 million, RMB32.2 million and RMB8.5 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act on 18 November 2019. Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the prospectus, our Company became the holding company of the companies now comprising our Group on 3 February 2020. The Companies now comprising our Group were under the common control of the controlling shareholders before and after the Reorganisation. Accordingly, the consolidated financial information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

According to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019) ("**2019 Negative List**"), Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (the "**2020 Negative List**"), which came into effect on 23 July 2020 and has replaced the 2019 Negative List, and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the "**2021 Negative List**", together with the 2019 Negative List and 2020 Negative list, the "**Negative Lists**"), which came into effect on 1 January 2021 and has replaced the 2020 Negative List, medical institutions such as the Consolidated Affiliated Entities fall within the "restricted" investment category, and therefore may not be held 100% by foreign investments, and foreign investments are restricted to the form of joint ventures. Establishment of joint ventures shall meet certain requirements and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. A wholly-owned subsidiary of our Company, Dehong Medical, which has the 70% equity interests in the Consolidated Affiliated Entities, has entered into the Contractual Arrangements with Tianrui Medical, which has the 30% equity interests in Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and the 25% equity interests in Longgang Hospital. The Contractual Arrangements enable Dehong Medical to obtain substantially all economic benefits of the Consolidated Affiliated Entities, except for the 5% equity interest in Longgang Hospital which is held by an independent third party. Accordingly, our Company regards Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care as wholly-owned subsidiaries and Longgang Hospital as a 95% owned subsidiary for the purpose of the Historical Financial Information and the Consolidated Affiliated Entities are consolidated in the Historical Financial Information for the Relevant Periods with a 5% equity interest in Longgang Hospital being recognised as non-controlling interests. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the prospectus.

The consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows of our Group for the three years ended 31 December 2021 and the five months ended 31 May 2022 include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as at 31

December 2019, 2020 and 2021 and 31 May 2022 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

BASIS OF PREPARATION

The consolidated financial information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022 together with the relevant transitional provisions, have been adopted on a consistent basis by our Group in the preparation of the consolidated financial information throughout the Track Record Period and for the five months ended 31 May 2021.

The consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been and will continue to be affected by a number of factors, including those set out below and in the section headed "Risk Factors" in this prospectus.

The growth of dental service market in Wenzhou

During the Track Record Period, we derived all our revenue from our private dental hospitals in Wenzhou. Going forward, we expect that a large part of our revenue will remain dependent on our private dental hospitals located in Wenzhou. The growth and success of our business are significantly affected by the trend of growth in consumer spending on dental service market in Wenzhou. According to the Frost & Sullivan Report, the market of total dental service market provided by private dental hospitals in Wenzhou experienced remarkable growth from approximately RMB129.8 million in 2017 to RMB222.7 million in 2021 with a CAGR of 14.4% and the market size of private dental hospitals is estimated to further grow and reach approximately RMB423.2 million by 2026 with a CAGR of 13.7% between 2021 and 2026. Please refer to the section headed "Industry Overview" in this prospectus for further details. We believed that, as a private dental hospital in Wenzhou, we are well positioned to capture future growth opportunities in the fast-growing dental service market in Wenzhou. Conversely, a slowdown of the dental service market in Wenzhou may adversely affect our results of operations and financial condition.

Expansion of our dental medical institutions network

The opening of a new dental hospital generally involves a number of steps, including strategic planning, market research, site selection, feasibility study, regulatory approval process, construction and decoration of premises, recruitment of necessary personnel, acquisition of equipment and supplies, and commencement of operations. According to our past experience, such process generally takes one to two years to complete for the establishment of a dental hospital.

From 2016 to 2021, we established four new dental hospitals, including one dental hospital in Longgang City, two dental hospitals in Wenzhou City Area and one dental hospital in Rui'an City, respectively. Our operating results could be influenced by the timing of the opening of new private dental hospitals and the number of new private dental hospitals opened. New dental hospitals generally have lower income and higher operating costs during the initial stages of their operation. We also incur substantial expenses before opening new dental hospitals such as renovation costs, rental expenses and equipment costs. Based on previous operating experience of our Directors, the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately four years for a new dental hospital to break even and approximately seven years to recover the initial investment. Accordingly, the number and timing of new dental hospital openings have, and may continue to have, an impact on our profitability. As a result, our results of operations may fluctuate from year to year.

Pricing of our services

For patients not covered by the basic medical insurance programmes, we, as private dental hospitals, are not subject to such pricing guidelines and entitled to set the prices of our dental services at our own discretion. We generally set price of our services based on price recommendation provided by our suppliers and factors including the specific contents of our services, operating costs, market conditions and competitors' pricing of similar services. Our executive Directors and the accounting department monitors and reviews our pricing from time to time and keeps up to date on the regulatory changes to ensure our pricing is maintained at a competitive level. If we fail to adjust our pricing policy to adapt to changes to the market in a timely manner, our results of operations and financial performance could be materially and adversely affected.

Ability to control our costs and expenses

During the Track Record Period, (i) staff costs and (ii) cost of inventories, consumables and customised products represented the two largest components of our costs and expenses.

Our total staff costs comprised staff costs recognised in our cost of sales, selling expenses and administrative expenses. Our total staff costs amounted to approximately RMB27.6 million, RMB25.2 million, RMB31.0 million and RMB15.6 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

Our cost of inventories, consumables and customised products were one of the major components of our cost of sales, which amounted to approximately RMB11.9 million, RMB10.8 million, RMB11.2 million and RMB5.7 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

We in general aim to pass on the increase in our costs and expenses to our clients by adjusting the price of our services. If we are not able to pass on any increase in our costs, fully or partially, to our clients, our business, results of operations, financial condition and development prospects may be materially and adversely affected.

Advances in prevailing dental technologies and consumables

In order to keep up with the latest developments and trends in the dental service industry and respond to the changing needs and preferences of our patients, we are required to upgrade our existing service devices, invest in new service devices and introduce new services and products from time to time. Our ability to retain and attract clients and, in turn, our ability to generate revenue have been, and are expected to continue to be, affected by our ability to invest in new service devices and introduce new services and products and enhance our existing services derived from technological development. Our ability to continuously implement the latest devices and technologies and quickly as well as cost-efficiently respond to our clients' preferences has a direct effect on our financial condition and results of operations.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Our financial information has been prepared in accordance with accounting policies which conform with HKFRSs issued by the HKICPA. The preparation of our financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying values of the assets or liabilities affected in future periods.

Our significant accounting policies and accounting judgements and estimates are set forth in notes 2.4 and 3 to our financial statements included in the Accountants' Report in Appendix I to this prospectus. We set forth below the accounting policies, judgements and estimates that we believe are the most critical to our financial information or that involve the most significant judgements and estimates used in the preparation of our financial statements.

Significant accounting policies

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 our 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 our 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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the rendering of dental services is recognised over time because the customer simultaneously receives and consumes the benefits provided by our Group.

(a) Revenue from the rendering of orthodontics and cosmetic dentistry services, is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue on the basis of the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

(b) Revenue from the rendering of other dental services is recognised the services have been when rendered, given that such dental services are generally completed within a very short period of time.

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, our 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 estimated useful lives of property, plant and equipment are as follows:

Medical equipment	10 years
Office equipment and furniture	5 years
Motor vehicles	6 years
Leasehold improvements	Over the shorter of the improvements' life or the lease terms

The rate of residual values of property, plant and equipment are as follows:

Medical equipment	5%
Office equipment and furniture	5%
Motor vehicles	5%
Leasehold improvements	0%

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 method 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 represents leasehold improvements and business operating systems under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost is the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for use.

Leases

Our 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

Our Group applies a single recognition and measurement approach for all leases, except for short-term leases. Our 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 any 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:

Office premises	2 to 10 years

If ownership of the leased asset transfers to our 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 our Group payments of penalties for termination of a lease, if the lease term reflects our Group exercising the option to terminate the lease. For the lease transaction with a director, the lease liability is measured based on the contractual amount. 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, our Group uses its incremental borrowing rate ("**IBR**") 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

Our Group applies the short-term lease recognition exemption to its short-term leases of office premises and staff dormitory (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 are recognised as an expense on a straight-line basis over the lease term.

Significant accounting judgements and estimates

Revenue from contracts with customers

Our Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

Our Group concluded that revenue from the rendering of dental services of orthodontics and cosmetic dentistry is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by our Group.

Our Group determined that the input method is the best method in measuring the progress of orthodontics and cosmetic dentistry services because there is a direct relationship between our Group's effort (i.e., staff costs and cost of inventories, consumables and customised products incurred) and the transfer of services to the customer. Our Group recognises revenue on the basis of the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

Leases – Estimating the incremental borrowing rate

Our Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that our Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what our Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). Our Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

SUMMARY OF RESULTS OF OPERATIONS

Our consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
REVENUE	83,159	84,556	105,315	34,422	46,858
Cost of sales	(37,888)	(33,939)	(38,385)	(14,736)	(20,306)
Gross profit	45,271	50,617	66,930	19,686	26,552
Other income and gains	368	907	1,662	726	490
Selling expenses	(4,894)	(3,918)	(5,119)	(1,246)	(4,829)
Administrative expenses	(16,451)	(21,327)	(17,485)	(7,179)	(9,229)
Other expenses	(60)	(195)	(161)	–	(7)
Impairment losses on financial assets, net	(158)	(58)	311	35	28
Finance costs	(994)	(1,834)	(2,471)	(902)	(831)
PROFIT BEFORE TAX	23,082	24,192	43,667	11,120	12,174
Income tax expense	(7,619)	(9,212)	(11,490)	(3,122)	(3,656)
PROFIT FOR THE YEAR/PERIOD	15,463	14,980	32,177	7,998	8,518
OTHER COMPREHENSIVE INCOME/(LOSS)					
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations	5	(1)	–	–	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX	5	(1)	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	15,468	14,979	32,177	7,998	8,518

	For the year ended 31 December			For the five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit attributable to:					
Owners of the parent	15,429	14,903	32,069	7,975	8,517
Non-controlling interests	34	77	108	23	1
	15,463	14,980	32,177	7,998	8,518
Total comprehensive income attributable to:					
Owners of the parent	15,434	14,902	32,069	7,975	8,517
Non-controlling interests	34	77	108	23	1
	15,468	14,979	32,177	7,998	8,518

Non-HKFRS measures

We present the unaudited non-HKFRS measures to supplement our consolidated statements of profit or loss and other comprehensive income for the three years ended 31 December 2021 and the five months ended 31 May 2021 and 2022 that were prepared in accordance with HKFRS to provide additional information about our operating performance. Our Directors believe that the non-HKFRS measures will help our management and investors to assess our financial performance and financial condition as: (i) they are the non-HKFRS measures which are used by our management to evaluate our financial performance; and (ii) during the Track Record Period, we recorded significant listing expenses relating to the preparation of the Listing.

The unaudited non-HKFRS measures are not recognised terms under HKFRS. They do not have standardised meanings prescribed by HKFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, and they should not be construed as alternatives to other financial measures determined in accordance with HKFRS. We define (i) our adjusted net profit (non-HKFRS measures) as net profit for the year excluding the listing expenses; and (ii) our adjusted net profit margin (non-HKFRS measures) is calculated as the adjusted net profit (non-HKFRS measures) aforementioned as the percentage of the revenue for the same period. Our definition of adjusted net profit (non-HKFRS measures) and adjusted net profit margin (non-HKFRS measures) should not be considered in isolation or construed as alternatives to profit for the year or any other standard measures under HKFRS.

The use of the non-HKFRS measures has certain limitations. The non-HKFRS measures should be read in conjunction with our HKFRS measures.

The following table set forth the reconciliations of our non-HKFRS measure for the three years ended 31 December 2021 and the five months ended 31 May 2021 and 2022 to the nearest measures prepared in accordance with HKFRS:

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
PROFIT FOR THE YEAR/PERIOD	**15,463**	**14,980**	**32,177**	**7,998**	**8,518**
Add: Listing expenses	7,471	10,693	2,217	1,678	2,949
Adjusted net profit for the year/period (non-HKFRS measures)	22,934	25,673	34,394	9,676	11,467
Adjusted net profit margin for the year/period (non-HKFRS measures)	27.6%	30.4%	32.7%	28.1%	24.5%

Our adjusted net profit margin (non-HKFRS measures) was decreased by 3.6 percentage points from 28.1% for the five months ended 31 May 2021 to 24.5% for the five months ended 31 May 2022, primarily due to a significant increase in selling expenses by RMB3.6 million as we increased online advertising efforts and deployed extra sales and marketing personnel to promote the dental services in the newly established Wenzhou Oral Care, Lucheng Hospital and Wenzhou Hospital.

Movement of retained profits/(accumulated losses)

The following table sets forth the movement of retained profits/(accumulated losses) as extracted from the consolidated statements of changes in equity during the Track Record Period:

	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	16,176	(6,226)	(8,114)	20,964
Profit for the year/period	15,429	14,903	32,069	8,517
Deemed distribution to the then shareholders	(4,512)	(15,424)	–	–
Dividend declared by a subsidiary	(32,000)	–	–	–
Transfer to statutory surplus reserve	(1,319)	(1,367)	(2,991)	–
At 31 December 2019, 2020, 2021 and 31 May 2022	(6,226)	(8,114)	20,964	29,481

Our accumulated losses of approximately RMB6.2 million as at 1 January 2020 was partially due to (i) the deemed distribution to the then shareholders resulted from the Reorganisation; and (ii) the dividend declared by Wenzhou Hospital of RMB32.0 million in 2019 (the "**Dividend**"), which were both one-off items. As confirmed by our Company, the amount of the Dividend was less than Wenzhou Hospital's retained profits (i.e. profits deducting any loss made in the previous financial years) after drawing its statutory common reserve.

The accumulated losses position of our Group further exacerbated to approximately RMB8.1 million as at 31 December 2020 due to the combined effect of (i) the recognition of listing expenses of approximately RMB10.7 million for the year ended 31 December 2020; and (ii) the settlement of the consideration of the acquisition of 95% equity interest of Dehong Medical from the then controlling shareholders as part of the Reorganisation of approximately RMB24.9 million during the year ended 31 December 2020.

Based on the aforementioned, our PRC Legal Advisers confirmed that the Dividend and the acquisitions as mentioned in the Reorganisation have been conducted in compliance with applicable PRC laws and regulations in all material respects.

Nonetheless, we turned from an accumulated loss position to a retained profit position of approximately RMB21.0 million as at 31 December 2021 and approximately RMB29.5 million as at 31 May 2022, primarily attributable to our profit (excluding non-controlling interests) for the year/period of approximately RMB32.1 million and approximately RMB8.5 million, respectively.

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue from operating five private dental hospitals in Wenzhou, Zhejiang Province, the PRC. All of our hospitals are private dental hospitals, which are specialised in providing comprehensive dental services to individuals, covering mainly four dental sectors (i) general dentistry; (ii) orthodontics and cosmetic dentistry; (iii) reparative dentistry; and (iv) implant dentistry.

The following table sets forth a breakdown of revenue by types of dental services provided for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
General dentistry	30,110	36.2	32,856	38.9	36,604	34.8	13,143	38.2	13,885	29.6
Orthodontics and cosmetic dentistry	20,934	25.2	21,658	25.6	22,587	21.4	8,751	25.4	7,102	15.2
Reparative dentistry	17,171	20.6	16,800	19.9	23,229	22.1	6,661	19.4	9,637	20.6
Implant dentistry	9,448	11.4	7,852	9.3	16,608	15.8	3,449	10.0	13,910	29.7
Others *(note)*	5,496	6.6	5,390	6.3	6,287	5.9	2,418	7.0	2,324	4.9
Total	83,159	100.0	84,556	100.0	105,315	100.0	34,422	100.0	46,858	100.0

Note: Others primarily include revenue derived from (i) the provision of teeth cleansing services; (ii) radiological imaging; and (iii) medication.

General dentistry was our largest service type, representing more than 30% of our total revenue during the three years ended 31 December 2021. Revenue generated from both general dentistry and orthodontics and cosmetic dentistry were increasing steadily during the three years ended 31 December 2021. Despite their steady increase in revenue, their proportion to the total revenue of our Group decreased during the year ended 31 December 2021 as the proportion contributed by reparative dentistry and implant dentistry grew. For the five months ended 31 May 2022, the proportion of general dentistry further dropped and implant dentistry became our largest service type.

Due to the impact of the outbreak of COVID-19, (i) the operation of our Group's dental hospitals was temporarily suspended since 29 January 2020 and was partially resumed in March 2020 and was fully resumed in May 2020, in compliance with the notices issued by the relevant governmental authorities; and (ii) our Group was not allowed to offer high risk dental services to our customers until full resumption of our operations since May 2020, thus, our revenue derived from reparative dentistry and implant dentistry decreased from approximately RMB17.2 million and RMB9.4 million for the year ended 31 December 2019, respectively, to approximately RMB16.8 million and RMB7.9 million for the year ended 31 December 2020, respectively. Subsequently, due to the increase in the number of visits primarily as a result of the lifting of restrictions and social distancing measures in relation to the COVID-19 pandemic during the year ended 31 December 2021, our revenue generated from reparative dentistry and implant dentistry increased significantly to approximately RMB23.2 million and RMB16.6 million, respectively, for the year ended 31 December 2021 and further from RMB6.7 million and RMB3.4 million for the five months ended 31 May 2021 to RMB9.6 million and RMB13.9 million, respectively, for the same period in 2022.

General dentistry

Our general dentistry focuses on the examination, diagnosis, prevention and treatment of disorders of the orofacial region. The key dental services we offered under general dentistry includes (i) teeth filling; and (ii) root canal treatment. The revenue generated from the provision of services under general dentistry amounted to approximately RMB30.1 million, RMB32.9 million, RMB36.6 million and RMB13.9 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively, representing approximately 36.2%, 38.9%, 34.8% and 29.6% of our total revenue for the corresponding year/period which was our largest revenue stream for the three years ended 31 December 2021.

General dentistry covers the most basic and common treatments in our hospitals and there are different kind of techniques or materials available to choose in the treatments, therefore the standard price may vary a lot. In addition, the key services under general dentistry, such as teeth filling, root canal treatment and teeth extraction, are priced based on the number of tooth subject to the treatment. Therefore, the spending of each patient will vary significantly with the condition of each patient.

The following table sets forth a breakdown of our revenue, number of visits and average spending per visit of the major service types provided under our general dentistry for the periods indicated:

	For the year ended 31 December			For the five months ended	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Teeth filling					
Revenue *(RMB'000)*	12,744	15,064	18,272	4,687	6,869
Number of visits	23,717	22,063	24,983	6,936	8,526
Average spending per visit *(RMB)*	537.3	682.8	731.4	675.8	805.7
Root canal treatments					
Revenue *(RMB'000)*	7,673	8,006	8,017	3,173	2,399
Number of visits	15,684	12,655	11,635	5,166	3,665
Average spending per visit *(RMB)*	489.2	632.6	689.0	614.2	654.6
Teeth extraction					
Revenue *(RMB'000)*	4,725	5,464	4,980	2,862	1,791
Number of visits	16,717	15,512	15,737	7,708	5,414
Average spending per visit *(RMB)*	282.6	352.2	316.5	371.3	330.8
Periodontal treatments					
Revenue *(RMB'000)*	3,363	1,977	2,571	1,155	596
Number of visits	2,729	1,486	1,879	861	434
Average spending per visit *(RMB)*	1,232.3	1,330.4	1,368.3	1,341.5	1,373.3
Others					
Revenue *(RMB'000)*	1,605	2,345	2,764	1,266	2,230
Number of visits	12,330	11,507	13,074	7,289	7,209
Average spending per visit *(RMB)*	130.2	203.8	211.4	173.7	309.3
Total revenue *(RMB'000)*	30,110	32,856	36,604	13,143	13,885
Total number of visits	71,177	63,223	67,308	27,960	25,248
Overall average spending per visit *(RMB)*	423.0	519.7	543.8	470.1	549.9

Revenue generated from teeth filling was on an increasing trend and was approximately RMB12.7 million, RMB15.1 million, RMB18.3 million and RMB6.9 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, mainly attributable to the general increasing trend in the number of visits and average spending per visit. If possible, teeth filling is a preferred treatment for both doctors and patients because the original tooth is kept as compared to extraction and implantation. Therefore, the number of visits under teeth filling kept increasing during the Track Record Period, except for the year ended 31 December 2020 due to the adverse impacts brought by the outbreak of COVID-19. The increasing trend of the average spending per visit was mainly attributable to the increasing popularity and acceptance of more advanced filing material with higher standard price.

Revenue generated from root canal treatments was relatively stable and was approximately RMB7.7 million, RMB8.0 million and RMB8.0 million for the three years ended 31 December 2021 and decreased from approximately RMB3.2 million for the five months ended 31 May 2021 to approximately RMB2.4 million for the five months ended 31 May 2022, mainly attributable to the decrease in the number of visits net-off by the increase in average spending per visit. The decrease in number of visits was mainly attributable to the adverse impacts brought by the outbreak of COVID-19 and the condition of the patients. Average spending per visit under root canal treatments was on an increasing trend. The spending for each treatment usually depends on the number of tooth subject to the treatment based on the condition of the patients.

Revenue generated from teeth extraction was approximately RMB4.7 million, RMB5.5 million, RMB5.0 million and RMB1.8 million, while revenue from periodontal treatments was approximately RMB3.4 million, RMB2.0 million, RMB2.6 million and RMB0.6 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. The fluctuation in number of visits was mainly attributable to the adverse impacts brought by the outbreak of COVID-19 and the subsequent lifting of restrictions and social distancing measures in relation to the COVID-19 pandemic. Average spending per visit under teeth extraction and periodontal treatments were on a general increasing trend. The spending for each treatment usually depends on the number of tooth subject to the treatment based on the condition of the patients.

Other services provided under our general dentistry mainly represented regular oral examinations and miscellaneous treatments such as suture removal and debridement.

Orthodontics and cosmetic dentistry

Orthodontics and cosmetic dentistry focus on diagnosis, prevention, interception, and correction of misalignment or incorrect relation between the teeth as well as skeletal abnormalities of developing or mature orofacial structures by different types of braces. The key dental services we offered under orthodontics and cosmetic dentistry include teeth orthodontics using (i) standard metal braces or metal wires, (ii) clear braces or ceramic braces; and (iii) transparent dental braces made of intelligent materials, such as INVISALIGN®. Revenue generated from provision of services under orthodontics and cosmetic dentistry amounted to approximately RMB20.9 million, RMB21.7 million, RMB22.6 million and RMB7.1 million, respectively, representing approximately 25.2%, 25.6%, 21.4% and 15.2% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

The following table sets forth a breakdown of our revenue, number of patients receiving the treatment and average spending per patient receiving the treatment, of the major service types provided under our orthodontics and cosmetic dentistry for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	2020	2021	2021	2022
				(unaudited)	
Metal brackets and wires					
Revenue *(RMB'000)*	12,508	13,423	15,723	5,572	5,074
Number of patients receiving the treatment*(Note)*	1,730	1,832	2,104	756	572
Average spending per patient *(RMB)*	7,230.1	7,327.0	7,472.9	7,370.4	8,870.6
Clear or ceramic brackets					
Revenue *(RMB'000)*	3,400	2,372	2,103	850	631
Number of patients receiving the treatment*(Note)*	199	141	121	49	35
Average spending per patient *(RMB)*	17,085.4	16,822.7	17,380.2	17,346.9	18,028.6
INVISALIGN®					
Revenue *(RMB'000)*	2,485	2,117	1,563	767	355
Number of patients receiving the treatment*(Note)*	90	74	54	27	12
Average spending per patient *(RMB)*	27,611.1	28,608.1	28,944.4	28,407.4	29,583.3
Functional appliance					
Revenue *(RMB'000)*	1,939	1,894	1,394	534	269
Number of patients receiving the treatment*(Note)*	450	426	309	120	64
Average spending per patient *(RMB)*	4,308.9	4,446.0	4,511.3	4,450.0	4,203.1
Others					
Revenue *(RMB'000)*	602	1,852	1,804	1,028	773
Number of patients receiving the treatment*(Note)*	411	1,918	2,525	1,203	780
Average spending per patient *(RMB)*	1,464.7	965.6	714.5	854.5	991.0
Total revenue *(RMB'000)*	20,934	21,658	22,587	8,751	7,102
Number of patients receiving the treatment*(Note)*	2,880	4,391	5,113	2,155	1,463
Average spending per patient *(RMB)*	7,268.8	4,932.4	4,417.6	4,060.8	4,854.4

Note: Orthodontics and cosmetic dentistry treatment generally involves multiple treatment sessions in the same year or spanning over one year and patients are generally charged a package price instead of session price. The average spending per patient receiving the treatment in the relevant year would thus be usually less than the entire price of the full course of treatment.

Revenue generated from metal brackets and wires was on an increasing trend and was approximately RMB12.5 million, RMB13.4 million and RMB15.7 million for the three years ended 31 December 2021, mainly attributable to the increase in the number of patients and average spending per visit. The increase in number of visits was mainly as a result of (i) the growing acceptance of orthodontics and cosmetic services for the improvement of personal appearance; and (ii) our service quality and broad service scope which captured the growing demand for dental services in Wenzhou. Revenue generated from metal brackets and wires decreased from approximately RMB5.6 million for the five months ended 31 May 2021 to approximately RMB5.1 million for the five months ended 31 May 2022, mainly attributable to the decrease in the number of patients net-off by the increase in average spending per visit. The average spending per patient for metal brackets and wires was on an increasing trend, which was primarily due to the introduction of new products, the standard price of which are generally higher than old products.

Revenue generated from clear or ceramic brackets was approximately RMB3.4 million, RMB2.4 million, RMB2.1 million and RMB0.6 million, while revenue generated from INVISALIGN® was approximately RMB2.5 million, RMB2.1 million, RMB1.6 million and RMB0.4 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. The decrease in revenue was mainly due to the decrease in number of patients, as a result of more patients selecting metal brackets and wires which were of lower prices, while fewer patients were selecting clear or ceramic brackets and INVISALIGN® which were of higher prices. Number of patients under clear or ceramic brackets and INVISALIGN®, which was the most expensive treatment, were on a generally decreasing trend. Average spending per patient for clear or ceramic brackets and INVISALIGN® remained relatively stable.

Revenue generated from functional appliance was relatively stable at approximately RMB1.9 million for the two years ended 31 December 2020, then decreased to approximately RMB1.4 million for the year ended 31 December 2021 and approximately RMB0.3 million for the five months ended 31 May 2022 mainly due to the decrease in number of patients. Number of patients under functional appliance was also on a decreasing trend. Average spending per patient for functional appliance was stable for the three years ended 31 December 2021 and the five months ended 31 May 2022 because appliance model with a standard price of RMB4,000 per set had consistently been in use throughout the whole Track Record Period.

Reparative dentistry

Reparative dentistry is a type of treatment to restore the function, integrity and morphology of missing tooth structure. The key dental services we offered under reparative dentistry includes: (i) dental crown; and (ii) removable denture. The price for dental crown and removable denture are generally related to the respective material and number of tooth subject. The revenue generated from the provision of services under reparative dentistry amounted to approximately RMB17.2 million, RMB16.8 million, RMB23.2 million and RMB9.6 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively, representing approximately 20.6%, 19.9%, 22.1% and 20.6% of our total revenue for the corresponding year/period.

The following table sets forth a breakdown of our revenue, number of visits provided and average spending per visit of the major service types provided under our reparative dentistry for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Dental crown					
Revenue *(RMB'000)*	16,931	16,414	22,802	6,531	9,411
Number of visits	4,506	4,182	5,314	1,580	2,083
Average spending per visit *(RMB)*	3,757.4	3,924.9	4,290.9	4,133.5	4,518.0
Removable denture					
Revenue *(RMB'000)*	161	318	349	105	178
Number of visits	279	517	523	161	175
Average spending per visit *(RMB)*	577.1	615.1	667.3	652.2	1,017.1
Others					
Revenue *(RMB'000)*	79	68	78	25	48
Number of visits	522	730	446	251	418
Average spending per visit *(RMB)*	151.3	93.2	174.9	99.6	114.8
Total revenue *(RMB'000)*	17,171	16,800	23,229	6,661	9,637
Total number of visits	5,307	5,429	6,283	1,992	2,676
Overall average spending per visit *(RMB)*	3,235.5	3,094.5	3,697.1	3,343.9	3,601.3

Revenue generated from dental crown was relatively stable at approximately RMB16.9 million and RMB16.4 million for the two years ended 31 December 2020, then increased to approximately RMB22.8 million for the year ended 31 December 2021 and approximately RMB9.4 million for the five months ended 31 May 2022 mainly due to the increase in number of visits. Number of visits under dental crown was on a general increasing trend for the three years ended 31 December 2021 and the five months ended 31 May 2022 except for 2020 which was due to the outbreak of the COVID-19 pandemic. Average spending per patient for dental crown was on an increasing trend for the three years ended 31 December 2021 and the five months ended 31 May 2022. The price for dental crown is generally related to the respective material chosen and number of tooth subject.

Revenue generated from removable denture was relatively stable at RMB0.2 million, RMB0.3 million and RMB0.3 million for the three years ended 31 December 2021, and increased from approximately RMB0.1 million for the five months ended 31 May 2021 to approximately RMB0.2 million for the five months ended 31 May 2022. Number of visits under removable denture was stable for the three years ended 31 December 2021. Average spending per visit for removable denture was on an increasing trend for the three years ended 31 December 2021 and the five months ended 31 May 2022. The price for removable denture is generally related to the respective material chosen and number of tooth subject.

Implant dentistry

Our implant dentistry surgically placed fixture dental implant in the patient's jawbone as the foundation to replace the damaged or missing tooth with prosthetic. The revenue generated from the provision of services under implant dentistry amounted to approximately RMB9.4 million, RMB7.9 million, RMB16.6 million and RMB13.9 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively, representing approximately 11.4%, 9.3%, 15.8% and 29.7% of our total revenue for the corresponding year/period.

The following table sets forth a breakdown of our revenue, number of visits and average spending per visit of the major service types provided under our implant dentistry for the periods indicated:

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
				(unaudited)	
Dental implant					
Revenue *(RMB'000)*	9,411	7,782	16,556	3,426	13,898
Number of visits	951	784	1,660	358	1,322
Average spending per visit *(RMB)*	9,895.9	9,926.0	9,973.5	9,569.8	10,512.9
Others					
Revenue *(RMB'000)*	37	70	52	23	12
Number of visits	473	441	370	131	100
Average spending per visit *(RMB)*	78.2	158.7	140.5	175.6	120.0
Total revenue *(RMB'000)*	9,448	7,852	16,608	3,449	13,910
Total number of visits	1,424	1,225	2,030	489	1,422
Overall average spending per visit *(RMB)*	6,634.8	6,409.8	8,181.3	7,053.2	9,782.0

Revenue generated from dental implant was approximately RMB9.4 million, RMB7.8 million, RMB16.6 million and RMB13.9 million for the three years ended 31 December 2021 and the five months ended 31 May 2022. The fluctuation was in line with the fluctuation in the number of visits, which was mainly attributable to the adverse impacts brought by the outbreak of COVID-19 and the subsequent lifting of restrictions and social distancing measures in relation to the COVID-19 pandemic. The average spending per visit for dental implant remained relatively stable for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Revenue by our five private dental hospitals

During the Track Record Period, we generated our revenue from five private dental hospitals in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care in Wenzhou City Area, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City.

The following table sets forth a breakdown of revenue from our five private dental hospitals for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue	Revenue	% of the total revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*unaudited*)	*%*	*RMB'000*	*%*
Wenzhou Hospital	60,349	72.6	63,974	75.7	73,943	70.2	25,574	74.3	26,471	56.5
Longgang Hospital	5,161	6.2	6,731	8.0	7,364	7.0	2,479	7.2	2,115	4.5
Lucheng Hospital	14,813	17.8	11,542	13.6	19,828	18.8	5,191	15.1	11,199	23.9
Rui'an Branch Hospital	2,836	3.4	2,309	2.7	3,014	2.9	1,178	3.4	1,020	2.2
Wenzhou Oral Care	–	–	–	–	1,166	1.1	–	–	6,053	12.9
Total	83,159	100.0	84,556	100.0	105,315	100.0	34,422	100.0	46,858	100.0

Wenzhou Hospital, which commenced operations in March 2011, contributed the largest share of our revenue throughout the Track Record Period, representing approximately 72.6%, 75.7%, 70.2% and 56.5% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

With the aim to enhance our presence in Wenzhou, we started to expand our dental services since 2016. Longgang Hospital commenced operations in October 2016. Revenue contributed by Longgang Hospital represented approximately 6.2%, 8.0%, 7.0% and 4.5% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Lucheng Hospital, which is located in the downtown area of Wenzhou City with easy accessibility, commenced operations in June 2017. Benefited from accumulation of customer base and our marketing efforts, revenue contributed by Lucheng Hospital grew rapidly and represented the second-largest dental hospital of our Group during the Track Record Period, representing approximately 17.8%, 13.6%, 18.8% and 23.9% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022.

Rui'an Branch Hospital commenced operations in April 2018 and represented approximately 3.4%, 2.7%, 2.9% and 2.2% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

Wenzhou Oral Care is our newest dental hospital which commenced operations in November 2021, contributing approximately nil, nil, 1.1% and 12.9% of our total revenue for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

Cost of sales

Our cost of sales mainly included (i) staff costs; and (ii) cost of inventories, consumables and customised products. During the Track Record Period, our cost of sales amounted to approximately RMB37.9 million, RMB33.9 million, RMB38.4 million and RMB20.3 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Cost of sales	% of the total cost of sales	Cost of sales	% of the total cost of sales	Cost of sales	% of the total cost of sales	Cost of sales	% of the total cost of sales	Cost of sales	% of the total cost of sales
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Staff costs	19,303	50.9	17,145	50.5	20,124	52.4	7,718	52.4	10,176	50.1
Cost of inventories, consumables and customised products	11,936	31.5	10,759	31.7	11,201	29.2	4,319	29.3	5,714	28.1
Depreciation expenses of property, plant and equipment and right-of-use assets	5,905	15.6	5,029	14.8	5,884	15.3	2,375	16.1	3,618	17.8
Others	744	2.0	1,006	3.0	1,176	3.1	324	2.2	798	4.0
Total	37,888	100.0	33,939	100.0	38,385	100.0	14,736	100.0	20,306	100.0

Our cost structure remained similar throughout the Track Record Period. Staff costs and cost of inventories, consumables and customised products were the two largest components of cost of sales during the Track Record Period, which in aggregate accounted for approximately 82.4%, 82.2%, 81.6% and 78.2% of our total cost of sales for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. Our staff costs recognised as part of cost of sales primarily included basic salaries and performance-related bonuses of dentists and nurses. Our cost of inventories, consumables and customised products mainly included: (i) medical consumables, including various materials mainly for implant dentistry, and orthodontics and cosmetic dentistry; (ii) pharmaceuticals; and (iii) customised products mainly comprising removable dentures, invisible braces and dental crowns.

Staff costs remained relatively and generally stable, accounting for around 50% of total cost of sales, except for the year ended 31 December 2021 during which the proportion of staff cost accounted for 52.4% which was mainly due to the decrease in cost of inventories, consumables and customised products as discussed below.

Cost of inventories, consumables and customised products demonstrated an overall decreasing trend in terms of its proportion in cost of sales from approximately 31.5% in 2019 to approximately 29.2% in 2021 and further to approximately 28.1% in the five months ended 31 May 2022 because of (i) stricter cost control after the COVID-19 pandemic on the use of consumables; and (ii) the changes in service mix in orthodontics and cosmetic dentistry with lower proportion of patients opting for INVISALIGN® products which are relatively expensive customised products in our inventories, the number of patients opting for INVISALIGN® decreased from 90 patients in 2019 to 74 in 2020 and further to 54 in 2021 and from 27 for the five months ended 31 May 2021 to 12 for the five months ended 31 May 2022; and (iii) the bulk purchase discount secured for one of the implant materials suppliers.

Depreciation expenses of property, plant and equipment and right-of-use assets on the other hand recorded an overall general increasing trend in terms of its proportion in cost of sales from approximately 14.8% in 2020 to approximately 15.3% in 2021 and further to approximately 17.8% in the five months ended 31 May 2022 as a result of the opening of Wenzhou Oral Care which increased our Group's right-of-use assets arising from (i) the renting of property as premises for the operation of Wenzhou Oral Care; and (ii) the significant increase in property, plant and equipment in 2021 and for the five months ended 31 May 2022.

Our Group has a higher proportion of fixed cost such as the basic salaries in staff costs and depreciation expenses, which leads to higher degrees of operating leverage.

Gross profit and gross profit margin

For the three years ended 31 December 2021 and the five months ended 31 May 2022, our Group recorded gross profit of approximately RMB45.3 million, RMB50.6 million, RMB66.9 million and RMB26.6 million, respectively, representing an overall gross profit margin of approximately 54.4%, 59.9%, 63.6% and 56.7% for the corresponding year/period.

The following table sets forth a breakdown of our gross profit and gross profit margin by our five private dental hospitals for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Wenzhou Hospital	37,410	62.0	42,739	66.8	51,120	69.1	16,189	63.3	17,501	66.1
Longgang Hospital	1,977	38.3	3,302	49.1	3,941	53.5	1,135	45.8	703	33.2
Lucheng Hospital	6,090	41.1	4,292	37.2	10,525	53.1	2,148	41.4	6,410	57.2
Rui'an Branch Hospital	(206)	(7.3)	284	12.3	697	23.1	214	18.2	208	20.4
Wenzhou Oral Care	–	N/A	–	N/A	647	55.5	–	–	1,730	28.6
	45,271	54.4	50,617	59.9	66,930	63.6	19,686	57.2	26,552	56.7

During the Track Record Period, Wenzhou Hospital contributed the largest share of gross profit. Gross profit margin of Wenzhou Hospital was approximately 62.0%, 66.8%, 69.1% and 66.1% for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. Our high degrees of operating leverage experience more significant changes in gross profit when revenue changes. Therefore, in line with our overall increasing trend in revenue, our gross profit margin also demonstrated and increasing trend.

Based on the previous operating experience of our Directors, the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our revenue generated from new hospitals may not cover fixed costs such as staff costs paid to dentists, nurses and other medical professionals during their initial stages of operation. As such, we recorded gross loss for Rui'an Branch Hospital for the year ended 31 December 2019 as it merely commenced operations in April 2018. During the years ended 31 December 2020 and 2021 and the five months ended 31 May 2022, all of our dental hospitals recorded gross profit. Although Wenzhou Oral Care only commenced operation in November 2021, it generated sufficient revenue to cover its cost of sales and recorded a gross profit since the year ended 31 December 2021.

Other income and gains

Our other income and gains amounted to approximately RMB0.4 million, RMB0.9 million, RMB1.7 million and RMB0.5 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. Our other income and gains primarily represented (i) other interest income from financial assets at fair value through profit or loss, which represented the financial products we purchased from a licensed bank in Wenzhou; (ii) bank interest income; (iii) non-recurring government grant of approximately RMB0.4 million for the year ended 31 December 2020, which mainly represents the relief measures adopted by the governmental authority in response to the outbreak of COVID-19 pursuant to the relevant governmental notice; (iv) non-recurring government grant of approximately RMB0.1 million and approximately RMB54,000 for the year ended 31 December 2021 and the five months ended 31 May 2022, which mainly represents the incentives received from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development; and (v) gains on early termination of certain lease agreements of approximately RMB258,000 for the year ended 31 December 2021.

Selling expenses

During the Track Record Period, our selling expenses primarily comprised marketing and promotion expenses, and staff costs. For the three years ended 31 December 2021 and the five months ended 31 May 2022, our selling expenses amounted to approximately RMB4.9 million, RMB3.9 million, RMB5.1 million and RMB4.8 million, respectively.

The following table sets forth a breakdown of our selling expenses for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Marketing and promotion expenses	1,745	35.7	1,212	30.9	1,934	37.8	251	20.1	2,506	51.9
Staff costs	2,888	59.0	2,391	61.0	2,954	57.7	883	70.9	2,218	45.9
Amortisation of intangible assets	59	1.2	60	1.5	46	0.9	23	1.8	31	0.6
Rental expenses	34	0.7	70	1.8	52	1.0	17	1.4	30	0.6
Others	168	3.4	185	4.8	133	2.6	72	5.8	44	1.0
Total	4,894	100.0	3,918	100.0	5,119	100.0	1,246	100.0	4,829	100.0

Marketing and promotion expenses, including offline marketing such as publishing advertisement in the newspaper and on public commune, and online marketing such as search engine optimisation in Baidu, represented a significant portion of our selling expenses at approximately 35.7%, 30.9%, 37.8% and 51.9% for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

Staff costs recognised as part of selling expenses represented salaries and bonuses to our sales and marketing staff, who are responsible for management and organisation of our advertising and marketing campaigns, during the Track Record Period. Our staff costs represented approximately 59.0%, 61.0%, 57.7% and 45.9% of selling expenses for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

Administrative expenses

During the Track Record Period, our administrative expenses primarily comprised (i) staff costs; (ii) depreciation expenses of property, plant and equipment and right-of-use assets; and (iii) listing expenses. Our administrative expenses amounted to approximately RMB16.5 million, RMB21.3 million, RMB17.5 million and RMB9.2 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended 31 December						For the five months ended 31 May			
	2019		2020		2021		2021		2022	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
Staff costs	5,389	32.8	5,696	26.7	7,932	45.4	3,045	42.4	3,164	34.3
Depreciation expenses of property, plant and equipment and right-of-use assets	1,153	7.0	2,585	12.1	5,030	28.8	1,333	18.6	2,038	22.0
Office expenses	386	2.3	379	1.8	358	2.0	112	1.6	184	2.0
Travelling and entertainment expenses	687	4.2	559	2.6	399	2.3	198	2.8	76	0.8
Tax surcharge	99	0.6	65	0.3	75	0.4	49	0.7	10	0.1
Utilities expenses	62	0.4	67	0.3	73	0.4	24	0.3	192	2.1
Bank charges	109	0.7	150	0.7	188	1.1	62	0.9	99	1.1
Listing expenses	7,471	45.4	10,693	50.1	2,217	12.7	1,678	23.4	2,949	32.0
Others	1,095	6.6	1,133	5.4	1,213	6.9	678	9.3	517	5.6
Total	16,451	100.0	21,327	100.0	17,485	100.0	7,179	100.0	9,229	100.0

Staff costs was one of the major components of our administrative expenses, representing approximately 32.8%, 26.7%, 45.4% and 34.3% of our administrative expenses for the corresponding years/period, respectively, which included mainly managerial and administrative staff.

Listing expenses mainly included professional fees to legal, accounting and other advisers for their services rendered in preparation for the Listing.

Impairment losses on financial assets, net

Our impairment losses on financial assets, net represented expected credit losses of our trade receivables provided for in accordance with HKFRS 9, which amounted to approximately RMB0.2 million and RMB58,000 for the two years ended 31 December 2020, respectively. For the year ended 31 December 2021 and the five months ended 31 May 2022, our Group recorded approximately RMB0.3 million and RMB28,000 of reversal of impairment losses on financial assets.

Finance costs

Our finance costs amounted to approximately RMB1.0 million for the year ended 31 December 2019. Such finance costs represented the interest on our lease liabilities, being the leased properties where our dental hospitals and offices situated, with a lease term ranging from two to ten years. In accordance with HKFRS 16, leases were recognised in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and the relevant interest expense should be recognised as a component of finance costs. Our finance costs amounted to approximately RMB1.8 million and RMB2.5 million for the two years ended 31 December 2021, respectively, mainly comprises (i) interest on our lease liabilities of approximately RMB1.0 million and RMB1.7 million, respectively; and (ii) interest of approximately RMB0.8 million and RMB0.7 million, respectively, derived from the loan in the sum of RMB25.0 million from a PRC individual, being an Independent Third Party, obtained in March 2020, which was fully settled upon expiry in September 2021. For details of such loan, please refer to section headed "Financial Information – Net Current Assets/(Liabilities)". Our finance costs amounted to approximately RMB0.8 million for the five months ended 31 May 2022, which mainly represents interest on our lease liabilities of approximately RMB0.8 million.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

(i) Cayman Islands and BVI

Our Group is not subject to any income tax in the Cayman Islands or BVI during the Track Record Period.

(ii) Hong Kong

No provision for profits tax has been made as our Group did not generate any assessable profits arising in Hong Kong during the Track Record Period.

(iii) PRC

The provision of income tax is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of our Group as determined in accordance with the Law of the PRC on Enterprise Income Tax which was approved and became effective on 1 January 2008.

Our income tax expense amounted to approximately RMB7.6 million, RMB9.2 million, RMB11.5 million and RMB3.7 million for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. Our effective tax rate was approximately 33.0%, 38.1%, 26.3% and 30.0% for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively, which were higher than the statutory rate of 25% primarily because of the (i) non-deductible expenses incurred; (ii) temporary differences and tax losses not recognised due to our loss-making subsidiaries for the corresponding year; and (iii) Waiver from the repayment of the Shareholder's Loan during the year ended 31 December 2020.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved tax issues or disputes with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Five months ended 31 May 2022 compared to five months ended 31 May 2021

Revenue

Our revenue increased by approximately RMB12.5 million or 36.3% from approximately RMB34.4 million for the five months ended 31 May 2021 to approximately RMB46.9 million for the five months ended 31 May 2022, which was mainly attributable to (i) the increase in revenue contribution from our implant dentistry, with the percentage of revenue generated from implant dentistry to total revenue increased significantly from approximately 10.0% to approximately 29.7% and implant dentistry had the highest overall average spending per visit among our four types of dental services; (ii) our enhanced online marketing and promotion efforts primarily on implant dentistry of Lucheng Hospital and Wenzhou Oral Care after increasing our capacity; (iii) the organic growth of our dental hospitals, especially the newly established Wenzhou Oral Care; and partly offset by (iv) the adverse impacts brought by the resurgence of regional outbreak of COVID-19 in China, especially in March and April 2022.

Revenue by types of dental services:

General dentistry

Our revenue generated from our general dentistry increased by approximately RMB0.8 million or 6.1% from approximately RMB13.1 million for the five months ended 31 May 2021 to approximately RMB13.9 million for the five months ended 31 May 2022. Such increase was mainly attributable to (i) the increase in the overall average spending per visit; partly net-off by (ii) the decrease in the number of visits of approximately 2,700, mainly as a result of the adverse impacts brought by the resurgence of regional outbreak of COVID-19 during the five months ended 31 May 2022.

Revenue generated from teeth filling increased from approximately RMB4.7 million for the five months ended 31 May 2021 to approximately RMB6.9 million for the five months ended 31 May 2022. If possible, teeth filling is a preferred treatment for both doctors and patients because the original tooth is kept as compared to extraction and implantation. Therefore, the number of visits of teeth filling increased by approximately 1,600 during the period. The average spending per visit also increased from approximately RMB675.8 for the five months ended 31 May 2021 to approximately RMB805.7 for the five months ended 31 May 2022. The increasing trend was mainly attributable to the increasing popularity and acceptance of more advanced material with higher standard price.

Revenue generated from root canal treatments decreased from approximately RMB3.2 million for the five months ended 31 May 2021 to approximately RMB2.4 million for the five months ended 31 May 2022. We recorded a decrease of approximately 1,500 number of visits under root canal treatments, while the average spending per visit increased from approximately RMB614.2 for the five months ended 31 May 2021 to approximately RMB654.6 for the five months ended 31 May 2022. The average spending of each treatment depends on the number of tooth subject to the treatment.

Revenue generated from teeth extraction was approximately RMB2.9 million and RMB1.8 million, respectively, while the revenue from periodontal treatments was approximately RMB1.2 million and RMB0.6 million, respectively, for the five months ended 31 May 2021 and 2022. The movement in the revenue from teeth extraction and periodontal treatments was primarily caused by the decrease in the respective number of visits during the relevant period.

Orthodontics and cosmetic dentistry

Our revenue generated from orthodontics and cosmetic dentistry decreased by approximately RMB1.7 million, or 19.3%, from approximately RMB8.8 million for the five months ended 31 May 2021 to approximately RMB7.1 million for the five months ended 31 May 2022, which was mainly due to (i) the decrease in the number of patients of approximately 700, mainly as a result of the adverse impacts brought by the resurgence of regional outbreak of COVID-19; partly net-off by (ii) the increase in overall average spending per patient.

Revenue generated from metal brackets and wires decreased from approximately RMB5.6 million for the five months ended 31 May 2021 to approximately RMB5.1 million for the five months ended 31 May 2022. The average spending per patient for metal brackets and wires was approximately RMB7,370.4 and RMB8,870.6 for the five months ended 31 May 2021 and 2022, respectively. The increasing trend was mainly attributable to the increasing popularity and acceptance of more advanced material with higher standard price.

Revenue generated from clear or ceramic brackets decreased from approximately RMB0.9 million for the five months ended 31 May 2021 to RMB0.6 million for the five months ended 31 May 2022. The average spending per patient for clear or ceramic brackets maintained relatively stable at approximately RMB17,346.9 and RMB18,028.6 for the five months ended 31 May 2021 and 2022, respectively.

Revenue generated from INVISALIGN® decreased from approximately RMB0.8 million for the five months ended 31 May 2021 to approximately RMB0.4 million for the five months ended 31 May 2022. As confirmed by our Directors, metal brackets and wires were recommended to the patients due to its cheaper prices and overall satisfactory result. The average spending per patient for INVISALIGN® remained relatively stable at approximately RMB28,407.4 and RMB29,583.3 for the five months ended 31 May 2021 and 2022, respectively.

Revenue generated from functional appliance decreased from approximately RMB0.5 million for the five months ended 31 May 2021 to approximately RMB0.3 million for the five months ended 31 May 2022. The average spending per patient for functional appliance was approximately RMB4,450.0 and RMB4,203.1 for the five months ended 31 May 2021 and 2022, respectively. Appliance model with a standard price of RMB4,000 per set had consistently been in use throughout the whole Track Record Period, therefore, the average spending per patient remained relatively stable.

Reparative dentistry

Our revenue generated from reparative dentistry increased by approximately RMB2.9 million or 43.3% from approximately RMB6.7 million for the five months ended 31 May 2021 to approximately RMB9.6 million for the five months ended 31 May 2022, which was mainly due to (i) the increase in the number of visits of approximately 700; and (ii) the increase in the overall average spending per visit.

Revenue generated from dental crown increased from approximately RMB6.5 million for the five months ended 31 May 2021 to approximately RMB9.4 million for the five months ended 31 May 2022. Revenue generated from removable denture was relatively stable at approximately RMB0.1 million and RMB0.2 million for the five months ended 31 May 2021 and 2022, respectively. The average spending per visit for dental crown was approximately RMB4,133.5 and RMB4,518.0 for the five months ended 31 May 2021 and 2022, respectively, while the average spending per visit for removable denture was approximately RMB652.2 and RMB1,017.1 for the five months ended 31 May 2021 and 2022, respectively. The price for dental crown and removable denture are generally related to the respective material and number of tooth subject.

Implant dentistry

Our revenue generated from implant dentistry increased significantly by approximately RMB10.5 million or 3.1 times from approximately RMB3.4 million for the five months ended 31 May 2021 to approximately RMB13.9 million for the five months ended 31 May 2022. Such significant increment was primarily because of (i) the increase in the number of visits of more than 900, mainly as a result of our enhanced online marketing and promotion efforts after increasing our capacity for implant dentistry, and that Wenzhou Oral Care commenced operations in November 2021; and (ii) the increase in the overall average spending per visit.

Our revenue generated from dental implant increased from approximately RMB3.4 million for the five months ended 31 May 2021 to approximately RMB13.9 million for the five months ended 31 May 2022. The average spending per visit for dental implant remained relatively stable at approximately RMB9,569.8 and RMB10,512.9 for the two years ended 31 December 2021, respectively.

Revenue by hospitals:

Wenzhou Hospital, Longgang Hospital and Rui'an Branch Hospital

Wenzhou Hospital contributed the largest share of our revenue throughout the Track Record Period. Revenue generated from Wenzhou Hospital increased slightly by approximately RMB0.9 million or 3.5% from approximately RMB25.6 million for the five months ended 31 May 22021 to approximately RMB26.5 million for the five months ended 31 May 2022.

Revenue generated from Longgang Hospital decreased by approximately RMB0.4 million or 16.0% from approximately RMB2.5 million for the five months ended 31 May 2021 to approximately RMB2.1 million for the five months ended 31 May 2022.

Revenue generated from Rui'an Branch Hospital decreased by approximately RMB0.2 million or 16.7% from approximately RMB1.2 million for the five months ended 31 May 2021 to approximately RMB1.0 million for the five months ended 31 May 2022.

Such fluctuation in Wenzhou Hospital, Longgang Hospital and Rui'an Branch Hospital was mainly the combined result of (i) the adverse impacts brought by the resurgence of COVID-19 in China; and (ii) the increase in revenue from our implant dentistry.

Lucheng Hospital

Revenue generated from Lucheng Hospital increased significantly by approximately RMB6.0 million or 1.2 times from approximately RMB5.2 million for the five months ended 31 May 2021 to approximately RMB11.2 million for the five months ended 31 May 2022, which was primarily attributable to (i) the increase of over 1,800 active patients who have visited our Lucheng Hospital as compared to that of 2021; and (ii) our enhanced marketing and promotion efforts primarily on implant dentistry of Lucheng Hospital after increasing our capacity and Wenzhou Oral Care. In particular, we deployed extra sales and marketing personnel to promote the dental services and increased our online advertising efforts on search engines such as Baidu.com and Toutiao.com and other platforms such as Douyin and Meituan.

Wenzhou Oral Care

Wenzhou Oral Care is our newest dental hospital which commenced operations in November 2021. Revenue generated from Wenzhou Oral Care amounted to approximately RMB6.1 million for the five months ended 31 May 2022.

Cost of sales

Our cost of sales increased by approximately RMB5.6 million or 38.1% from approximately RMB14.7 million for the five months ended 31 May 2021 to approximately RMB20.3 million for the five months ended 31 May 2022, which was primarily attributable to the (i) increase in our cost of inventories, consumables and customised products in response to our performance during the year; and (ii) the increase in our staff costs and depreciation expenses of property, plant and equipment and right-of-use assets as Wenzhou Oral Care commenced operations in November 2021.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB6.9 million or 35.0% from approximately RMB19.7 million for the five months ended 31 May 2021 to approximately RMB26.6 million for the five months ended 31 May 2022. Such increase was mainly attributable to the increase in our revenue by approximately 36.3% during the period. Our gross profit margin remained relatively stable at approximately 57.2% and 56.7% for the five months ended 31 May 2021 and 2022, mainly as a result of (i) the increase in gross profit margin of Lucheng Hospital from approximately 41.4% to approximately 57.2% benefiting from our high level of operating leverage when its revenue increased by approximately 1.2 times, net-off by (ii) the decrease in gross profit margin of Longgang Hospital from approximately 45.8% to approximately 33.2% with its revenue decreased by approximately 16.0% due to the Resurgence and imposition of various pandemic control measures to contain the spread of COVID-19, which resulted in an overall negative sentiment for residents to visit public areas including our Group's dental hospitals, and (iii) the low gross profit margin of Wenzhou Oral Care, which newly commenced operations in November 2021 and became our third largest dental hospital in terms of revenue contribution, at approximately 28.6% because it was still in a ramp up period and had been accumulating its patient base.

Selling expenses

Our selling expenses increased significantly from approximately RMB1.2 million for the five months ended 31 May 2021 to approximately RMB4.8 million for the five months ended 31 May 2022, which was mainly due to (i) the increase of approximately RMB2.3 million in marketing and promotion expenses, as we increased our online advertising efforts mainly on search engines such as Baidu.com and Toutiao.com and other platforms such as Douyin and Meituan; and (ii) the increase in staff cost of approximately RMB1.3 million, mainly as we deployed extra sales and marketing personnel to promote the dental services in the newly established Wenzhou Oral Care, Lucheng Hospital and Wenzhou Hospital.

Administrative expenses

Our administrative expenses increased by approximately RMB2.0 million or 27.8% from approximately RMB7.2 million for the five months ended 31 May 2021 to approximately RMB9.2 million for the five months ended 31 May 2022. Such increase was primarily due to (i) the increase in listing expenses incurred by approximately RMB1.3 million; and (ii) increase of approximately RMB0.7 million in depreciation expenses of property, plant and equipment and right-of-use assets mainly due to the addition of lease and equipment for Wenzhou Oral Care.

Finance costs

Our finance costs remained stable at approximately RMB0.9 million and RMB0.8 million for the five months ended 31 May 2021 and 2022.

Income tax expense

Our income tax expense increased by approximately RMB0.6 million or 19.4% from approximately RMB3.1 million for the five months ended 31 May 2021 to approximately RMB3.7 million for the five months ended 31 May 2022. Our effective tax rate increased slightly from approximately 28.1% for the five months ended 31 May 2021 to approximately 30.0% for the five months ended 31 May 2022. Such increase was primarily due to (i) the increase in our profit before tax by approximately RMB1.1 million during the year as a result of the foregoing reasons; and (ii) the increase in expenses not deductible for tax primarily arising from our listing expenses recorded in our offshore entities.

Profit for the period and net profit margin

Based on the foregoing, we recorded a profit for the period of approximately RMB8.5 million for the five months ended 31 May 2022 as compared to approximately RMB8.0 million for the five months ended 31 May 2021. We also recorded a net profit margin of approximately 18.2% for the five months ended 31 May 2022, represented an decrease of approximately 5.0 percentage points as compared to the net profit margin of approximately 23.2% for the five months ended 31 May 2021.

Year ended 31 December 2021 compared to year ended 31 December 2020

Revenue

Our revenue increased by approximately RMB20.7 million or 24.5% from approximately RMB84.6 million for the year ended 31 December 2020 to approximately RMB105.3 million for the year ended 31 December 2021, which was mainly attributable to (i) the increase in total number of visits due to the lifting of restrictions and social distancing measures in relation to the COVID-19 pandemic; (ii) our enhanced online marketing and promotion efforts, especially on Lucheng Hospital and Wenzhou Oral Care; and (iii) the organic growth of our dental hospitals.

The relevant governmental authority issued a notice to all medical institutions in Zhejiang Province on 29 January 2020, imposing controls on oral diagnosis and treatment carried out by medical institutions in light of the epidemic brought by the COVID-19. In compliance with the notice, the operation of all dental hospitals of our Group had temporarily suspended since 29 January 2020, no revenue was recognised since then until the respective date on which our Group's dental hospitals partially resumed operation in March 2020. Subsequently, on 18 May 2020, the Health Commission of Zhejiang Province issued the third notice (the "**Third Notice**") to all the medical institutions in Zhejiang Province allowing the full resumption of dental services, such as certain services under implant dentistry and reparative dentistry, in Zhejiang Province. In accordance with the Third Notice, the operation of all of our dental hospitals and the provision of all of our dental services have been fully resumed. For details, please refer to the section headed "Business – Impact of Outbreak of COVID-19 on our Operation in the PRC" in this prospectus. As a result, our Group recorded a significant drop in the number of visits/number of patients receiving the treatments for most of our dental services provided during the first half of 2020. Following the lifting of restrictions and social distancing measures to alleviate the impact of the outbreak of COVID-19, our Group resumed normal business operations and our performance gradually picked up since the second half of 2020.

Revenue by types of dental services:

General dentistry

Our revenue generated from our general dentistry increased by approximately RMB3.7 million or 11.2% from approximately RMB32.9 million for the year ended 31 December 2020 to approximately RMB36.6 million for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase in the number of visits of more than 4,600; and (ii) the increase in the overall average spending per visit.

Revenue generated from teeth filling increased from approximately RMB15.1 million for the year ended 31 December 2020 to approximately RMB18.3 million for the year ended 31 December 2021. If possible, teeth filling is a preferred treatment for both doctors and patients because the original tooth is kept as compared to extraction and implantation. Therefore, the number of visits of teeth filling increased by approximately 2,900 during the year. The average spending per visit also increased from approximately RMB682.8 for the year ended 31 December 2020 to approximately RMB731.4 for the year ended 31 December 2021. The increasing trend was mainly attributable to the increasing popularity and acceptance of more advanced material with higher standard price.

Revenue generated from root canal treatments was relatively stable at approximately RMB8.0 million for the two years ended 31 December 2021, respectively. We recorded a decrease of approximately 1,000 number of visits under root canal treatments, while the average spending per visit increased from approximately RMB632.6 for the year ended 31 December 2020 to approximately RMB689.0 for the year ended 31 December 2021. The average spending of each treatment depends on the number of tooth subject to the treatment.

Revenue generated from teeth extraction was approximately RMB5.5 million and RMB5.0 million, respectively, while the revenue from periodontal treatments was approximately RMB2.0 million and RMB2.6 million, respectively, for the two years ended 31 December 2021. The movement in the revenue from teeth extraction and periodontal treatments was primarily caused by the fluctuations in the respective average spending per visit during the relevant year.

Orthodontics and cosmetic dentistry

Our revenue generated from orthodontics and cosmetic dentistry increased by approximately RMB0.9 million, or 4.1%, from approximately RMB21.7 million for the year ended 31 December 2020 to approximately RMB22.6 million for the year ended 31 December 2021, which was mainly due to (i) the increase in the number of patients of more than 700, as a result of the growing acceptance of orthodontics and cosmetic services for the improvement of personal appearance and our service quality and broad service scope which captured the growing demand for dental services in Wenzhou; partly net-off by (ii) the decrease in overall average spending per patient, as a result of more patients selecting metal brackets and wires which were of lower prices, while fewer patients were selecting clear or ceramic brackets and INVISALIGN® which were of higher prices.

Revenue generated from metal brackets and wires increased from approximately RMB13.4 million for the year ended 31 December 2020 to approximately RMB15.7 million for the year ended 31 December 2021. The average spending per patient for metal brackets and wires was approximately RMB7,327.0 and RMB7,472.9 for the two years ended 31 December 2021, respectively. The increase in average spending was primarily due to the introduction of new products, the standard price of which are generally higher than old products.

Revenue generated from clear or ceramic brackets was relatively stable at approximately RMB2.4 million RMB2.1 million for the two years ended 31 December 2021, respectively. The average spending per patient for clear or ceramic brackets maintained relatively stable at approximately RMB16,822.7 and RMB17,380.2 for the two years ended 31 December 2021, respectively.

Revenue generated from INVISALIGN® decreased from approximately RMB2.1 million for the year ended 31 December 2020 to approximately RMB1.6 million for the year ended 31 December 2021. The average spending per patient for INVISALIGN® remained relatively stable at approximately RMB28,608.1 and RMB28,944.4 for the two years ended 31 December 2021, respectively.

Revenue generated from functional appliance decreased from approximately RMB1.9 million for the year ended 31 December 2020 to approximately RMB1.4 million for the year ended 31 December 2021. The average spending per patient for functional appliance was approximately RMB4,446.0 and RMB4,511.3 for the two years ended 31 December 2021, respectively. Appliance model with a standard price of RMB4,000 per set had consistently been in use throughout the whole Track Record Period, therefore, the average spending per patient remained relatively stable.

Reparative dentistry

Our revenue generated from reparative dentistry increased by approximately RMB6.4 million or 38.1% from approximately RMB16.8 million for the year ended 31 December 2020 to approximately RMB23.2 million for the year ended 31 December 2021, which was mainly due to (i) the increase in the number of visits of more than 800; and (ii) the increase in the overall average spending per visit.

Revenue generated from dental crown increased from approximately RMB16.4 million for the year ended 31 December 2020 to approximately RMB22.8 million for the year ended 31 December 2021. Revenue generated from removable denture was relatively stable at approximately RMB0.3 million for the two years ended 31 December 2021. The average spending per visit for dental crown was approximately RMB3,924.9 and RMB4,290.9 for the two years ended 31 December 2021, respectively, while the average spending per visit for removable denture was approximately RMB615.1 and RMB667.3 for the two years ended 31 December 2021, respectively. The price for dental crown and removable denture are generally related to the respective material and number of tooth subject.

Implant dentistry

Our revenue generated from implant dentistry increased by approximately RMB8.7 million or 110.1% from approximately RMB7.9 million for the year ended 31 December 2020 to approximately RMB16.6 million for the year ended 31 December 2021. Such significant increment was primarily because of (i) the increase in the number of visits of more than 800; and (ii) the increase in the overall average spending per visit.

Our revenue generated from dental implant increased from approximately RMB7.8 million for the year ended 31 December 2020 to approximately RMB16.6 million for the year ended 31 December 2021. The average spending per visit for dental implant remained relatively stable at approximately RMB9,926.0 and RMB9,973.5 for the two years ended 31 December 2021, respectively.

Revenue by hospitals:

Wenzhou Hospital, Longgang Hospital and Rui'an Branch Hospital

Wenzhou Hospital contributed the largest share of our revenue throughout the Track Record Period. Revenue generated from Wenzhou Hospital increased by approximately RMB9.9 million or 15.5% from approximately RMB64.0 million for the year ended 31 December 2020 to approximately RMB73.9 million for the year ended 31 December 2021.

Revenue generated from Longgang Hospital increased by approximately RMB0.7 million or 10.4% from approximately RMB6.7 million for the year ended 31 December 2020 to approximately RMB7.4 million for the year ended 31 December 2021.

Revenue generated from Rui'an Branch Hospital increased by approximately RMB0.7 million or 30.4% from approximately RMB2.3 million for the year ended 31 December 2020 to approximately RMB3.0 million for the year ended 31 December 2021.

Such increase in Wenzhou Hospital, Longgang Hospital and Rui'an Branch Hospital was mainly due to the impact of the COVID-19 pandemic which affected our Group's operation in 2020, organic growth of our dental hospitals together with the growth of Wenzhou's dental service market, according to the Frost & Sullivan Report.

Lucheng Hospital

Revenue generated from Lucheng Hospital increased significantly by approximately RMB8.3 million or 72.2% from approximately RMB11.5 million for the year ended 31 December 2020 to approximately RMB19.8 million for the year ended 31 December 2021, which was primarily attributable to the significant increase of over 3,300 active patients who have visited our Lucheng Hospital as compared to that of 2020 due to the impact of the COVID-19 pandemic; and our enhanced marketing and promotion efforts, especially on Lucheng Hospital and Wenzhou Oral Care. In particular, we deployed extra marketing personnel to promote the dental services in Lucheng Hospital and Wenzhou Oral Care and increased our online advertising efforts on search engines such as Baidu.com and Toutiao.com and other platforms such as Douyin and Meituan.

Wenzhou Oral Care

Wenzhou Oral Care is our newest dental hospital which commenced operations in November 2021. Revenue generated from Wenzhou Oral Care amounted to approximately RMB1.2 million for the year ended 31 December 2021.

Cost of sales

Our cost of sales increased by approximately RMB4.5 million or 13.3% from approximately RMB33.9 million for the year ended 31 December 2020 to approximately RMB38.4 million for the year ended 31 December 2021, which was primarily attributable to (i) the increase of staff costs and depreciation expenses of property, plant and equipment and right-of-use assets of approximately RMB3.8 million, in aggregate, as the total amount of such under the cost of sales incurred during the period since 1 February 2020 until the respective date on which our dental hospitals partially resumed operation in March 2020 were reallocated to administrative expenses as a result of the temporary suspension of operation of our dental hospitals and no revenue was generated; and (ii) the increase in our cost of inventories, consumables and customised products in response to our performance during the year.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB16.3 million or 32.2% from approximately RMB50.6 million for the year ended 31 December 2020 to approximately RMB66.9 million for the year ended 31 December 2021. Our gross profit margin increased by approximately 3.7 percentage points from approximately 59.9% for the year ended 31 December 2020 to approximately 63.6% for the year ended 31 December 2021. Such increase was mainly attributable to (i) the increase in our revenue by approximately 24.5% for the year ended 31 December 2021 as compared to that of 2020; and (ii) the high level of operating leverage of our Group, which therefore generate a higher profit from each incremental sale.

The high level of operating leverage was mainly due to our Group's cost structure with high proportion of fixed cost in our operation, mainly represented (i) depreciation expenses, accounting for approximately 15.6%, 14.8%, 15.3% and 17.8% of total cost of sales for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively; and (ii) basic salaries and fixed staff costs, representing around half of the staff costs, the largest component in total cost of sales, accounting for 50.9%, 50.5%, 52.4% and 50.1% of total cost of sales for the three years ended 31 December 2021 and the five months ended 31 May 2022, respectively. Further, cost of inventories, consumables and customised products, which was our Group's major variable cost in costs of sales, increased to a much lesser extent than our revenue. The lower extent of increase was primarily due to a combined effect of the followings as confirmed by our Directors (i) our Group produced more of the simple customized products in-house for reparative dentistry during the year ended 31 December 2021, thus lowering the external service cost of customised products; (ii) change in service mix in orthodontics and cosmetic dentistry, with a lower proportion of patients opting for INVISALIGN® which is customised and more expensive; (iii) bulk purchase discount secured for one of the implant materials in the year ended 31 December 2021; and (iv) stricter cost control after the COVID-19 pandemic on the use of consumables.

Selling expenses

Our selling expenses increased from approximately RMB3.9 million for the year ended 31 December 2020 to approximately RMB5.1 million for the year ended 31 December 2021, which was mainly due to (i) the increase of approximately RMB0.7 million in marketing and promotion expenses, mainly on online advertising for our Lucheng Hospital and newly established Wenzhou Oral Care; and (ii) the increase in staff cost of approximately RMB0.6 million, mainly due to the reallocation of such staff cost to administrative expenses as a result of the temporary suspension of operation of our dental hospitals during the year ended 31 December 2020.

Administrative expenses

Our administrative expenses decreased by approximately RMB3.8 million or 17.8% from approximately RMB21.3 million for the year ended 31 December 2020 to approximately RMB17.5 million for the year ended 31 December 2021. Such decrease was primarily due to (i) the decrease in listing expenses incurred by approximately RMB8.5 million; partially offset by (ii) the increase in staff costs by approximately RMB2.2 million as a result of extra headcounts employed for the newly established Wenzhou Oral Care; and (iii) increase of approximately RMB2.4 million in depreciation expenses of property, plant and equipment and right-of-use assets mainly due to the addition of lease and equipment for Wenzhou Oral Care during the year.

Finance costs

Our finance costs increased from approximately RMB1.8 million for the year ended 31 December 2020 to approximately RMB2.5 million for the year ended 31 December 2021, which was mainly attributable to the increase of interest on our lease liabilities followed the commencement of lease term for Wenzhou Oral Care during the year ended 31 December 2021.

Income tax expense

Our income tax expense increased by approximately RMB2.3 million or 25.0% from approximately RMB9.2 million for the year ended 31 December 2020 to approximately RMB11.5 million for the year ended 31 December 2021. Such increase was primarily due to (i) the increase in our profit before tax by approximately RMB19.5 million during the year as a result of the foregoing reasons; net-off by (ii) the decrease in expenses not deductible for tax primarily arising from our listing expenses recorded in our offshore entities. Our effective tax rate was a lot lower at 26.3% in 2021 comparing with 38.1% in 2020 as a result of the significant decrease in listing expenses, which were non-deductible for tax purposes.

Profit for the year and net profit margin

Based on the foregoing, we recorded a profit for the year of approximately RMB32.2 million for the year ended 31 December 2021 as compared to approximately RMB15.0 million for the year ended 31 December 2020. We also recorded a net profit margin of approximately 30.6% for the year ended 31 December 2021, represented an increase of approximately 12.9 percentage points as compared to the net profit margin of approximately 17.7% for the year ended 31 December 2020.

Year ended 31 December 2020 compared to year ended 31 December 2019

Revenue

Our revenue slightly increased by approximately RMB1.4 million or 1.7% from approximately RMB83.2 million for the year ended 31 December 2019 to approximately RMB84.6 million for the year ended 31 December 2020. Such increase was primarily due to (i) a pent-up demand accumulated after the temporary suspension of our dental hospitals since 29 January 2020, which was then released upon the partial and full resumption of our dental hospitals on the respective dates as confirmed by our Directors; (ii) the positive impacts resulted from our enhanced marketing and promotion efforts, including but not limited to the provision of the complimentary services including examination, diagnosis and teeth cleansing during the fourth quarter of 2020 and maintaining active contact with our existing patient base upon the full resumption of the operations of our dental hospitals; and partially offset by (iii) the adverse impacts brought by the outbreak of COVID-19, including the temporary suspension of our dental hospitals since 29 January 2020 to the respective dates on which our Group's dental hospitals partially resumed operation in March 2020 and the prohibition of offering high risk dental services to our patients in accordance with the relevant notices issued by the PRC government authorities until full resumption of our operations since May 2020.

Revenue by types of dental services:

General dentistry

Our revenue generated from our general dentistry increased by approximately RMB2.8 million or 9.3% from approximately RMB30.1 million for the year ended 31 December 2019 to approximately RMB32.9 million for the year ended 31 December 2020. The increase was mainly attributable to (i) the decrease in the number of visits of approximately 8,000 due to the outbreak of COVID-19; net-off by (ii) the increase in the overall average spending per visit.

Revenue generated from teeth filling increased from approximately RMB12.7 million for the year ended 31 December 2019 to approximately RMB15.1 million for the year ended 31 December 2020. The average spending per visit increased from approximately RMB537.3 for the year ended 31 December 2019 to approximately RMB682.8 for the year ended 31 December 2020, mainly attributable to the increasing popularity and acceptance of more advanced material with higher standard price.

Revenue generated from root canal treatments increased from approximately RMB7.7 million for the year ended 31 December 2019 to approximately RMB8.0 million for the year ended 31 December 2020. We recorded a decrease in the number of visits under root canal treatments, while the average spending per visit increased from approximately RMB489.2 for the year ended 31 December 2019 to approximately RMB632.6 for the year ended 31 December 2020. The average spending of each treatment depends on the number of tooth subject to the treatment.

Revenue generated from teeth extraction was approximately RMB4.7 million and RMB5.5 million, respectively, while the revenue from periodontal treatments was approximately RMB3.4 million and RMB2.0 million, respectively, for the two years ended 31 December 2020. The movement in the revenue from teeth extraction and periodontal treatments was primarily caused by the fluctuations in the respective average spending per visit and the decrease in number of visits due to the outbreak of COVID-19.

Orthodontics and cosmetic dentistry

Our revenue from orthodontics and cosmetic dentistry increased slightly by approximately RMB0.8 million or 3.8% from approximately RMB20.9 million for the year ended 31 December 2019 to approximately RMB21.7 million for the year ended 31 December 2020. Such increase was primarily because of the increase in our revenue generated from other treatments under orthodontics and cosmetic dentistry by approximately RMB1.3 million or 216.7% for the year, mainly due to the compulsory charging all retainers provided to our patients who have completed their orthodontics and cosmetic treatment during the year, which used to be complimentary for patients choosing basic type of retainer with relatively inferior quality for the two years ended 31 December 2019.

Revenue generated from metal brackets and wires increased from approximately RMB12.5 million for the year ended 31 December 2019 to approximately RMB13.4 million for the year ended 31 December 2020. The average spending per patient for metal brackets and wires was approximately RMB7,230.1 and RMB7,327.0 for the two years ended 31 December 2020, respectively. The increase was primarily due to the introduction of new products, the standard price of which are generally higher than old products.

Revenue generated from clear or ceramic brackets decreased from approximately RMB3.4 million for the year ended 31 December 2019 to approximately RMB2.4 million for the year ended 31 December 2020. The average spending per patient for clear or ceramic brackets maintained relatively stable at approximately RMB17,085.4 and RMB16,822.7 for the two years ended 31 December 2020, respectively.

Revenue generated from INVISALIGN® decreased from approximately RMB2.5 million for the year ended 31 December 2019 to approximately RMB2.1 million for the year ended 31 December 2020. The average spending per patient for INVISALIGN® was approximately RMB27,611.1 and RMB28,608.1 for the two years ended 31 December 2020, respectively. The standard price per treatment remained stable and the fluctuation in average spending per patient was mainly a result of the variance in the period of treatment required, which was determined based on the respective condition of each patient.

Revenue generated from functional appliance was relatively stable at approximately RMB1.9 million for the two years ended 31 December 2020. The average spending per patient for functional appliance was approximately RMB4,308.9 and RMB4,446.0 for the two years ended 31 December 2020, respectively. Appliance model with a standard price of RMB4,000 per set had consistently been in use throughout the whole Track Record Period, therefore, the average spending per patient remained relatively stable.

Reparative dentistry

Our revenue generated from our reparative dentistry remained relatively stable at approximately RMB17.2 million and RMB16.8 million for the year ended 31 December 2019 and 2020, respectively.

Revenue generated from dental crown decreased slightly from approximately RMB16.9 million for the year ended 31 December 2019 to approximately RMB16.4 million for the year ended 31 December 2020. Revenue generated from removable denture increased slightly from approximately RMB0.2 million for the year ended 31 December 2019 to approximately RMB0.3 million for the year ended 31 December 2020. The average spending per visit for dental crown was approximately RMB3,757.4 and RMB3,924.9 for the two years ended 31 December 2020, respectively, while the average spending per visit for removable denture was approximately RMB577.1 and RMB615.1 for the two years ended 31 December 2020, respectively. The price for dental crown and removable denture are generally related to the respective material and number of tooth subject.

Implant dentistry

Our revenue generated from implant dentistry decreased by approximately RMB1.5 million or 16.0% from approximately RMB9.4 million for the year ended 31 December 2019 to approximately RMB7.9 million for the year ended 31 December 2020. Such decrease was mainly due to (i) the decrease in the number of visits of approximately 200 due to the outbreak of COVID-19; and (ii) the decrease in the overall average spending per visit.

Our revenue generated from dental implant decreased from approximately RMB9.4 million for the year ended 31 December 2019 to approximately RMB7.8 million for the year ended 31 December 2020. The average spending per visit for dental implant remained relatively stable at approximately RMB9,895.9 and RMB9,926.0 for the two years ended 31 December 2020, respectively.

Revenue by hospitals:

Wenzhou Hospital and Longgang Hospital

Revenue generated from Wenzhou Hospital and Longgang Hospital increased from approximately RMB60.3 million and RMB5.2 million, respectively, for the year ended 31 December 2019 to approximately RMB64.0 million and RMB6.7 million, respectively, for the year ended 31 December 2020, represented a growth of approximately 6.1% and 28.8%, respectively. Such increase was mainly attributable to increase in the revenue generated from our repeat patients primarily due to we maintain active contact with our existing patient base upon our full resumption in May 2020, such promotion efforts had a greater impact on our Wenzhou Hospital and Longgang Hospital due to their relatively longer operating histories and solid existing patient bases as compared to Lucheng Hospital and Rui'an Branch Hospital.

Lucheng Hospital and Rui'an Branch Hospital

Our revenue generated from Lucheng Hospital and Rui'an Branch Hospital decreased from approximately RMB14.8 million and RMB2.8 million, respectively, for the year ended 31 December 2019 to approximately RMB11.5 million and RMB2.3 million, respectively, for the year ended 31 December 2020, which was primarily because of the decrease in our revenue generated from the new patients during the year due to (i) the temporary suspension of our dental hospitals since 29 January 2020 to the respective dates on which our Group's dental hospitals partially resumed operation in March 2020; and (ii) our Group was not allowed to offer high risk dental services, which generally had a relatively high average spending during the Track Record Period, to our customers until full resumption of our operations since May 2020, while the increase in Lucheng Hospital and Rui'an Branch Hospital's revenue generated from our repeat patients as aforementioned could not pick up the same pace as a result of the shorter operating histories and the patient bases are less solid as compared to Wenzhou Hospital and Longgang Hospital.

Cost of sales

Our cost of sales decreased by approximately RMB4.0 million or 10.6% from approximately RMB37.9 million for the year ended 31 December 2019 to approximately RMB33.9 million for the year ended 31 December 2020, which was primarily attributable to (i) the total amount of staff costs and depreciation expenses of property, plant and equipment and right-of-use assets under the cost of sales incurred during the period since 1 February 2020 until the respective date on which our dental hospitals partially resumed operation in March 2020. Those costs were reallocated to administrative expenses as a result of the temporarily suspension of operation of our dental hospitals and no revenue was generated; (ii) the landlords of the premises of our dental hospitals agreed to offer rental reliefs and our Group entitled certain months of social insurance relief due to the outbreak of COVID-19 during the year ended 31 December 2020; and (iii) the increase in the revenue contribution of our general dentistry, which generally requires relatively fewer inventories and consumables in the process of treatments as compared to other dental services provided by our Group.

Gross profit and gross profit margin

Our gross profit increased by approximately RMB5.3 million or 11.7% from approximately RMB45.3 million for the year ended 31 December 2019 to approximately RMB50.6 million for the year ended 31 December 2020. Our gross profit margin increased by approximately 5.5 percentage points from approximately 54.4% for the year ended 31 December 2019 to approximately 59.9% for the year ended 31 December 2020, which was mainly attributable to (i) the decrease in staff costs and depreciation expenses, both of which were reallocated to administrative expenses as a result of the temporarily suspension of operation of our Group's dental hospitals; (ii) the landlords of the premises of our dental hospitals agreed to offer rental reliefs and the Group entitled certain months of social insurance relief due to the outbreak of COVID-19 during the year ended 31 December 2020; and (iii) our Group was not allowed to offer high risk dental services, such as certain services under implant dentistry and reparative dentistry, which are generally with lower gross profit margins among all of our dental services, to our customers until full resumption of our operations since May 2020.

Selling expenses

Our selling expenses decreased by approximately RMB1.0 million or 20.4% from approximately RMB4.9 million for the year ended 31 December 2019 to approximately RMB3.9 million for the year ended 31 December 2020, which was mainly as a result of the decrease in our marketing and promotion expenses and staff costs of approximately RMB1.0 million in aggregate primarily due to our reduction in online marketing expenses, in particular, the search engine optimisation in Baidu.

Administrative expenses

Our administrative expenses increased by approximately RMB4.8 million or 29.1% from approximately RMB16.5 million for the year ended 31 December 2019 to approximately RMB21.3 million for the year ended 31 December 2020. Such increase was mainly due to the listing expenses of approximately RMB10.7 million incurred during the year ended 31 December 2020 for the preparation of the Listing as compared to approximately RMB7.5 million was recognised for the year ended 31 December 2019.

Finance costs

Our finance costs increased by approximately RMB0.8 million or 80.0% from approximately RMB1.0 million for the year ended 31 December 2019 to approximately RMB1.8 million for the year ended 31 December 2020, which was mainly attributable to the interest incurred for our interest-bearing other borrowing with the principal amount of RMB25.0 million obtained in March 2020.

Income tax expense

Our income tax expense increased by approximately RMB1.6 million or 21.1% from approximately RMB7.6 million for the year ended 31 December 2019 to approximately RMB9.2 million for the year ended 31 December 2020. Such increase was primarily because of (i) increase in our profit before tax of approximately RMB1.1 million for the year ended 31

December 2020 as compared to 2019; (ii) expenses not deductible for tax primarily arising from our offshore entities as a result of listing expenses; and (iii) income tax expense incurred for the Waiver from the repayment of the Shareholder's Loan of approximately RMB8.45 million.

Profit for the year and net profit margin

As a result of foregoing, we recorded net profit of approximately RMB15.0 million for the year ended 31 December 2020, represented a slight decrease of approximately RMB0.5 million or 3.2% as compared to the year ended 31 December 2019. Our net profit margin also decreased slightly from 18.6% for the year ended 31 December 2019 to 17.7% for the year ended 31 December 2020.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed by our internally generated cash flows, debt financing from a PRC individual, and the Shareholder's Loan. Our Directors believe that in the long term, our development and operations will be funded by internally generated cash flows, the net proceeds from the Listing and, if necessary, additional equity or debt financing when the needs come.

Cash flows

The following table sets forth a summary of our Group's consolidated statements of cash flows during the Track Record Period:

	For the year ended 31 December			For the five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)* *(unaudited)*	*(RMB'000)*
Net cash flows from operating activities	19,378	27,454	46,560	8,789	11,229
Net cash flows from/(used in) investing activities	1,651	(690)	(18,408)	(9,250)	(2,105)
Net cash flows from/(used in) financing activities	17,934	(17,952)	(37,843)	(7,923)	(5,202)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	38,963	8,812	(9,691)	(8,384)	3,922
Cash and cash equivalents at beginning of year/period	3,199	42,162	50,974	50,974	41,283
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	42,162	50,974	41,283	42,590	45,205

Net cash flows from operating activities

During the Track Record Period, our cash inflows from operating activities were principally from cash receipts from patients. Our cash outflows used in operating activities principally represented direct costs incurred for our business operations, which primarily consisted of staff costs, cost of inventories, consumables and customised products, rental expenses and others.

For the year ended 31 December 2019, our Group had net cash flows from operating activities of approximately RMB19.4 million, which mainly as a result of the profit before tax of approximately RMB23.1 million, adjusted for (i) income tax paid for approximately RMB12.3 million; (ii) increase in prepayments, other receivables and other assets of approximately RMB4.5 million; (iii) increase in an amount due from directors of approximately RMB3.3 million; offset by (iv) increase in other payables and accruals of approximately RMB4.8 million; (v) increase in contract liabilities of approximately RMB3.3 million; (vi) depreciation of property, plant and equipment of approximately RMB3.5 million; and (vii) depreciation of right-of-use assets of approximately RMB3.5 million.

Our net cash flows from operating activities increased from approximately RMB19.4 million for the year ended 31 December 2019 to approximately RMB27.5 million for the year ended 31 December 2020, which was primarily as a result of (i) the increase of approximately RMB1.1 million in our profit before tax; and (ii) the decrease in the settlement of the tax payable as at 31 December 2019 and the EIT for 2020 of approximately RMB3.7 million as compared to the year ended 31 December 2019.

Our net cash flows from operating activities increased from approximately RMB27.5 million for the year ended 31 December 2020 to approximately RMB46.6 million for the year ended 31 December 2021. Such increase was mainly attributable to the increase in profit before tax of approximately RMB19.5 million for the year.

For the five months ended 31 May 2022, our Group recorded net cash flows from operating activities of approximately RMB11.2 million, which was mainly a result of profit before tax of approximately RMB12.2 million.

Net cash from/(used in) investing activities

During the Track Record Period, our net cash inflows from in investing activities were principally from proceeds from sales of financial assets at fair value through profit or loss; while our cash outflows used in investing activities were principally for (i) the purchase of items of property, plant and equipment; and (ii) purchase of financial assets at fair value through profit or loss.

For the year ended 31 December 2019, our Group had net cash flows from investing activities of approximately RMB1.7 million, primarily resulted from (i) sale of financial assets at fair value through profit or loss of approximately RMB25.8 million; and offset by (ii) purchases of items of property, plant and equipment of approximately RMB2.1 million; (iii) purchase of financial assets at fair value through profit or loss of approximately RMB22.3 million.

For the year ended 31 December 2020, our Group had net cash flows used in investing activities of approximately RMB0.7 million, which was mainly attributable to (i) purchase of items of property, plant and equipment of approximately RMB3.4 million; (ii) lease payments made before the commencement date of a lease of approximately RMB3.2 million in relation to the lease agreement to be entered for Wenzhou Oral Care; partially offset by (iii) repayment of a loan from a related party of approximately RMB0.9 million; and (iv) sale of financial assets at fair value through profit or loss of approximately RMB5.0 million.

For the year ended 31 December 2021, our Group had net cash flows used in investing activities of approximately RMB18.4 million, which was mainly attributable to the purchases of items of property, plant and equipment in relation to the establishment of Wenzhou Oral Care of approximately RMB16.9 million.

For the five months ended 31 May 2022, our Group recorded net cash flows used in investing activities of approximately RMB2.1 million, which mainly attributable to purchase of items of property, plant and equipment of approximately RMB2.0 million.

Net cash from/(used in) financing activities

During the Track Record Period, our cash inflows from financing activities were primarily from capital contribution from the controlling shareholders; while our cash outflows from financing activities were primarily for the (i) advances of loans to directors and (ii) payment of the principal portion of lease payments and interest.

For the year ended 31 December 2019, our Group had net cash flows from financing activities of approximately RMB17.9 million as a result of (i) capital contribution by the controlling shareholders of RMB20.0 million; (ii) repayment of loans to a director of approximately RMB58.4 million; and offset by (iii) advances of loans to directors of approximately RMB7.5 million; (iv) dividends paid by a subsidiary of approximately RMB12.6 million; (v) deemed distribution to a controlling shareholder of approximately RMB1.3 million; and (vi) acquisition of business pursuant to group reorganisation of approximately RMB35.9 million.

For the year ended 31 December 2020, our Group had net cash flows used in financing activities of approximately RMB18.0 million, primarily attributable to (i) dividend paid by a subsidiary of approximately RMB19.4 million; (ii) settlement of acquisition of 95% equity interest in Dehong Medical from the then controlling shareholders of approximately RMB24.9 million as part of the Reorganisation; (iii) advances of loans to directors of approximately RMB5.5 million; offset by (iv) proceeds from interest-bearing other borrowing of RMB25.0 million obtained in March 2020; and (v) the Waiver to the Shareholder's Loan of approximately RMB8.45 million.

For the year ended 31 December 2021, our Group had net cash flows used in financing activities of approximately RMB37.8 million, primarily attributable to (i) the repayment of other borrowing amounted to approximately RMB25.0 million in September 2021; (ii) the principal portion of lease payments of approximately RMB9.5 million; and (iii) in aggregate of approximately RMB3.3 million of interest paid for the RMB25.0 million interest-bearing other borrowing and lease liabilities.

For the five months ended 31 May 2022, our Group recorded net cash flows used in financing activities of approximately RMB5.2 million, which was mainly attributable to principal portion of lease payments of approximately RMB4.4 million.

NET CURRENT ASSETS/(LIABILITIES)

The following table sets forth the selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 31 May	As at 30 September
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
CURRENT ASSETS					
Inventories	1,773	1,583	2,363	2,423	2,854
Trade receivables	863	710	600	235	783
Prepayments, other receivables and other assets	7,676	10,156	11,187	13,212	14,826
Due from a director	75	–	–	–	–
Due from a related party	932	–	–	–	–
Financial assets at fair value through profit or loss	5,000	–	–	–	–
Cash and cash equivalents	42,162	50,974	41,283	45,205	67,058
Total current assets	58,481	63,423	55,433	61,075	85,521
CURRENT LIABILITIES					
Trade payables	6,436	4,284	5,717	5,697	6,439
Lease liabilities	4,930	8,076	9,376	8,838	7,521
Other payables and accruals	16,965	14,726	15,959	17,140	19,042
Due to a director	5,539	–	–	–	–
Contract liabilities	6,908	6,817	7,792	7,736	8,753
Interest-bearing other borrowing	–	25,856	–	–	–
Dividend payable	16,200	–	–	–	–
Tax payable	7,144	7,336	8,913	6,357	10,108
Total current liabilities	64,122	67,095	47,757	45,768	51,863
NET CURRENT ASSETS/ (LIABILITIES)	(5,641)	(3,672)	7,676	15,307	33,658

Our Group recorded net current liabilities of approximately RMB5.6 million and RMB3.7 million as at 31 December 2019 and 31 December 2020, respectively. The net current liabilities position as at 31 December 2019 was mainly due to (i) the dividend payable of approximately RMB16.2 million as a result of the dividend of RMB32.0 million declared during the year, and (ii) the increase in other payables and accruals.

Our Group declared a special dividend (the "**Dividend**") of RMB32.0 million for the year ended 31 December 2019, of which RMB12.6 million was paid in the same year and RMB19.4 million was settled during the year ended 31 December 2020. As confirmed by our Directors, at the time of declaration of the Dividends back in September 2019, while our Directors had taken into account the stable and solid historical financial performance and the historical net cash flows generated from the operating activities of our Group for each of the two years ended 31 December 2018 and the six months ended 30 June 2019, our Directors did not expect the outbreak of COVID-19 since around January 2020, which took place long after such declaration, and had not considered its impact on our Group's business operations and financial position as a whole. Since the Dividend had already been fully settled which could not be reversed, in order to enhance our Group's financial position, Mr. Wang has advanced the Shareholder's Loan of RMB8.45 million to our Group pursuant to a loan agreement dated 18 August 2020 entered into between Mr. Wang and our Group and Mr. Wang agreed to unconditionally and irrevocably waive the amount payable by our Group under such loan agreement with effect from 16 September 2020.

In March 2020, our Group obtained a loan in the sum of RMB25.0 million from a PRC individual (the "**Individual Loan**"), being an Independent Third Party, at an interest rate of 4.25% per annum for a term of 18 months in March 2020, which was treated as the current liabilities of our Group as at 31 December 2020. The Individual Loan was fully settled upon expiry in September 2021. As confirmed by our Directors, there was no side agreement or arrangement entered into between our Group and the said Independent Third Party except the Individual Loan.

Our net current liabilities position decreased from approximately RMB5.6 million as at 31 December 2019 to approximately RMB3.7 million as at 31 December 2020, primarily attributable to the combined effect of (i) the absence of dividend payable of approximately RMB16.2 million; (ii) increase in cash and cash equivalents of approximately RMB8.8 million; (iii) increase in prepayments, other receivables and other assets of approximately RMB2.5 million resulting from (a) increase in prepayment due to lease payment for Wenzhou Oral Care; (b) increase in deferred listing expenses and partially offset by (c) decrease in other receivables and (iv) increase in interest-bearing other borrowing of approximately RMB25.9 million obtained from an individual as mentioned above.

We were in net current assets position of approximately RMB7.7 million as at 31 December 2021. Such improvement from net current liabilities position in 2019 and 2020 to net current assets position in 2021 was primarily attributable to the repayment of the interest-bearing other borrowing amounted to approximately RMB25.9 million as at 31 December 2020 during the year upon the improvement of cash flow in 2021 from our profitable operating activities.

Our net current assets further increased from approximately RMB7.7 million as at 31 December 2021 to approximately RMB15.3 million as at 31 May 2022. Such increase was primarily attributable to (i) the increase in cash and cash equivalents of approximately RMB3.9 million and (ii) the decrease in tax payable of approximately RMB2.6 million.

Our net current assets increased significantly from approximately RMB15.3 million as at 31 May 2022 to approximately RMB33.7 million as at 30 September 2022. Such increase was primarily attributable to an increase in cash and cash equivalents of approximately RMB21.9 million; and partially offset by an increase in tax payables of approximately RMB3.8 million.

Our net assets were relatively low at approximately RMB19.9 million and RMB18.4 million as at 31 December 2019 and 2020 as compared to that as at 31 December 2021 and 31 May 2022. Such relatively low level of net assets was mainly due to (i) the deemed distribution to the then controlling shareholders of approximately RMB35.9 million and RMB24.9 million in 2019 and 2020, respectively, as part of the Reorganisation; (ii) the declaration of special dividend of approximately RMB32.0 million in 2019; and partially offset by (iii) capital contribution of approximately RMB22.0 million as part of the Reorganisation and the Pre-IPO Investment in 2019. Our net assets increased to approximately RMB50.5 million as at 31 December 2021 and further to approximately RMB59.1 million as at 31 May 2022, respectively. Such increase was mainly due to recognition of profit and total comprehensive income of approximately RMB32.2 million and RMB8.5 million for the year ended 31 December 2021 and for the five months ended 31 May 2022, respectively.

We have historically financed and will continue to finance our working capital mainly through cash generated from operations and may utilise interest-bearing borrowings as supplemental finance resources. Our Directors confirm that we will continue to closely monitor our net current position and optimise the composition of our indebtedness.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

As at 31 December 2019, 2020 and 2021 and 31 May 2022, the carrying amount of our property, plant and equipment was approximately RMB18.0 million, RMB15.0 million, RMB27.7 million and RMB28.0 million, respectively and primarily consisted of medical equipment, office equipment and furniture, motor vehicles, leasehold improvement and construction-in-progress. Our property, plant and equipment increased significantly to RMB27.7 million as at 31 December 2021 as a result of the addition in property, plant and equipment of approximately RMB16.9 million, for the establishment of Wenzhou Oral Care.

Right-of-use assets

Our right-of-use assets mainly consisted of leased properties for our private dental hospitals and offices. During the Track Record Period, the carrying amount of our right-of-use assets was approximately RMB18.7 million, RMB16.3 million, RMB43.6 million and RMB40.8 million, respectively.

Our right-of-use assets decreased slightly from approximately RMB18.7 million as at 31 December 2019 to approximately RMB16.3 million as at 31 December 2020 as our Group renewed a lease agreement for Wenzhou Hospital in January 2020 and partially offset by depreciation expenses incurred during the year. Our right-of-use assets increased significantly to approximately RMB43.6 million as at 31 December 2021, which was primarily attributable to the entering of lease agreement in respect of the premises on which Wenzhou Oral Care operates, for a term of four years commencing from 15 May 2021 and ending on 14 May 2025. Please refer to the section headed "Business – Properties" in this prospectus for further details. Our right-of-use assets decreased from approximately RMB43.6 million as at 31 December 2021 to approximately RMB40.8 million as at 31 May 2022 which was due to depreciation incurred during the period.

Inventories

The following table sets forth a breakdown of our inventories balance as at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Medical consumables	1,707	1,474	2,233	2,344
Pharmaceuticals	66	109	130	79
Total	1,773	1,583	2,363	2,423

Our inventories mainly comprise (i) medical consumables such as materials for implant dentistry and orthodontics and cosmetic dentistry as well as dental tools; and (ii) pharmaceuticals. Our inventories decreased slightly from approximately RMB1.8 million as at 31 December 2019 to approximately RMB1.6 million as at 31 December 2020, which was mainly due to utilisation of materials for implant dentistry as a result of improvement in inventory management and our business growth in implant dentistry segment. Our inventories increased to approximately RMB2.4 million as at 31 December 2021, primarily to prepare for the upcoming demands in Wenzhou Oral Care which commenced operation in November 2021. Our inventories remained relatively stable at RMB2.4 million as at 31 May 2022.

Our inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. Our Directors are of the view that (i) we do not maintain a high level of inventories for pharmaceuticals and medical consumables; (ii) we closely monitor inventory expiry date to ensure no expired items will be used; (iii) over 90% of our inventories are medical consumables which certain of them do not have expiry date or have a long shelf life; and (iv) certain of our suppliers allow us to return and/or exchange our inventories within a certain period of time before the expiry date. Therefore, there was no impairment and recoverability issue in relation to our inventories during the Track Record Period.

The following table sets forth our average inventory turnover days for the respective years/period indicated:

	For the year ended 31 December			**For the five months ended 31 May**
	2019	**2020**	**2021**	**2022**
Average inventory turnover days*(Note)*	59.9	56.9	64.3	63.2

Note: Average inventory turnover days for a year/period is the average inventory balance divided by costs of inventories, consumables and customised products for that year/period and multiplied by 365 days or 151 days, where applicable.

During the Track Record Period, our average inventory turnover days remained relatively stable at approximately 59.9 days, 56.9 days, 64.3 days and 63.2 days, respectively, which primarily reflects our effective inventory management.

As at Latest Practicable Date, approximately RMB1.5 million or 63.4% of our inventories outstanding as at 31 May 2022 were subsequently sold or utilised.

Trade receivables

The following table sets forth our trade receivables balance as at respective dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	1,146	1,051	630	237
Impairment	(283)	(341)	(30)	(2)
	863	710	600	235

Our trade receivables represented receivables from the respective Medical Insurance Agency of Wenzhou Healthcare Bureau in relation to basic medical insurance programme. The relevant Medical Insurance Agency settles the outstanding balance upon completion of its internal verification process. For other medical treatment not within the scope of basic medical insurance programme or individual patients who do not have valid Social Medical Insurance Card would usually settle payments by cash or bank cards after receipt of our dental services. The settlement through such personal funding accounted for majority of our revenue during the Track Record Period and there was no relevant receivable balances.

Our trade receivables were relatively stable at approximately RMB0.9 million, RMB0.7 million and RMB0.6 million as at 31 December 2019, 2020 and 2021. Our trade receivables decreased to approximately RMB0.2 million as at 31 May 2022 which was mainly due to decrease in proportion of revenue generated from general dentistry to total revenue of our Group as certain services in general dentistry are covered by basic medical insurance programmes.

The following table sets forth the ageing analysis of the trade receivables based on the transaction dates and net of loss allowance as at the dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	364	487	502	188
3 to 6 months	130	182	38	21
6 to 12 months	276	25	23	21
1 to 2 years	54	15	26	4
Over 2 years	39	1	11	1
	863	710	600	235

The following table sets forth the movements in the loss allowance for impairment of our trade receivables as at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of year/period	125	283	341	30
Impairment losses, net	158	58	(311)	(28)
At the end of year/period	283	341	30	2

Our Group applies HKFRS 9 simplified approach to provide for expected credit losses, which permits the use of the lifetime expected loss provision for all trade receivables. The provision rates are based on the ageing of receivables of the customer. 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 years about past events, current conditions and forecasts of future economic conditions. As at 31 December 2019, 2020 and 2021 and 31 May 2022, our allowance for impairment of trade receivables amounted to approximately RMB0.3 million, RMB0.3 million, RMB30,000, and RMB2,000 respectively. A relatively high impairment loss recognised in 2019 and 2020 was mainly because the settlement progress of relevant Medical Insurance Agency became slower which led to the increase in long aged receivable balances. During the Track Record Period and up to the Latest Practicable Date, we had not written-off any trade receivables.

As at Latest Practicable Date, approximately RMB0.2 million or 63.8%, of our trade receivable outstanding as at 31 May 2022 was subsequently settled.

The table below sets forth our average trade receivables turnover days for the respective years/period indicated:

	For the year ended 31 December			For the five months ended 31 May
	2019	2020	2021	2022
Average trade receivables turnover days*(Note)*	3.7	3.4	2.3	1.3

Note: Average trade receivables turnover days for a year is the average of the beginning and ending trade receivable for the year/period, divided by the total revenue for that year/period, multiplied by 365 days or 151 days, where applicable.

Our average trade receivables turnover days was on a decreasing trend from approximately 3.7 days for the year ended 31 December 2019 to approximately 1.3 days for the five months ended 31 May 2022 which is in line with trade receivables from the respective Medical Insurance Agency of Wenzhou Healthcare Bureau.

Prepayments, other receivables and other assets

The table below sets forth our prepayments, other receivables and other assets as at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Prepayment for purchase of items of property, plant and equipment and items of intangible assets	146	347	1,957	298
Rental deposits	501	501	1,131	1,131
	647	848	3,088	1,429
Current:				
Prepayments	1,839	4,135	918	2,037
Deferred listing expenses	2,331	5,736	6,432	7,379
Other receivables	3,506	285	3,837	3,796
	7,676	10,156	11,187	13,212
	8,323	11,004	14,275	14,641

Our prepayments, other receivables and other assets mainly consisted of (i) rental deposits; (ii) prepayments, which mainly represented prepayment to our suppliers; (iii) other receivables; and (iv) deferred listing expenses. Our prepayments, other receivables and other assets were approximately RMB8.3 million, RMB11.0 million, RMB14.3 million and RMB14.6 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

Our prepayments, other receivables and other assets increased from approximately RMB8.3 million as at 31 December 2019 to approximately RMB11.0 million as at 31 December 2020, which was primarily attributable to (i) increase in prepayments by approximately RMB3.2 million mainly due to the lease prepayment for Wenzhou Oral Care which commenced business in the late November 2021; (ii) deferred listing expenses of approximately RMB5.7 million as at 31 December 2020; partially offset by (iii) the decrease in other receivables by approximately RMB3.2 million as at 31 December 2020 mainly resulted from the settlement of the consideration arising from the disposal of Yuhai Hospital and receivables of Yuhai Hospital prior to such disposal in March 2020 as aforementioned.

Our prepayments, other receivables and other assets increased to approximately RMB14.3 million as at 31 December 2021, which was mainly due to the increase of approximately RMB2.2 million, in aggregate, in non-current prepayment for purchase of items of property, plant and equipment and rental deposits for Wenzhou Oral Care which commenced business in the November 2021. The fluctuations in prepayments and other receivables was caused by the reclassification of the lease prepayment for Wenzhou Oral Care of approximately RMB3.2 million to other receivables after the commencement of the lease during the year ended 31 December 2021. Our prepayments, other receivables and other assets remained relatively stable at approximately RMB14.6 million as at 31 May 2022.

As at Latest Practicable Date, approximately RMB1.4 million or 9.6% of our prepayments, other receivables and other assets outstanding as at 31 May 2022 were subsequently settled.

Due from/to directors and a related party

The table below sets forth the amounts due from or to related parties at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from a director	75	–	–	–
Due from a related party	932	–	–	–
Due to a director	5,539	–	–	–

Due from a director

As at 31 December 2019, we had approximately RMB0.1 million due from Ms. Zheng. The loans were non-trade in nature, unsecured, interest-free and repayable on demand and has been fully settled as at 31 December 2020.

Due from a related party

As at 31 December 2019, we had approximately RMB0.9 million due from an associate of Mr. Wang. Such amount was subsequently settled in March 2020. The loans were non-trade in nature, unsecured, interest-free and repayable on demand.

Due to a director

As at 31 December 2019, we had approximately RMB5.5 million due to Mr. Wang, which was non-trade in nature, unsecured, interest free and repayable on demand. The balance has been settled as at 31 December 2020.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit or loss presented financial products purchased from a licensed bank in Wenzhou with expected average annual return rate of 2.75% and can be redeemed at any time. As at 31 December 2019, 2020 and 2021 and 31 May 2022, our financial assets at fair value through profit or loss amounted to approximately RMB5.0 million, nil, nil and nil, respectively. The balance of our financial assets at fair value through profit or loss as at 31 December 2019 mainly represented the purchase of financial products funded by internally generated resources and the balance had been fully redeemed in January 2020. Since then and until the Latest Practicable Date, our Group did not have any transactions on financial assets at fair value through profit or loss.

Internal control measures in relation to financial products

In respect of our investments in financial products, we have implemented internal control measures to monitor and control our investment risks and adopted the treasury policy which set out the framework for managing our financial assets. Our investment decision is made on a case by case basis after due and careful consideration of a number of factors, including the investment amount, the duration of investment, credibility of financial institutions, the level of risk exposure, the available investment vehicles, the purchase cost of the instrument, the potential benefit and loss of the instrument and the expected market trends.

Our treasury policy includes, among other things, (i) investments should be undertaken only in situations where our Group have surplus cash not required for our short-term working capital purposes; (ii) investments in high-risk products are not permitted; and (iii) criteria for selecting investments to be considered by our senior management include duration of investment, liquidity, risk and expected yield. Our investment team (including finance department and legal department) is responsible for treasury management functions, which include, amongst others, researching and sourcing investment options for further consideration by the executive directors, financial controller and our Board, and monitoring the investments on a continuous basis. We primarily invest in low risk investment products with relatively stable returns at licensed banks or financial institutions when our cash balance is sufficient for our Group's capital expenditure and working capital for operations. Investment decisions are recommended by our investment team and reviewed by our chief finance officer, which are passed to the executive directors for approval. Further, during the term of the investment products, the finance department is responsible for monitoring and recording the returns generated from the investment products on daily basis and preparing a monthly report for the financial controller to review. Our investment team (including finance department and legal department), under the supervision of chief finance officer, will keep in close contact with the licensed financial institution who issued the investment products, monitor the performance of the investment products, strengthen risk control and supervision, strictly control the safety of funds and oversee our investment policy from time to time.

Going forward, we plan to strictly implement our investment and treasury policy and, as part of our investment and treasury management, may continue to invest in financial products that meet our criteria where we believe to be prudent after the Listing.

Trade payables

Our trade payables primarily represented outstanding amounts payable to suppliers of pharmaceuticals, medical consumables, customised products and dental tools. During the Track Record Period, our trade payables amounted to approximately RMB6.4 million, RMB4.3 million, RMB5.7 million and RMB5.7 million, respectively.

In general, our suppliers grant us a credit period of 30 to 180 days. We mainly settle our payment by bank transfer. The following table sets forth the ageing analysis of our trade payables, based on the invoice date, as at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	3,460	2,724	3,666	3,455
3 to 6 months	1,779	438	663	845
6 to 12 months	271	403	300	344
Over 12 months	926	719	1,088	1,053
	6,436	4,284	5,717	5,697

The amount in trade payables aged over 12 months during the Track Record Period was mainly due to the delay in reconciling the breakdown and finalising the settlement arrangement with certain suppliers. During the Track Record Period, our Group recorded relatively large trade payable balances aged over 12 months was mainly because (i) we were late to settle the retention money in relation to a series of acquisition of consumables from a supplier during the Track Record Period; and (ii) we were unable to reach and close the accounts with the agent of a supplier, whom we negotiated and executed the transactions with, in 2018 to finalise and settle the outstanding balance after a series of transactions and settlement despite our repeated attempts. As at the Latest Practicable Date, the aforesaid supplier has neither demanded the repayment nor initiated any litigation against our Group on such outstanding balance.

As at 31 May 2022, among the total trade payable balances of approximately RMB5.7 million, approximately RMB2.8 million was past due, of which approximately RMB1.0 million was past due within three months; approximately RMB0.6 million was past due for four to six months; approximately RMB0.3 million was past due for seven to twelve months; and approximately RMB0.9 million was past due for over twelve months. As at the Latest Practicable Date, approximately RMB0.9 million or 30.2% of our trade payables past due as at 31 May 2022 were subsequently settled.

There was no dispute nor legal proceeding with the relevant suppliers with regard to our Group's trade payable balances during the Track Record Period and up to the Latest Practicable Date.

The table below sets forth our average trade payables turnover days for the respective years/period indicated:

	For the year ended 31 December			For the five months ended 31 May
	2019	2020	2021	2022
Average trade payables turnover days*(Note)*	194.6	181.8	162.9	150.8

Note: Average trade payables turnover days for a year/period is the average of the beginning and ending trade payables for the year/period, divided by sum of the cost of inventories, consumables and customised products for that year, multiplied by 365 days or 151 days, where applicable.

During the Track Record Period, our average trade payables turnover days were approximately 194.6 days, 181.8 days, 162.9 days and 150.8 days, respectively. Our relatively high average trade payables turnover days were mainly due to certain portion of approximately 54.5%, 37.7%, 29.8% and 30.1% of the total balance of our trade payables as at 31 December 2019, 2020, 2021 and 31 May 2022, respectively, was attributable to our suppliers who produced customised products for us, such as removable dentures, invisible braces and dental crowns. Payable amount in relation to customised products is usually recognised when we receive the customised products from our suppliers for the first time. In practice, we then settle the payable amount to the relevant suppliers after trying on the customised products by our customers, subsequent product adjustment and product finalisation to our customers' satisfaction, which, to the best estimates of our Directors, typically take approximately three to six months. Therefore, our Group generally takes longer time to settle the balances due to these suppliers as compared to other suppliers who produced non-customised services/product for us.

As at Latest Practicable Date, approximately RMB3.3 million or 57.3% of our trade payables outstanding as at 31 May 2022 were subsequently settled.

Other payables and accruals

As at 31 December 2019, 2020 and 2021 and 31 May 2022, our other payables and accruals amounted to approximately RMB17.0 million, RMB14.7 million, RMB16.0 million and RMB17.1 million, respectively.

The table below sets forth a breakdown of our other payables and accruals as at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payable	6,793	6,464	6,564	7,565
Other payables	6,467	7,371	8,444	8,280
Taxes payable other than corporate income tax	3,705	891	951	1,295
	16,965	14,726	15,959	17,140

Payroll payable

As at 31 December 2019, 2020, 2021 and 31 May 2022, our payroll payable remained relatively stable at RMB6.8 million, RMB6.5 million, RMB6.6 million and RMB7.6 million, respectively. Our payroll payable mainly represented provisions on underpaid social insurance and housing provident fund contributions, salaries and bonuses payable to our staff. In respect of the provisions on underpaid social insurance and housing provident fund contributions, we have made net provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB1.3 million, RMB0.1 million and RMB0.6 million for the two years ended 31 December 2020 and the five months ended 31 May 2022, respectively. For the year ended 31 December 2021, we recorded a net reversal of provisions for the underpaid social insurance and housing provident fund contributions in the sum of approximately RMB0.6 million. At the end of each reporting period, our Group would assess its provisions and will accordingly make adjustments and reversal to its provision based on specific circumstances to reflect the current best estimate and to ensure our Company's financial position is fairly and reasonably presented. In general, our Group will fully reverse the provisions for underpaid social insurance and housing provident fund contribution made more than two years. Such timing of reversal was estimated by our Group with reference to (i) the time limit of two years for investigation and punishment by the relevant competent authorities since the date of cessation of relevant non-compliances pursuant to the Regulation on Labour Security Supervision (勞動保障監察條例) issued by the State Council in 2004 provided that such non-compliances had not been discovered by and there were no complaints or reports received relating to such non-compliances by the relevant authorities during the two-year period. Our Group has further conducted consultations with the relevant competent authorities that (a) generally it will not investigate underpaid social insurance contribution that were more than two years; and (b) generally it will not investigate underpaid housing provident funds contribution that were more than two years unless there are complaints from employees; (ii) written confirmations from the relevant competent authorities confirming that, among others, during the Track Record Period each of the operating dental hospitals of our Group (except for Wenzhou Oral Care, which has not obtained such confirmation as it only commenced operation in November 2021) did not have records of any administrative penalty with respect to the social insurance and housing provident fund contributions, and the relevant competent authorities would not impose late payment penalty, demand supplementary payment, impose fine or any other form of punishments to our Group's dental hospitals; and (iii) the market practice to reverse the provisions for social insurance and housing provident fund contributions.

During the year ended 31 December 2020, the relevant PRC government authority provided certain relief measures, and our Group was not required to make social insurance contributions since February 2020 till December 2020, and therefore, no provision for the underpaid social insurance contributions was made for that period. Considering that such special and one-off circumstances would result in fluctuation in our Group's cost of sales and expenses, which may increase our Group's profitability in 2020, our Group thus adopted a prudent treatment to delay the reversal of provision. Therefore, the provision for the underpaid social insurance contributions of RMB1.5 million made for the year ended 31 December 2018 is expected to remain in the balance of current liabilities of our Group upon listing, subject to the subsequent review and assessment of the likelihood of economic outflow for settlement of the underpaid social insurance contributions. Our Group will reverse the relevant provisions when appropriate.

Other payables

The table below sets forth a breakdown of our other payables as at the respective dates indicated:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payable for construction and additions to property, plant and equipment	3,567	1,265	2,202	1,782
Accrued utilities and office expenses	50	68	53	116
Accrued listing expenses	2,624	5,817	5,770	5,842
Others	226	221	419	540
	6,467	7,371	8,444	8,280

Our other payables increased from RMB6.5 million as at 31 December 2019 to approximately RMB7.4 million as at 31 December 2020, which was mainly attributable to (i) the accrued listing expenses of approximately RMB5.8 million; and partially offset by (ii) the partial settlement of the payable for construction and additions to property, plant and equipment for our Rui'an Branch Hospital as aforementioned in April 2020. Our other payables increased to approximately RMB8.4 million as at 31 December 2021, which was primarily due to the increase in payable for construction and additions to property, plant and equipment by approximately RMB0.9 million as at 31 December 2021. Our other payables remained relatively stable at approximately RMB8.3 million as at 31 May 2022.

Taxes payable other than corporate income tax

Our taxes payable other than corporate income tax mainly represented value-added tax. During the Track Record Period, our taxes payable other than corporate income tax amounted to approximately RMB3.7 million, RMB0.9 million, RMB1.0 million and RMB1.3 million, respectively. The significant amount as at 31 December 2019 was mainly due to the dividend paid during the Track Record Period, part of which should be withheld and remitted by us as individual income tax in relation to the dividend declared for the year ended 31 December 2019, which has been settled in January 2020.

Lease liabilities

Our lease liabilities primarily related to our leased dental hospitals and offices, which generally have a term ranging from two to ten years. We recognise a corresponding lease liability for our right-of-use assets on the lease commencement date, except for short-term lease that have a lease term of 12 month or less and do not contain a purchase option and leases of low-value assets. As at 31 December 2019, 2020, 2021 and 31 May 2022, our lease liabilities amounted to approximately RMB20.0 million, RMB20.6 million, RMB44.5 million and RMB40.0 million, respectively. Our lease liabilities increased significant from approximately RMB20.6 million as at 31 December 2020 to approximately RMB44.5 million as at 31 December 2021, which was primarily attributable to our Group's entering into the lease agreement and its supplemental agreement in respect of the premises on which Wenzhou Oral Care will operate, for a term of four years commencing from 15 May 2021 and ending on 14 May 2025 with a renewable term for five years. Please refer to the section headed "Business – Properties" in this prospectus for further details.

Contract liabilities

Our contract liabilities primarily represented advance payment received (i) from five-session service plans we offer to our patients, and (ii) for services to be provided under orthodontics and cosmetic dentistry, which generally involves multiple treatment sessions spanning over one to two years. Our contract liabilities generally increased in the same trend as our revenue we recorded contract liabilities of approximately RMB6.9 million, RMB7.2 million, RMB8.2 million and RMB8.1 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

During the Track Record Period, in order to attract new patients, boost repeated visits and increase the loyalty of our patients, we offer five-session service plans for teeth cleansing where our patients may enjoy five sessions of teeth cleansing at a discounted price for an indefinite period of time without expiry. After we provide relevant underlying services, contract liabilities will be recognised as revenue. The following table sets forth a summary of outstanding sessions as of the dates indicated:

	As at 31 December			**As at 31 May**
	2019	**2020**	**2021**	**2022**
Number of service plans with outstanding sessions (*thousand*)	13	14	16	17
Total number of outstanding sessions (*thousand*)	39	41	45	46
Average price of each session (*RMB*)	99	99	99	99
Total contract liabilities from five-session service plans (*RMB*)	3.8 million	4.0 million	4.4 million	4.5 million

As there is no expiry date for the five-session service plans, we do not have expected timeframe for the subsequent utilisation. As at the Latest Practicable Date, approximately 3,278 teeth cleansing sessions of the outstanding sessions as at 31 May 2022 had been subsequently utilised.

Among the contract liabilities balances of approximately RMB8.1 million as at 31 May 2022, approximately RMB3.5 million was not related to the teeth cleansing sessions. Based on the typical treatment session schedule of our orthodontics and cosmetic dentistry services. It is expected that the balances as at 31 May 2022 will be substantially recognised as revenue within one year. As at the Latest Practicable Date, approximately RMB2.8 million of such RMB3.5 million balances as at 31 May 2022 was subsequently recognised as revenue.

Tax payable

Our tax payable mainly represented EIT payable. Our tax payable amounted to approximately RMB7.1 million, RMB7.3 million, RMB8.9 million and RMB6.4 million as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

Our tax payable reflected the tax obligations for the profits earned in the respective year/period and thus, fluctuated along with the movements on our income tax expenses during the relevant year.

INDEBTEDNESS

The table below sets forth our indebtedness balances as of the dates indicated:

	As at 31 December			As at 31 May	As at 30 September
	2019	2020	2021	2022	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current					
Lease liabilities	4,930	8,076	9,376	8,838	7,521
Interest-bearing other borrowing	–	25,856	–	–	–
Non-current					
Lease liabilities	15,119	12,542	35,163	31,118	31,008
	20,049	46,474	44,539	39,956	38,529

On 12 March 2020, our Group has obtained a loan in the sum of RMB25.0 million from a PRC individual (the "**Lender**"), being an Independent Third Party, at an interest rate of 4.25% per annum for a term of 18 months (the "**Loan**"). The Loan is intended to be used for general working capital. There is no pledge or guarantee involved as security for the Loan. The interest falling due together with the principal would be settled in full on the due date of the Loan pursuant to the terms of the loan agreement. To the best knowledge and belief of our Directors and based on reasonable enquiries, the Lender is a merchant engaging in trading business and the principal of the Loan was the personal funds of the Lender derived from her trading business. The Lender is an Independent Third Party and save for the Loan, the Lender or her associates have no past or present relationships or arrangements (including shareholding, family, employment, business, financing, trust, guarantee and fund flow) with our Group, our Shareholders, our Directors, senior management, or any of their respective associates. Our Directors are of the view that it is more advantageous to our Group to obtain a loan from a PRC individual, being an Independent Third Party, instead of from a PRC commercial bank or financial institutions due to the following reasons: (i) unlike the typical arrangements and/or terms of PRC bank loans, no collaterals and/or any guarantees are required for such loan; (ii) the interest rate of such loan, being 4.25% per annum, is lower than the market interest rate offered by PRC commercial banks for a similar principal on similar terms (being approximately 4.75% per annum); (iii) our Group is not subject to any restrictive covenants under such loan which are common under the typical arrangements and/or terms of PRC bank loans; and (iv) such loan provided an immediately available source of fund to our Group without subject to approval procedures of normal PRC commercial banks which sometimes take a considerable

amount of time. The Individual Loan was fully settled upon expiry in September 2021. Our Group has obtained a banking facility in the amount of RMB30.0 million from a licenced commercial bank in the PRC and such banking facility remain unutilised.

HKFRS 16 introduced a single lessee accounting model, whereby assets and liabilities are recognised for all leases on the statement of financial position, subject to certain exceptions. Our lease liabilities increased significant from approximately RMB20.6 million as at 31 December 2020 to approximately RMB44.5 million as at 31 December 2021, which was primarily attributable to our Group's entering into the lease agreement and its supplemental agreement in respect of the premises on which Wenzhou Oral Care will operate. Please refer to the section headed "Business – Properties" in this prospectus for further details. As at 30 September 2022, being the latest practicable date for the purpose of this indebtedness statement in this prospectus, our Group had outstanding indebtedness of approximately RMB38.5 million.

Save for the interest-bearing other borrowing and lease liabilities as disclosed above, our Group did not have indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities as at 30 September 2022.

Our Directors confirm that (i) there has not been any material change in our indebtedness up to the Latest Practicable Date; (ii) there was not material default in payment of our trade and non-trade payables, nor did we breach any relevant finance covenants during the Track Record Period; and (iii) there was no delay or default in repayment of bank and interest-bearing borrowings, withdrawal of banking facilities, request for early repayment by banks nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us nor breach of finance covenants during the Track Record Period.

CAPITAL EXPENDITURES

Throughout the Track Record Period, we have made capital expenditures, primarily in connection with additions of medical equipment and leasehold improvement. These capital expenditures amounted to approximately RMB4.4 million, RMB0.9 million, RMB17.3 million and RMB3.2 million for the three years ended 31 December 2021 and five months ended 31 May 2022, respectively. Majority of our capital expenditure during the Track Record Period was related to Rui'an Branch Hospital and Wenzhou Oral Care.

WORKING CAPITAL

We recorded net current liabilities as at 31 December 2019 and 2020, and we consequently, returned to a net current assets position as at 31 December 2021. Please refer to the section headed "Financial Information – Net Current Assets/(Liabilities)" in this prospectus for further details.

During the Track Record Period, we primarily financed our working capital and other liquidity requirements with cash generated from operations. Our Directors are of the view that, taking into account the financial resources available to us, including (i) our cash flow from operating activities; (ii) our current cash and cash equivalents; and (iii) the estimated net proceeds from the Global Offering, we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

COMMITMENTS

We have various lease contracts that have not yet commenced as at 31 December 2019. The future lease payments for these non-cancellable lease contracts were falling due as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	600	–	–	–
In the second to fifth years, inclusive	2,400	–	–	–
After five years	600	–	–	–
	3,600	–	–	–

Details of our Group's commitments is disclosed in note 30 of the Accountants' Report set out in Appendix I to this prospectus.

DIVIDENDS

During the Track Record Period, our subsidiaries declared dividends to the then shareholders in the aggregate amount of approximately RMB32.0 million, nil, nil and nil for the three years ended 31 December 2021 and five months ended 31 May 2022, respectively. The amount of the aforesaid dividends declared for the year ended 31 December 2019 had been settled by way of cash using our internally generated financial resources by January 2020. We currently do not have a dividend policy and may declare dividends by way of cash or other means that our Directors consider appropriate. A decision to declare any dividend in the future would be subject to the discretion of the Board and require the approval of our Shareholders, and depending on, among others, results of our operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which our Directors may consider relevant at the time of declaration of any dividend. In addition, any declaration and payment as well as the amount of dividends will also be subject to the Articles of Association and the Cayman Companies Act and any other applicable laws. Currently, we do not have any predetermined dividend payout ratio.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group did not have any material off-balance sheet arrangements or commitments.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in note 31 to the Accountants' Report in Appendix I to this prospectus. Our related party transactions mainly represent (i) loans to directors and a related party; (ii) lease of office premises from Ms. Zheng; and (iii) acquisition of Longgang Hospital and Yuhai Hospital during the Track Record Period. The advances to and from the related party and the director are unsecured, interest-free and repayable on demand. Our Directors are of the view that the related party transactions were conducted on an arm's length negotiation and/or that such terms were no less favourable to our Group than terms available to Independent Third Parties. The lease of office premises from Ms. Zheng continued after the Track Record Period and is expected to continue after the Listing, which will constitute a connected transaction for our Company under Chapter 14A of the Listing Rules. Please also refer to the section headed "Connected Transactions" in this prospectus.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 18 November 2019 and is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth the key financial ratios of our Group during the Track Record Period:

	As at/For the year ended 31 December			As at/For the five months ended 31 May
	2019	2020	2021	2022
Current ratio(1)	0.9 times	0.9 times	1.2 times	1.3 times
Quick ratio(2)	0.9 times	0.9 times	1.1 times	1.3 times
Return on assets(3)	15.6%	15.2%	24.0%	N/A(6)
Return on equity(4)	77.8%	81.6%	63.7%	N/A(6)
Gearing ratio(5)	N/A	140.8%	N/A	N/A

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of respective year/period.

(2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of respective year/period.

(3) Return on assets is calculated by dividing net profit by total assets as at the end of the respective year and multiplied by 100%.

(4) Return on equity is calculated by dividing net profit by total equity as at the end of the respective year and multiplied by 100%.

(5) Gearing ratio was calculated based on total debts (being interest-bearing borrowings) divided by total equity as at the end of the respective year/period and multiplied by 100%. Since our Group did not have any interest-bearing borrowings as at 31 December 2019 and 2021 and 31 May 2022, the gearing ratio was not applicable.

(6) Return on assets and return on equity ratios for the five months ended 31 May 2022 are not meaningful as they are not comparable to annual ratios.

Current ratio and quick ratio

During the Track Record Period, we maintained a relatively low level of inventories. Our current ratio remained stable at approximately 0.9 times, 0.9 times, 1.2 times and 1.3 times, respectively, and our quick ratio demonstrated similarly at approximately 0.9 times, 0.9 times, 1.1 times and 1.3 times, respectively, as at 31 December 2019, 2020 and 2021 and 31 May 2022. The improvement in 2021 was mainly due to the repayment of interest-bearing other borrowing.

Return on assets

Our return on assets remained stable at approximately 15.6% and 15.2% for the year ended 31 December 2019 and 2020, respectively. Our return on assets increased to approximately 24.0% for the year ended 31 December 2021, mainly as a result of the significant increase in our net profit for the year.

Return on equity

Our return on equity increased slightly from approximately 77.8% for the year ended 31 December 2019 to approximately 81.6% as at 31 December 2020, primarily attributable to the decrease in total equity due to the deemed distribution to the then shareholders as part of the Reorganisation. Our return on equity decreased to approximately 63.7% for the year ended 31 December 2021, mainly due to (i) the lower balance of equity as at 31 December 2019 and 2020 from accumulated losses and the distribution and declaration of dividend; and (ii) the significant increase in equity as at 31 December 2021 as a result of the increase in our profit for the year.

Gearing ratio

Since our Group did not have any interest-bearing borrowings as at 31 December 2019 and 2021 and 31 May 2022, our gearing ratio was not applicable. Our gearing ratio as at 31 December 2020 was approximately 140.8%, which was primarily due to the fact that we have obtained the Individual Loan of approximately RMB25.0 million during the year ended 31 December 2020.

FINANCIAL AND CAPITAL RISK MANAGEMENT

We are exposed to a variety of financial risks such as credit risk and liquidity risk. Please refer to note 34 of the Accountants' Report set out in Appendix I to this prospectus for details.

Credit risk

Receivable balances are monitored on an on-going basis and our exposure to bad debts is not significant.

For the credit quality and the maximum exposure to credit risk based on our 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 31 December 2019, 2020 and 2021 and 31 May 2022, please refer to note 34 to the Accountants' Report set out in Appendix I to this prospectus.

Liquidity risk

In the management of the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations in cash flows.

For the maturity profile of our financial liabilities as at 31 December 2019, 2020 and 2021 and 31 May 2022, based on the contractual undiscounted payments, please refer to note 34 to the Accountants' Report set out in Appendix I to this prospectus.

LISTING EXPENSES

Our Directors estimate that the total amount of expenses in relation to the Listing is approximately HK$50.6 million (assuming an Offer Price of HK$0.92 per Share (being the mid-point of the Offer Price range) and no exercise of the Over-allotment Option), representing approximately 36.7% of the total proceeds from the Global Offering, of which approximately RMB7.5 million, RMB10.7 million, RMB2.2 million and RMB2.9 million (equivalent to approximately HK$8.8 million, HK$12.6 million, HK$2.6 million and HK$3.4 million, respectively) had been charged to profit or loss for each of the three years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2022, respectively. Approximately HK$7.0 million will be charged to profit or loss for the year ending 31 December 2022, and approximately HK$16.2 million will be accounted for as a deduction from equity upon successful Listing under relevant accounting standards. Among the total estimated amount of approximately HK$50.6 million, approximately HK$5.5 million is underwriting-related expenses (including but not limited to commissions and fees); and approximately HK$45.1 million is non-underwriting-related expenses, which is further categorized into (i) fees and expenses of legal advisors and accountants of approximately HK$25.9 million; and (ii) other fees and expenses of approximately HK$19.2 million.

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose only and the actual amount to be recognised may differ from this estimation. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2022 will be materially and adversely affected by the listing expenses mentioned above.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to the section headed "Unaudited Pro Forma Financial Information" in Appendix II to this prospectus for further details.

NO MATERIAL ADVERSE CHANGES

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save for the Listing expenses to be incurred as detailed in the paragraph headed "Listing Expenses" in this section and, therefore, the expected decrease in the net profit for the year ending 31 December 2022, (i) there were no material adverse changes in the market conditions or the industry environment in which we operate that materially and adversely affect our financial or operating position subsequent to the Track Record Period and up to the date of this prospectus; (ii) there was no material adverse change in the trading and financial position or prospects of our Group subsequent to the Track Record Period and up to the date of this prospectus; and (iii) no event had occurred subsequent to the Track Record Period and up to the Latest Practicable Date that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

FUTURE PLANS

Please refer to the section headed "Business – Our Strategies" for a detailed description of our future plans.

REASONS FOR THE LISTING

Our business objective is to continue to consolidate and expand our market position in the PRC. Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed "Business – Our Strategies" in this prospectus and will strengthen our market position and expand our market share in the industry.

Our Directors believe that the Listing is beneficial to our Company and our Shareholders as a whole, notwithstanding the Listing expenses involved, for the following reasons:

- **Genuine funding needs**

  According to the Frost & Sullivan Report, the market size of private dental hospitals in Wenzhou grew at a CAGR of 14.4% from 2017 to 2021 and is expected to grow and reach approximately RMB423.2 million by 2026 with a CAGR of 13.7% between 2021 and 2026, taking up 31.6% of total market size of dental service market in Wenzhou. Our profitability may be affected by a number of factors as set out in the section headed "Financial Information – Key Factors Affecting our Results of Operations and Financial Condition" in the prospectus, including the growth of dental service market in Wenzhou, expansion plan for establishing new dental hospitals and dental clinics, and the ability to control our costs and expenses. While we can adjust our pricing and promotional strategy to increase our profitability, our business development and profitability is limited by the service capacity of our private dental hospitals. In addition, with spare capacity, we can (i) handle patient bookings flexibly; (ii) allow ample time between dental treatment to maintain a soothing atmosphere in the dental hospitals and better protect the privacy of patients; and (iii) our dentists and nurses will also have ample time to rest and prepare themselves in between treatments. As such, we do not aim to maximise the utilisation of our dental hospitals to their respective maximum limits which we believe may have an adverse effect on patients' experience.

  Taking into account the limitations in our existing service capacity, our Directors believe that in order to satisfy the growing demand of dental services in Wenzhou, it is essential to increase our service capacity for the provision of high-quality dental services. Significant costs were incurred in the course of establishing our dental hospitals as substantial capital investment for renovation and purchases of dental devices and equipment were involved. Previously, we funded such costs primarily by our internal resources and experienced a lengthy investment payback period, being the approximate period from the commencement of operation of a private dental hospital to the time when its accumulated net cash inflow covers the total initial investment amount for its establishment (which includes investment by equity), and a lengthy breakeven period, being the approximate period from the commencement of operation of a private dental hospital to the time when its monthly revenue first sufficiently covers its monthly operating expenses. Based on previous operating experience of our Directors and the current competitive landscape and market conditions (without taking into account the impact or potential impact of the occurrence of any natural disasters, acts of God or epidemics, including COVID-19), our Directors estimated that it generally takes approximately four years for a new dental hospital to break even and approximately seven years to recover the initial investment. Our Directors therefore expected that in establishing new private dental hospitals, our Group will be subject to substantial cash flow pressure where our profits from existing dental hospitals may not generate sufficient profits to cover our operating expenses for any new private dental hospitals before we reach the point of breakeven and full investment payback.

The total investment amount of approximately RMB166.6 million (equivalent to approximately HK$195.6 million) with respect to our future plans is significantly larger than our cash and cash equivalent of approximately RMB45.2 million as at 31 May 2022. As a result, we have a genuine funding need. For details of the total investment amount of our future plans and our business strategies, please refer to the section headed "Business – Our Strategies" in this prospectus.

The listing status provides a platform for our Group to access to the capital markets for future secondary fund-raising through either (i) the issuance of Shares; or (ii) issuance of debt securities, depending on the prevailing market condition at the time of capital needs. It can also provide additional funding sources to cater for our Group's further expansion plans (other than those future plans stated in this prospectus) and when opportunities arise.

- **Enhancing corporate profile**

The listing status can also enhance our corporate profile, visibility and our market presence to generate reassurance among our patients and suppliers. By way of the Listing, we can elevate our corporate image and status and provide greater reassurance and confidence to our patients and suppliers. Our Directors believe when patients select dental service providers, patients will give credit to and place trust and confidence in companies with a listing status which have sufficient operating cash on hand and cash inflow as well as the transparency in operation and enhanced internal control measures. We also have a stronger bargaining position when exploring new business opportunities with our suppliers.

- **Enhancing employee incentive and commitment**

  Human resources and talents are vital to our business. Being a listed company can help to attract, recruit and retain our valued dentists, nurses, other medical professionals and management personnel, and to provide additional incentive. To this end, we have put in place the Share Option Scheme and share award plan for our employees in order to attract and retain talents. Please refer to the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to this prospectus for a summary of principal terms of the schemes.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses, and assuming an Offer Price of HK$0.92 per Offer Share, being the mid-point of the indicative Offer Price range) will be approximately HK$87.4 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply such net proceeds in the following manner:

- approximately 28.6%, or HK$25.0 million, will be used for potential strategic acquisition of two dental hospitals in the PRC.

  For more details, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Strategic acquisitions in Zhejiang Province" in this prospectus;

- approximately 27.0%, or HK$23.6 million, will be used for funding the capital expenditure and initial operating costs for the development of Wenzhou Oral Care, including:

  (i) approximately 15.5%, or HK$13.5 million to be used for recruiting additional medical personnel and administrative and supporting staff within the next two years;

  (ii) approximately 6.6%, or HK$5.8 million to be used for rental expenses for the leased premises within the next two years; and

  (iii) approximately 4.9%, or HK$4.3 million to be used for additional acquiring dental devices and equipment.

  For more details, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this prospectus;

- approximately 14.1%, or HK$12.4 million, will be used for funding the capital expenditure and initial operating costs for establishing Lucheng Children Hospital in Wenzhou, including:

  (i) approximately 0.5%, or HK$0.5 million to be used for recruiting additional medical personnel and administrative and supporting staff within the next two years;

  (ii) approximately 9.9%, or HK$8.7 million to be used for additional acquiring dental devices and equipment; and

  (iii) approximately 3.7%, or HK$3.2 million to be used for renovating the leased premises.

  For more details, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Organic growth in Wenzhou" in this prospectus;

- approximately 10.0%, or HK$8.7 million, will be used for working capital and other general corporate purposes;

- approximately 8.6%, or HK$7.5 million, will be used for funding the capital expenditure and initial operating costs for establishing a dental clinic chain outside Wenzhou under a new trade name. For further information, please refer to the section headed "Business – Our Strategies – Expanding our dental medical institutions network in the PRC – Establishing dental clinic chain outside Wenzhou under a new trade name" in this prospectus;

- approximately 5.4%, or HK$4.7 million, will be used for establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services. For further information, please refer to the section headed "Business – Our Strategies – Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services" in this prospectus;

- approximately 3.3%, or HK$2.9 million, will be used for acquiring new dental devices and consumables to improve the quality of our dental services offered. For further information, please refer to the section headed "Business – Our Strategies – Acquiring new dental devices and consumables to improve the quality of our dental services offered" in this prospectus; and

- approximately 3.0%, or HK$2.6 million, will be used for renovating our Wenzhou Hospital in order to expand its children dental department. For further information, please refer to the section headed "Business – Our Strategies – Renovation of Wenzhou Hospital to expand its children dental department" in this prospectus.

If the Offer Price is set at HK$1.00 per Offer Share (being the high-point of the indicative Offer Price range), HK$0.84 per Offer Share (being the low-point of the indicative Offer Price range) or any price in between, we intend to apply the net proceeds to the above purposes on a pro rata basis. If the Over-allotment Option is exercised in full or in part, we intend to apply the additional net proceeds from the exercise of the Over-allotment Option to the above purposes on a pro rata basis.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans to a material extent and/or there be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short term deposits with licensed banks and authorised financial institutions (as defined under the SFO and/or the applicable laws, rules and regulations in the relevant jurisdiction for non-Hong Kong based deposits) for as long as it is in our best interests. We will make an appropriate announcement should there be any changes in the proposed use of proceeds above.

HONG KONG UNDERWRITERS

Innovax Securities Limited
WE Securities Limited
Sinolink Securities (Hong Kong) Company Limited
Guotai Junan Securities (Hong Kong) Limited
CCB International Capital Limited
CMBC Securities Company Limited
Tiger Brokers (HK) Global Limited
CSFG International Securities Limited
HGNH International Securities Co., Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is initially offering 15,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus.

Subject to (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe for, or procure subscribers to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination of the Hong Kong Underwriting Agreement

If any of the events set out below shall occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) shall be entitled by notice (orally or in writing) to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if, at any time prior to 8:00 am on the Listing Date:

(a) there shall develop, occur, exist or come into force:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, regional, national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease or its escalation, mutation or aggravation (including without limitation, contagious coronavirus (COVID-19), SARS, swine or avian flu, H5N1, H1N1, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related or mutated forms), accident or interruption or delay in transportation, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) or destruction of power plant) in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (the "**Relevant Jurisdictions**");

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions, equity securities or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets);

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange;

(iv) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union (or any member thereof), Japan, Singapore or any of the other Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of our Group;

(vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation, implementation or application by any court or other competent Authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions;

(vii) any change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or adversely affecting an investment in the Offer Shares;

(viii) any litigation, dispute, arbitration, legal action or claim being threatened or instigated against any member of our Group, any Director or any Controlling Shareholder;

(ix) any Director or member of senior management of our Company being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or taking directorship of a company;

(x) the chairman or chief executive officer of our Company, any Director or member of the senior management of our Company vacating his or her office;

(xi) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Controlling Shareholder, Director or member of senior management of our Company;

(xii) any prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;

(xiii) any contravention by our Company or any member of our Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or applicable laws;

(xiv) any non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws;

(xv) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC;

(xvi) any change or development or event involving a prospective change or development in, or a materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus;

(xvii) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(xviii) any demand by a creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity,

which, individually or in the aggregate, in the sole and absolute opinion of the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Placing to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by this prospectus and the **GREEN** Application Form; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there comes to the notice of the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) that:

(i) any statement contained in any of this prospectus and the **GREEN** Application Form, the operative documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto (the "**Offer-Related Documents**")) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete or misleading in any respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any such documents and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable grounds or reasonable assumptions;

(ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission from any of the Offer-Related Documents;

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters);

(iv) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group;

(v) any event, act or omission which gives or is likely to give rise to any liability of any of our Company, the Controlling Shareholders and the executive Directors pursuant to the Hong Kong Underwriting Agreement;

(vi) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent;

(vii) any breach of, or any event or circumstance rendering untrue, incorrect or misleading in any respect, any of the warranties given by our Company, our Controlling Shareholders and executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

(viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares issued and to be issued (including any additional Shares that may be issued pursuant to the exercise of the Over-Allotment Option under the Global Offering) is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings to the Stock Exchange

Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that except pursuant to the Global Offering (including the exercise of the Over-allotment Option), no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of our Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders undertakes to the Stock Exchange and to our Company that except pursuant to the Global Offering (including the exercise of the Over-allotment Option), they will not and will procure that the relevant registered holder(s) of our Shares in which any of them has a beneficial interest will not, at any time:

(a) during the period commencing on the date by reference to which disclosure of his/her/its interests in our Company is made in this prospectus and ending on the date falling six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which he/she/it is shown by this prospectus to be the beneficial owners; or

(b) in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the "**Second Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities mentioned in paragraph (a) if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company for the purposes of the Listing Rules.

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that within the period commencing on the date by reference to which disclosure of his/her/its shareholdings is made in this prospectus and to the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any securities of our Company or interests therein beneficially owned by them in favour of any authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Undertaking by the Pre-IPO Investor

Each of HDS BVI and the Pre-IPO Investor has undertaken to our Company, the Joint Sponsors and the Overall Coordinator (for itself and on behalf of the Underwriters) that it will not or will procure HDS BVI not to (as the case may be), at any time during the period commencing on the date by reference to which HDS BVI first became a beneficial owner of our Company and expiring on the date which is six months from the Listing Date, to dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which HDS BVI is shown by this prospectus to be the beneficial owner.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Each of the Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, save for pursuant to the Global Offering (including the Over-allotment Option and any lending of Shares by JTC BVI pursuant to the Stock Borrowing Agreement), without the prior written consent of the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of the Controlling Shareholders will, and will procure that none of its/his/her close associates will:

(i) during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six Month Period**"), (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable) (the foregoing restriction is expressly agreed to include the Controlling Shareholders from engaging in any hedging or other transactions which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of any Shares even if such Shares would be disposed of by someone other than the Controlling Shareholders, respectively. Such prohibited hedging or other transactions would include without limitation any put or call option with respect to any Shares or with respect to any security that includes, relates to or derives any significant part of its value from such Shares), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above, or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period); and

(ii) during the period of six months commencing on the date on which the First Six Month Period expires and including, the date that is six months after the end of the First Six Month Period (the "**Second Six Month Period**"), enter into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, her or it and/or any of his, her or its close associate which owns such Shares or interests as aforesaid; and

Each of our Controlling Shareholders, jointly and severally, has given an undertaking to each of our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that until the expiry of the Second Six Month Period, in the event that he, she or it enters into any of the transactions specified in (a), (b) or (c) under paragraph (i) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the Over-allotment Option) and the issue and allotment of Shares pursuant to the Capitalisation Issue as disclosed in this prospectus, during the First Six Month Period, our Company undertakes to each of the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries not to, and to procure each member of our Group not to, without the prior written consent of the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other members of our Group, as applicable); or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such members of our Group, as applicable); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or

(iv) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such members of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period). In the event that, during the Second Six Month Period, our Company enters into any of the transactions specified in paragraphs (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Company, our Controlling Shareholders and executive Directors undertakes to each of the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure our Company to comply with the undertakings in this paragraph.

Each of our Company, our Controlling Shareholders and executive Directors undertakes to and covenants with the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that save with the prior written consent of the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), no company in our Group will during the First Six Month Period purchase any securities of our Company.

Without prejudice to the above, each of our Controlling Shareholders undertakes and covenants with our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that:

(i) save with the prior written consent from the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and to the extent as allowed under the Listing Rules, during the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, he, she or it shall not and shall procure that none of his, her or its close associates shall pledge or charge or create any other rights or encumbrances in any Shares or any interest therein owned by him, her or it or any of their close associates or in which he, she or it or any of their close associates is, directly or indirectly, interested immediately following completion of the Global Offering (or any other Shares or securities of or interest in our Company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise) or any share or interest in any company controlled by him, her or it or any of their close associates which is the beneficial owner (directly or indirectly) of such Shares or interest therein as aforesaid (or any other shares or securities of or interest in the company arising or deriving therefrom as a result of capitalisation issue or scrip dividend or otherwise); and

(ii) in the event that notification is given to the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), when he, she or it or any of their close associates shall pledge, charge or create any encumbrance or other right or any of the Shares or interests referred to in (i) above, he, she or it shall give prior written notice of not less than two business days to the Stock Exchange, our Company, the Joint Sponsors, the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Capital Market Intermediaries giving details of the number of Shares, shares in the company which is the beneficial owner of such Shares, or the interests as aforesaid, the identities of the pledgee or person (the "**Mortgagee**") in favour of whom the pledge, charge, encumbrance or interest is created and further if he, she or it or any of their close associates is aware of or receives indications or notice, either verbal or written, from the Mortgagee that the Mortgagee will dispose of or transfer any of the Shares or interests referred to in (i) above, he, she or it will immediately notify the Stock Exchange, our Company, the Joint Sponsors and the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) in writing of such indications and provide details of such disposal or transfer to the Stock Exchange, our Company, the Joint Sponsors and the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) as they may require.

Our Company undertakes and covenants with the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that our Company shall as soon as practicable inform the Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) and the Stock Exchange in writing immediately after our Company has been informed of the matters referred to in paragraph (ii) above and our Company shall, if so required by the Stock Exchange or the Listing Rules, disclose such matters by way of an announcement and shall comply with all requirements of the Stock Exchange.

The International Placing

The International Underwriting Agreement

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally agree to subscribe or purchase or procure subscribers for the International Placing Shares.

Over-allotment Option

Our Company is expected to grant to the International Underwriters the Over-allotment Option exercisable by the Overall Coordinator, on behalf of the International Underwriters, at any time until the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 22,500,000 additional Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the Offer Price per Offer Share under the International Placing, solely to cover over-allocations, if any, under the International Placing. For further details of the Over-allotment Option, please refer to the section headed "Structure of the Global Offering" in this prospectus.

Commissions and expenses

The Underwriters and the Capital Market Intermediaries will receive an underwriting commission of 3.0% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the "**Fixed Fees**"). Our Company may, at our sole and absolute discretion, pay to the Overall Coordinator an incentive fee up to but not exceeding 1% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the "**Discretionary Fees**"). The ratio of Fixed Fees and Discretionary Fees (if fully paid) is therefore 75:25.

In consideration of the Joint Sponsors' services in sponsoring the Global Offering, the Joint Sponsors will receive a financial advisory fee. Such underwriting commission and financial advisory fee, together with the Stock Exchange listing fee, the Stock Exchange trading fee, the SFC transaction levy, AFRC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering which are currently estimated to be approximately HK$50.6 million in aggregate (assuming an Offer Price of HK$0.92 per Offer Share (being the mid-point of the indicative Offer Price of HK$0.84 to HK$1.00 per Offer Share)), are to be borne by us, without taking into account the commissions and expenses relating to the exercise of Over-allotment Option.

UNDERWRITERS' INTEREST IN OUR COMPANY

Save for the interests and obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in the shares of any of our Group's members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters, together referred to as "Syndicate Members", may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilising process. The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilising period described in "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- the Syndicate Members (other than the stabilising manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilising or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

- all of the Syndicate Members must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering which forms part of the Global Offering. A total of initially 150,000,000 Offer Shares will be made available under the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of 15,000,000 Offer Shares (subject to re-allocation), representing 10% of the Offer Shares, for subscription by the public in Hong Kong as described in the paragraph headed "Hong Kong Public Offering" in this section; and

- the International Placing of 135,000,000 Offer Shares (subject to re-allocation and the Over-allotment Option), representing 90% of the Offer Shares, to selected professional, institutional and other investors as described in the paragraph headed "International Placing" in this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, in the International Placing Shares under the International Placing, but may not do both.

The Hong Kong Public Offering is open to all members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Underwriters have severally agreed to underwrite the Hong Kong Offer Shares under the terms of the Hong Kong Underwriting Agreement. The International Underwriters will underwrite the International Placing Shares pursuant to the terms of the International Underwriting Agreement. Further details of the underwriting are set out in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of the application for the Offer Shares pursuant to the Hong Kong Public Offering is conditional upon, among others:

1. Listing

the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme and the Over-allotment Option) on the Stock Exchange and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares;

2. Underwriting Agreements

(i) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional, and not being terminated in accordance with the terms of the respective agreements; and

(ii) the execution and delivery of the International Underwriting Agreement prior to or on the Price Determination Date;

3. **Price determination**

the Offer Price having been determined and the execution of the Price Determination Agreement on or around the Price Determination Date, in each case on or before the dates and times specified in such Underwriting Agreements (unless and to the extent such conditions are waived on or before such dates and times) and in any event not beyond the 30th day after the date of this prospectus.

If any of the above conditions is not fulfilled or waived on or before the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.meihaomedical.com** on the next business day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application money will be held in one or more separate bank accounts with the receiving banker or other bank(s) in Hong Kong, licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares are expected to be issued on Tuesday, 13 December 2022 but will only become valid evidence of title at 8:00 a.m. on Wednesday, 14 December 2022 provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of the share certificates or prior to the share certificates bearing valid evidence of title do so entirely at their own risk.

HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 15,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering (assuming that the Over-allotment Option is not exercised). Subject to the re-allocation of Shares between (i) the International Placing; and (ii) the Hong Kong Public Offering as mentioned below, the number of the Hong Kong Offer Shares will represent approximately 2.5% of our Company's issued share capital immediately after completion of the Global Offering and the Capitalisation Issue without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total available Shares under the Hong Kong Public Offering (after taking into account of any re-allocation of Offer Shares between the Hong Kong Public Offering and the International Placing) is to be divided equally into two pools for allocation purposes: pool A and pool B with any odd board lots being allocated to pool A. Accordingly, the maximum number of Hong Kong Offer Shares initially in pool A and pool B will be 7,500,000 and 7,500,000 respectively. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK$5 million and up to the value of pool B (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this section only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and can only apply for Hong Kong Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 7,500,000 Hong Kong Offer Shares are liable to be rejected.

Re-allocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Placing is subject to re-allocation. Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares shall be subject to re-allocation on the following basis:

(a) where the International Placing Shares are fully subscribed or oversubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Overall Coordinator (for itself and on behalf of the Underwriters) has the authority (but not the obligation) in its absolute discretion to re-allocate all or any unsubscribed Hong Kong Offer Shares to the International Placing from the Hong Kong Public Offering, in such proportion as the Overall Coordinator deems appropriate;

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 15,000,000 Offer Shares may be re-allocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 30,000,000 Offer Shares may be re-allocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 45,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 45,000,000 Offer Shares will be re-allocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more of the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 60,000,000 Offer Shares will be re-allocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

(b) where the International Placing Shares are undersubscribed:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements; and

(ii) if the Hong Kong Offer Shares are fully subscribed or oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 15,000,000 Offer Shares may be re-allocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Share available under the Hong Kong Public Offering will be increased to 30,000,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, in the event that (i) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such re-allocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 30,000,000 Offer Shares and the final Offer Price shall be fixed at the bottom end of the indicative price range (i.e. HK$0.84 per Offer Share).

In the event of a re-allocation of Offer Shares from the International Placing to the Hong Kong Public Offering in circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the International Placing will be correspondingly reduced, subject to the exercise of the Over-allotment Option. In each case, the additional Offer Shares re-allocated to the Hong Kong Public Offering will be allocated between pool A and pool B, in such manner as the Overall Coordinator deems appropriate. If the Hong Kong Offer Shares are undersubscribed in circumstances under paragraphs (a)(i) and (b)(i) above, the Overall Coordinator has the discretion to re-allocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportion as the Overall Coordinator deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares under the International Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$1.00 per Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Price Determination of the Global Offering" below in this section, is less than the maximum price of HK$1.00 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

INTERNATIONAL PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription under the International Placing will be 135,000,000 Shares (subject to re-allocation and the Over-allotment Option). Subject to any re-allocation of Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme.

The International Placing is subject to the same conditions as stated in the paragraph headed "Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the Overall Coordinator (for itself and on behalf of the International Underwriters) that is exercisable at the discretion of the Overall Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the Overall Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days from the date of the last day of lodging application under the Hong Kong Public Offering, to require our Company to allot and issue up to 22,500,000 additional Shares, representing 15% of the number of the Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocation in the International Placing, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option but without taking into account any Shares which may fall to be issued upon the exercise of any options to be granted under the Share Option Scheme. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

PRICE DETERMINATION OF THE GLOBAL OFFERING

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 6 December 2022, and in any event not later than Tuesday, 13 December 2022, by agreement between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company.

The Offer Price will be not more than HK$1.00 per Share and is expected to be not less than HK$0.84 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Overall Coordinator, for itself and on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, and with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.meihaomedical.com**, respectively, an announcement or a supplemental prospectus in connection with such reduction. Upon the issue of such an announcement or supplemental prospectus, the revised number of Offer Shares and/or the indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

Such announcement or supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement, the use of proceeds and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, all applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement or supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any such announcement or supplemental prospectus so published in relation to the reduction, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by our Company with the Overall Coordinator (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Hong Kong Public Offering will be entitled to withdraw their applications unless positive confirmations from the applicants to proceed are received, and all unconfirmed applications will not be valid.

The Offer Price, the levels of indication of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares under the Hong Kong Public Offering, are expected to be announced on Tuesday, 13 December 2022 in the manner set out in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

Innovax Securities Limited has been appointed by us as the stabilising manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Global Offering, the Stabilising Manager, or its affiliates or any person acting for it, as stabilising manager, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date.

Any such stabilising activity will be made in compliance with all applicable laws, rules and regulations on stabilisation including the Securities and Futures (Price Stabilising) Rules made under the SFO. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager, its affiliates or any person acting for it, and may be discontinued at any time, and must be brought to an end after a limited period. Any such stabilisation activity is required to be brought to an end within 30 days from the last date for lodging applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not be greater than the number of Shares which may be made available upon exercise of the Over-allotment Option, being 22,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Subject to and under the Securities and Futures (Price Stabilising) Rules of the SFO, the Stabilising Manager, its affiliates or any person acting for it, may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(1) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(2) in connection with any action described in paragraph (1) above:

(a) (i) over-allocate our Shares; or

(ii) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(b) exercise the Over-allotment Option and subscribe for or purchase, or agree to subscribe for or purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under subparagraph (a) above;

(c) sell or agree to sell any Shares acquired by it in the course of the stabilising action referred to in paragraph (1) above in order to liquidate any position that has been established by such action; and

(d) offer or attempt to do anything described in subparagraphs (a)(ii), (b) or (c) above.

Specifically, prospective applicants for and investors in Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares;

- there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, its affiliates or any person acting for it, will maintain such a position;

- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of the Shares;

- no stabilising action can be taken to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date, and is expected to expire on Thursday, 5 January 2023, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of any security (including the Shares) cannot be assured to stay at or above its Offer Price by the taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

A public announcement in compliance with the Securities and Futures (Price Stabilising) Rules of the SFO will be made within seven days of the expiration of the stabilisation period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilising Manager (or its affiliates and agents) may cover such over-allocations by exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilising Manager (or its affiliates and agents) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the International Placing, the Stabilising Manager may choose to borrow up to 22,500,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from JTC BVI under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercising of the Over-allotment Option. If such stock borrowing arrangement is entered into, the borrowing of Shares will only be effected by the Stabilising Manager, its affiliates or any person acting for it for settlement of over-allocations in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with, being that (a) such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing; (b) the maximum number of Shares to be borrowed from JTC BVI pursuant to the Stock Borrowing Agreement is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option; (c) the same number of Shares so borrowed must be returned to JTC BVI or its nominee (as the case may be) on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the day on which the Over-allotment Option is exercised in full; and (iii) such earlier time as may be agreed in writing between JTC BVI and the Stabilising Manager; (d) the stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements; and (e) no payment will be made to JTC BVI by the Stabilising Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

COMMENCEMENT OF DEALINGS

Assuming the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 14 December 2022, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, 14 December 2022.

The Shares will be traded in board lots of 5,000 Shares each. The stock code of our Company is 1947.

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide any printed copies of this prospectus or any printed copies of any application forms for use by the public.

This prospectus is available at the website of the Stock Exchange at **www.hkexnews.hk** under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at **www.meihaomedical.com**. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public.

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

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8690 on the following dates and times:

Wednesday, 30 November 2022	–	9:00 a.m. to 9:00 p.m.
Thursday, 1 December 2022	–	9:00 a.m. to 9:00 p.m.
Friday, 2 December 2022	–	9:00 a.m. to 9:00 p.m.
Saturday, 3 December 2022	–	9:00 a.m. to 6:00 p.m.
Sunday, 4 December 2022	–	9:00 a.m. to 6:00 p.m.
Monday, 5 December 2022	–	9:00 a.m. to 9:00 p.m.
Tuesday, 6 December 2022	–	9:00 a.m. to 12:00 noon

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

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

(1) apply online through the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:

(a) instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or

(b) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (**https://ip.ccass.com**) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(a) or (2)(b) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Overall Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States and not United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If an application is made by a person under a power of attorney, the Overall Coordinator may accept it at its discretion and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- are a director or chief executive officer of our Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Overall Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

(viii) agree to disclose to our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions set out in this prospectus;

(x) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria set out in "Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that our Company and the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by anyone as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as their agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 5,000 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

Meihao Medical Group Co., Ltd
(HK$1.00 per Hong Kong Offer Share)
NUMBER OF HONG KONG OFFER SHARES THAT MAY BE APPLIED FOR AND PAYMENTS

No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*	No. of Hong Kong Offer Shares applied for	Amount payable on application *HK$*
5,000	5,050.40	70,000	70,705.50	500,000	505,039.25	4,000,000	4,040,314.00
10,000	10,100.79	80,000	80,806.28	600,000	606,047.10	4,500,000	4,545,353.25
15,000	15,151.18	90,000	90,907.07	700,000	707,054.95	5,000,000	5,050,392.50
20,000	20,201.57	100,000	101,007.85	800,000	808,062.80	5,500,000	5,555,431.75
25,000	25,251.97	150,000	151,511.78	900,000	909,070.65	6,000,000	6,060,471.00
30,000	30,302.36	200,000	202,015.70	1,000,000	1,010,078.50	6,500,000	6,565,510.25
35,000	35,352.75	250,000	252,519.63	1,500,000	1,515,117.75	7,000,000	7,070,549.50
40,000	40,403.14	300,000	303,023.55	2,000,000	2,020,157.00	7,500,000(1)	7,575,588.75
45,000	45,453.54	350,000	353,527.48	2,500,000	2,525,196.25		
50,000	50,503.93	400,000	404,031.40	3,000,000	3,030,235.50		
60,000	60,604.71	450,000	454,535.33	3,500,000	3,535,274.75		

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

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

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "– 2. Who can apply" above may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

If you have any question about the application for the Hong Kong Offer Shares, you may call the enquiry hotline of our Hong Kong Share Registrar and **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, at +852 2862 8690 on the following dates and times:

Wednesday, 30 November 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Thursday, 1 December 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Friday, 2 December 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Saturday, 3 December 2022	**–**	**9:00 a.m. to 6:00 p.m.**
Sunday, 4 December 2022	**–**	**9:00 a.m. to 6:00 p.m.**
Monday, 5 December 2022	**–**	**9:00 a.m. to 9:00 p.m.**
Tuesday, 6 December 2022	**–**	**9:00 a.m. to 12:00 noon**

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** service on the designated website at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 November 2022 until 11:30 a.m. on Tuesday, 6 December 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 6 December 2022 or such later time under "– 10. Effect of Bad Weather on the Opening of the Application Lists" below.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Commitment to Sustainability

The obvious advantage of **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "Meihao Medical Group Co., Ltd" **White Form eIPO** application submitted via the **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS phone system by calling (+852) 2979 7888 or through the CCASS Internet system (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square, 8 Connaught Place, Central
Hong Kong

and complete an input request form.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Overall Coordinator and our Hong Kong Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares (either indirectly through a **broker** or **custodian** or directly) and an application is made by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;

- confirm that you understand that our Company, our Directors and the Overall Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of our Company, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures set out in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving of **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree with our Company, for itself and for the benefit of each Shareholder and each Director, manager and other senior officer of our Company (and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Act, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and agree with our Company (for our Company itself and for the benefit of each Shareholder) that Shares in our Company are freely transferable by their holders;

- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorise HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorise HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorise HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 30 November 2022	**–**	**9:00 a.m. to 8:30 p.m.**
Thursday, 1 December 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Friday, 2 December 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Monday, 5 December 2022	**–**	**8:00 a.m. to 8:30 p.m.**
Tuesday, 6 December 2022	**–**	**8:00 a.m. to 12:00 noon**

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 November 2022 until 12:00 noon on Tuesday, 6 December 2022 (24 hours daily, except on Tuesday, 6 December 2022, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 6 December 2022, the last application day or such later time set out in "10. Effect of Bad Weather on the Opening of the Application Lists" below.

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

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

1 These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal information collection statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of our Company and its Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to our Company or its agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of our Company or its Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

(a) processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;

(b) compliance with applicable laws and regulations in Hong Kong and elsewhere;

(c) registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;

(d) maintaining or updating our Company's Register of Members;

(e) verifying identities of the holders of the Shares;

(f) establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;

(g) distributing communications from our Company and its subsidiaries;

(h) compiling statistical information and profiles of the holder of the Shares;

(i) disclosing relevant information to facilitate claims on entitlements; and

(j) any other incidental or associated purposes relating to the above and/or to enable our Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by our Company and its Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but our Company and its Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

(a) our Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;

(b) where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;

(c) any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the Hong Kong Share Registrar in connection with their respective business operation;

(d) the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and

(e) any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of personal data

Our Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

Access to and correction of personal data

Holders of the Hong Kong Offer Shares have the right to ascertain whether our Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company, at our Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Sponsors, the Overall Coordinator, the Joint Global Coordinators, the Joint Bookrunners and the Joint Lead Managers, the Underwriters and the Capital Market Intermediaries take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS phone system/CCASS Internet system for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 6 December 2022.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange. "Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

You must pay the maximum Offer Price, brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Hong Kong Offer Shares must be in one of the numbers set out in "How to Apply for Hong Kong Offer Shares – 4. Minimum Application Amount and Permitted Numbers" in this section, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, and AFRC transaction levy collected by the Stock Exchange on behalf of the SFC and the AFRC respectively).

For further details on the Offer Price, see "Structure of the Global Offering – Price Determination of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 6 December 2022. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, 6 December 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates set out in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 13 December 2022 on our Company's website at **www.meihaomedical.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on our Company's website at **www.meihaomedical.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Tuesday, 13 December 2022;

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, 13 December 2022 to 12:00 midnight on Monday, 19 December 2022; and

- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Tuesday, 13 December 2022, Wednesday, 14 December 2022, Thursday, 15 December 2022 and Friday, 16 December 2022.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** services or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Overall Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly;

- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Overall Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK$1.00 per Offer Share (excluding brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Tuesday, 13 December 2022.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS set out below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Tuesday, 13 December 2022. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, 14 December 2022 provided that the Global Offering has become unconditional and the right of termination set out in "Underwriting" has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) and/or refund cheque(s) (where applicable) from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 13 December 2022 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, 13 December 2022 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

If you apply through CCASS EIPO service

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 13 December 2022, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner set out in "– 11. Publication of Results" above on Tuesday, 13 December 2022. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 13 December 2022 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your **broker** or **custodian** to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that **broker** or **custodian**.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS phone system and the CCASS Internet system (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, 13 December 2022. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 13 December 2022.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date as determined by HKSCC. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MEIHAO MEDICAL GROUP CO., LTD, INNOVAX CAPITAL LIMITED AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Meihao Medical Group Co., Ltd (the "Company", formerly known as China Dental Medical Group Co., Ltd) and its subsidiaries (together, the "Group") set out on pages I-4 to I-65, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the five months ended 31 May 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and 31 May 2022 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-65 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 November 2022 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial*

Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting 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 and the Company as at 31 December 2019, 2020 and 2021 and 31 May 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "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 AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
REVENUE	*5*	83,159	84,556	105,315	34,422	46,858
Cost of sales		(37,888)	(33,939)	(38,385)	(14,736)	(20,306)
Gross profit		45,271	50,617	66,930	19,686	26,552
Other income and gains	*5*	368	907	1,662	726	490
Selling expenses		(4,894)	(3,918)	(5,119)	(1,246)	(4,829)
Administrative expenses		(16,451)	(21,327)	(17,485)	(7,179)	(9,229)
Other expenses		(60)	(195)	(161)	–	(7)
Impairment losses on financial assets, net		(158)	(58)	311	35	28
Finance costs	*7*	(994)	(1,834)	(2,471)	(902)	(831)
PROFIT BEFORE TAX	*6*	23,082	24,192	43,667	11,120	12,174
Income tax expense	*10*	(7,619)	(9,212)	(11,490)	(3,122)	(3,656)
PROFIT FOR THE YEAR/PERIOD		15,463	14,980	32,177	7,998	8,518
OTHER COMPREHENSIVE INCOME/(LOSS)						
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		5	(1)	–	–	–
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		5	(1)	–	–	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD, NET OF TAX		5	(1)	–	–	–

		Year ended 31 December			Five months ended 31 May	
		2019	**2020**	**2021**	**2021**	**2022**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		15,468	14,979	32,177	7,998	8,518
Profit attributable to:						
Owners of the parent		15,429	14,903	32,069	7,975	8,517
Non-controlling interests		34	77	108	23	1
		15,463	14,980	32,177	7,998	8,518
Total comprehensive income attributable to:						
Owners of the parent		15,434	14,902	32,069	7,975	8,517
Non-controlling interests		34	77	108	23	1
		15,468	14,979	32,177	7,998	8,518
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	*12*	N/A	N/A	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	As at 31 May 2022 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	18,010	14,952	27,679	27,980
Right-of-use assets	*14(a)*	18,737	16,270	43,578	40,822
Intangible assets	*15*	182	179	531	642
Deferred tax assets	*26*	3,054	2,693	3,557	4,332
Prepayments, other receivables and other assets	*18*	647	848	3,088	1,429
Total non-current assets		40,630	34,942	78,433	75,205
CURRENT ASSETS					
Inventories	*16*	1,773	1,583	2,363	2,423
Trade receivables	*17*	863	710	600	235
Prepayments, other receivables and other assets	*18*	7,676	10,156	11,187	13,212
Due from a director	*19/31(c)*	75	–	–	–
Due from a related party	*19/31(c)*	932	–	–	–
Financial assets at fair value through profit or loss	*20*	5,000	–	–	–
Cash and cash equivalents	*21*	42,162	50,974	41,283	45,205
Total current assets		58,481	63,423	55,433	61,075
CURRENT LIABILITIES					
Trade payables	*22*	6,436	4,284	5,717	5,697
Lease liabilities	*14(b)*	4,930	8,076	9,376	8,838
Other payables and accruals	*23*	16,965	14,726	15,959	17,140
Due to a director	*31(c)*	5,539	–	–	–
Contract liabilities	*24*	6,908	6,817	7,792	7,736
Interest-bearing other borrowing	*25*	–	25,856	–	–
Dividend payable		16,200	–	–	–
Tax payable		7,144	7,336	8,913	6,357
Total current liabilities		64,122	67,095	47,757	45,768
NET CURRENT ASSETS/(LIABILITIES)		(5,641)	(3,672)	7,676	15,307
TOTAL ASSETS LESS CURRENT LIABILITIES		34,989	31,270	86,109	90,512
NON-CURRENT LIABILITIES					
Lease liabilities	*14(b)*	15,119	12,542	35,163	31,118
Contract liabilities	*24*	–	362	403	333
Total non-current liabilities		15,119	12,904	35,566	31,451
Net assets		19,870	18,366	50,543	59,061
EQUITY					
Equity attributable to owners of the parent					
Share capital	*27*	–	–	–	–
Reserves	*28*	19,790	18,209	50,278	58,795
		19,790	18,209	50,278	58,795
Non-controlling interests		80	157	265	266
Total equity		19,870	18,366	50,543	59,061

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the parent							
	Share capital	Merger reserve*	Statutory surplus reserve*	Exchange fluctuation reserve*	Retained profits/ (accumulated losses)*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*				
At 1 January 2019	–	30,905	3,167	–	16,176	50,248	46	50,294
Profit for the year	–	–	–	–	15,429	15,429	34	15,463
Exchange differences on translation of foreign operations	–	–	–	5	–	5	–	5
Total comprehensive income for the year	–	–	–	5	15,429	15,434	34	15,468
Capital contribution by the controlling shareholders	–	20,000	–	–	–	20,000	–	20,000
Capital contribution by a then shareholder of a subsidiary	–	2,025	–	–	–	2,025	–	2,025
Deemed distribution to the then shareholders *(note (a))*	–	(31,405)	–	–	(4,512)	(35,917)	–	(35,917)
Dividend declared by a subsidiary *(note 11)*	–	–	–	–	(32,000)	(32,000)	–	(32,000)
Transfer to statutory surplus reserve	–	–	1,319	–	(1,319)	–	–	–
At 31 December 2019	–	21,525	4,486	5	(6,226)	19,790	80	19,870

Year ended 31 December 2020

	Attributable to owners of the parent								
	Share capital	**Merger reserve***	**Capital reserve***	**Statutory surplus reserve***	**Exchange fluctuation reserve***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*	*(note 28)*				
At 1 January 2020	–	21,525	–	4,486	5	(6,226)	19,790	80	19,870
Profit for the year	–	–	–	–	–	14,903	14,903	77	14,980
Exchange differences on translation of foreign operations	–	–	–	–	(1)	–	(1)	–	(1)
Total comprehensive income for the year	–	–	–	–	(1)	14,903	14,902	77	14,979
Capital contribution by a controlling shareholder *(note 29(a)(iii))*	–	–	8,450	–	–	–	8,450	–	8,450
Deemed distribution to the then shareholders *(note (b))*	–	(9,509)	–	–	–	(15,424)	(24,933)	–	(24,933)
Transfer to statutory surplus reserve	–	–	–	1,367	–	(1,367)	–	–	–
At 31 December 2020	–	12,016	8,450	5,853	4	(8,114)	18,209	157	18,366

Year ended 31 December 2021

	Attributable to owners of the parent								
	Share capital *RMB'000* *(note 27)*	Merger reserve* *RMB'000* *(note 28)*	Capital reserve* *RMB'000* *(note 28)*	Statutory surplus reserve* *RMB'000* *(note 28)*	Exchange fluctuation reserve* *RMB'000* *(note 28)*	Retained profits/ (accumulated losses)* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2021	–	12,016	8,450	5,853	4	(8,114)	18,209	157	18,366
Profit and total comprehensive income for the year	–	–	–	–	–	32,069	32,069	108	32,177
Transfer to statutory surplus reserve	–	–	–	2,991	–	(2,991)	–	–	–
At 31 December 2021	–	12,016	8,450	8,844	4	20,964	50,278	265	50,543

Five months ended 31 May 2022

	Attributable to owners of the parent								
	Share capital *RMB'000* *(note 27)*	Merger reserve* *RMB'000* *(note 28)*	Capital reserve* *RMB'000* *(note 28)*	Statutory surplus reserve* *RMB'000* *(note 28)*	Exchange fluctuation reserve* *RMB'000* *(note 28)*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022	–	12,016	8,450	8,844	4	20,964	50,278	265	50,543
Profit and total comprehensive income for the period	–	–	–	–	–	8,517	8,517	1	8,518
At 31 May 2022	–	12,016	8,450	8,844	4	29,481	58,795	266	59,061

Five months ended 31 May 2021

	Attributable to owners of the parent								
	Share capital	**Merger reserve**	**Capital reserve**	**Statutory surplus reserve**	**Exchange fluctuation reserve**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*	*(note 28)*				
At 1 January 2021	–	12,016	8,450	5,853	4	(8,114)	18,209	157	18,366
Profit and total comprehensive income for the period (Unaudited)	–	–	–	–	–	7,975	7,975	23	7,998
At 31 May 2021 (Unaudited)	–	12,016	8,450	5,853	4	(139)	26,184	180	26,364

Notes:

(a) As part of the reorganisation, the Group acquired three subsidiaries, Wenzhou Dental Hospital Co., Ltd. ("Wenzhou Hospital"), Wenzhou Lucheng Stomatological Hospital Co., Ltd. ("Lucheng Hospital") and Wenzhou Binda Stomatological Hospital Management Co., Ltd., and 5% equity interest in Wenzhou Dehong Medical Management Co., Ltd. ("Dehong Medical") from the then shareholders at considerations of RMB23,000,000, RMB10,885,000, RMB20,000 and RMB2,012,000, respectively. The total consideration was RMB35,917,000, which was fully paid in 2019.

(b) As part of the reorganisation, the Group acquired a subsidiary, Health Dental Services Limited ("Health Dental HK") and a 95% equity interest in Dehong Medical from the then shareholders at considerations of HK$10,000 (equivalent to RMB9,000) and RMB24,924,000, respectively. The total consideration is RMB24,933,000, among which RMB24,924,000 has been paid as at 31 December 2020.

* These reserve accounts comprise the consolidated other reserves of RMB19,790,000, RMB18,209,000, RMB50,278,000 and RMB58,795,000 in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		23,082	24,192	43,667	11,120	12,174
Adjustments for:						
Finance costs	*7*	994	1,834	2,471	902	831
Bank interest income	*5*	(32)	(435)	(1,211)	(578)	(435)
Other interest income from financial assets at fair value through profit or loss	*5*	(328)	(12)	–	–	–
Loss on disposal of items of property, plant and equipment	*6*	–	57	67	–	–
Depreciation of property, plant and equipment	*13*	3,512	3,887	4,491	1,707	2,838
Depreciation of right-of-use assets	*14(a)*	3,535	4,254	6,387	1,994	2,756
Amortisation of intangible assets	*15*	69	75	98	30	94
Impairment of trade receivables, net	*17*	158	58	(311)	(35)	(28)
Covid-19-related rent concessions from lessors	*14(b)*	–	(542)	–	–	(212)
Gain on termination of leases	*14(c)*	–	–	(258)	–	–
Exchange differences, net		5	(1)	–	–	–
		30,995	33,367	55,401	15,140	18,018
Decrease/(increase) in inventories		374	190	(780)	(114)	(60)
Decrease/(increase) in trade receivables		(199)	95	421	(183)	393
Decrease/(increase) in prepayments, other receivables and other assets		(4,506)	693	(1,661)	(1,194)	(2,025)
Increase in an amount due from a director		(3,317)	–	–	–	–
Increase/(decrease) in trade payables		218	(2,152)	1,433	(109)	(20)
Increase/(decrease) in contract liabilities		3,325	271	1,016	(257)	(126)
Increase in other payables and accruals		4,788	3,214	296	1,381	1,601
Cash generated from operations		31,678	35,678	56,126	14,664	17,781
Bank interest received		32	435	1,211	578	435
Income tax paid		(12,332)	(8,659)	(10,777)	(6,453)	(6,987)
Net cash flows from operating activities		19,378	27,454	46,560	8,789	11,229

	Notes	Year ended 31 December 2019 RMB'000	2020 RMB'000	2021 RMB'000	Five months ended 31 May 2021 RMB'000 (Unaudited)	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Other interest income received from financial assets at fair value through profit or loss		328	12	–	–	–
Purchases of items of property, plant and equipment		(2,079)	(3,390)	(17,958)	(9,250)	(2,010)
Proceeds from disposal of items of property, plant and equipment		–	1	–	–	–
Purchases of intangible assets		(77)	(72)	(450)	–	(95)
Purchases of financial assets at fair value through profit or loss		(22,300)	–	–	–	–
Proceeds from sale of financial assets at fair value through profit or loss		25,800	5,000	–	–	–
Disposal of a subsidiary		(21)	–	–	–	–
Repayment of a loan to a related party	*31(a)*	–	932	–	–	–
Lease payments made before the commencement date of a lease		–	(3,173)	–	–	–
Net cash flows from/(used in) investing activities		1,651	(690)	(18,408)	(9,250)	(2,105)
CASH FLOWS FROM FINANCING ACTIVITIES						
New other borrowing		–	25,000	–	–	–
Repayment of other borrowing		–	–	(25,000)	–	–
Principal portion of lease payments		(4,184)	(676)	(9,516)	(7,460)	(4,371)
Interest paid		(994)	(978)	(3,327)	(463)	(831)
Capital contribution by the controlling shareholders	*28*	20,000	–	–	–	–
Shareholder's loan from the controlling shareholder	*29(a)(iii)*	–	8,450	–	–	–
Capital contribution by a then shareholder of a subsidiary	*28*	2,025	–	–	–	–
Advances of loans to directors	*31(a)*	(7,533)	(5,539)	–	–	–
Repayment of loans to a director	*31(a)*	58,436	75	–	–	–
Dividend paid by a subsidiary	*11*	(12,640)	(19,360)	–	–	–
Deemed distribution to the then shareholders		(37,176)	(24,924)	–	–	–
Net cash flows from/(used in) financing activities		17,934	(17,952)	(37,843)	(7,923)	(5,202)

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		38,963	8,812	(9,691)	(8,384)	3,922
Cash and cash equivalents at beginning of year/period		3,199	42,162	50,974	50,974	41,283
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	*21*	42,162	50,974	41,283	42,590	45,205
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		42,162	50,974	41,283	42,590	45,205
Cash and cash equivalents as stated in the statements of cash flows and statements of financial position		42,162	50,974	41,283	42,590	45,205

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 31 May
		2019	2020	2021	2022
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Investments in subsidiaries		–	9	8	8
Total non-current assets		–	9	8	8
CURRENT ASSETS					
Other receivables		–*	–*	–*	–*
Total current assets		–	–	–	–
CURRENT LIABILITIES					
Other payables		–	9	8	8
Total current liabilities		–	9	8	8
NET CURRENT LIABILITIES		–	(9)	(8)	(8)
TOTAL ASSETS LESS CURRENT LIABILITIES		–	–	–	–
Net assets		–	–	–	–
EQUITY					
Share capital	*27*	–*	–*	–*	–*
Reserves		–	–	–	–
Total equity		–	–	–	–

* Amounts less than RMB1,000

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 18 November 2019. The registered office of the Company is located at 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The Company changed its name from "China Dental Medical Group Co., Ltd" to "Meihao Medical Group Co., Ltd" effective from 18 October 2022.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries were principally engaged in the provision of dental services.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of the Company's principal subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company	Principal activities
Yongkang (China) Co., LTD ("Yongkang BVI") 永康(中國)有限公司 *(Note (a))*	The British Virgin Islands ("BVI") 20 November 2019	United States dollars ("US$") 1	100% (direct)	Investment holding
Health Dental HK 康和牙科服務有限公司 *(Note (a))*	Hong Kong 24 October 2019	Hong Kong dollars ("HK$") 10,000	100% (direct)	Investment holding
Dehong (China) Co., Limited ("Dehong HK") 德鴻(中國)有限公司 *(Note (a))*	Hong Kong 18 November 2019	HK$1	100% (indirect)	Investment holding
Dehong Medical* 溫州德鴻醫療管理有限公司 *(Note (a) and (b))*	The People's Republic of China ("PRC")/ Mainland China 2 August 2019	RMB10,000,000	100% (indirect)	Investment holding
Wenzhou Meihao Business Management Co., Ltd.* 溫州美皓企業管理有限公司 *(Note (a))*	PRC/Mainland China 20 December 2019	US$1,560,000	100% (indirect)	Investment holding
Wenzhou Tianrui Medical Management Co., Ltd. ("Tianrui Medical")* 溫州天睿醫療管理有限公司 *(Note (a) and (b))*	PRC/Mainland China 2 August 2019	RMB10,000,000	100% (indirect)	Investment holding

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/registered share capital	Percentage of equity attributable to the Company	Principal activities
Wenzhou Hospital* 溫州牙科醫院有限公司 *(Note (a) and (b))*	PRC/Mainland China 8 March 2011	RMB20,000,000	100% (indirect)	Provision of dental services
Lucheng Hospital* 溫州鹿城口腔醫院有限公司 *(Note (a) and (b))*	PRC/Mainland China 7 June 2016	RMB50,000,000	100% (indirect)	Provision of dental services
Longgang Stomatological Hospital Co., Ltd. ("Longgang Hospital")* 龍港口腔醫院有限公司 *(Note (a), (b) and (c))*	PRC/Mainland China 24 August 2015	RMB5,000,000	95% (indirect)	Provision of dental services
Wenzhou Stomatological Hospital Co., Ltd. ("Wenzhou Oral Care")* 溫州口腔醫院有限公司 *(Note (a) and (b))*	PRC/Mainland China 21 December 2015	RMB23,000,000	100% (indirect)	Provision of dental services

Notes:

(a) No audited financial statements have been prepared for these entities since their dates of incorporation, as these entities were not required by the local government to prepare statutory accounts.

(b) Dehong Medical, which has 70% equity interests in Wenzhou Hospital, Lucheng Hospital, Longgang Hospital, Wenzhou Lucheng Children Stomatological Hospital Co., Ltd. ("Lucheng Children Hospital") and Wenzhou Oral Care (the "Consolidated Affiliated Entities"), has entered into a series of contractual arrangements (the "Contractual Arrangements") with Tianrui Medical, which has 30% equity interests in Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and 25% equity interests in Longgang Hospital. The Contractual Arrangements enable Dehong Medical to obtain substantially all economic benefits of the Consolidated Affiliated Entities, except for the 5% equity interest in Longgang Hospital which is held by an independent third party. Further details of the Contractual Arrangements are set out in note 2.1.

(c) Longgang Hospital was formerly known as Cangnan Dental Hospital Co., Ltd. (蒼南牙科醫院有限公司).

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 3 February 2020. The companies now comprising the Group were under the common control of the controlling shareholders, Mr. Wang Xiaomin and Ms. Zheng Man, before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

According to the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2019) ("2019 Negative List"), the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2020 Version) (the "2020 Negative List"), which came into effect on 23 July 2020 and has replaced the 2019 Negative List, and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (the "2021 Negative List", together with the 2019 Negative List and 2020 Negative list, the "Negative Lists"), which came into effect on 1 January 2021 and has replaced the 2020 Negative List, medical institutions such as the Consolidated Affiliated Entities fall within the "restricted" investment category, and therefore may not be held 100% by foreign investments, and foreign investments are restricted to the form of joint ventures. Establishment of joint ventures shall meet certain requirements and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. A wholly-owned subsidiary of the Company, Dehong Medical, which has the 70% equity interests in the Consolidated Affiliated Entities, has entered into the Contractual Arrangements with Tianrui Medical, which has the 30% equity interests in Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and the 25% equity interests in Longgang Hospital. The Contractual Arrangements enable Dehong Medical to obtain substantially all economic benefits of the Consolidated Affiliated Entities, except for the 5% equity interest in Longgang Hospital which is held by an independent third party. Accordingly, the Company regards Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care as wholly-owned subsidiaries and Longgang Hospital as a 95% owned subsidiary for the purpose of the Historical Financial Information and the Consolidated Affiliated Entities were consolidated in the Historical Financial Information for the Relevant Periods with the 5% equity interest in Longgang Hospital being recognised as non-controlling interests. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the five months ended 31 May 2021 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 first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as of 31 December 2019, 2020 and 2021 and 31 May 2022 have been prepared to present the assets and liabilities of the subsidiaries now comprising the Group using the existing book values from the controlling shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

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

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 4]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[1, 3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[5]

1 Effective for annual periods beginning on or after 1 January 2023

2 No mandatory effective date yet determined but available for adoption

3 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

4 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

5 Effective for annual periods beginning on or after 1 January 2024

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's financial performance and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

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).

When the Company has, directly or indirectly, 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 results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable.

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 (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) 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/accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial information of the investee's net assets including goodwill.

Fair value measurement

The Group measures its unlisted investments 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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 estimated useful lives of property, plant and equipment are as follows:

Medical equipment	10 years
Office equipment and furniture	5 years
Motor vehicles	6 years
Leasehold improvements	Over the shorter of the useful lives and the lease terms

The rate of residual values of property, plant and equipment are as follows:

Medical equipment	5%
Office equipment and furniture	5%
Motor vehicles	5%
Leasehold improvements	0%

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 method 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 or period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements and business operating systems under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost is the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. 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.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

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. 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 any 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:

Office premises	2 to 10 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 a lease, if the lease term reflects the Group exercising the option to terminate the lease. For the lease transaction with a director, the lease liability is measured based on the contractual amount.

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 ("IBR") 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. The Group remeasures the lease liability by discounting the revised lease payments only when there is a change in the cash flows (i.e., when the adjustment to the lease payments takes effect). The Group determines the revised lease payments for the remainder of the lease term based on the revised contractual payments. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and staff dormitories (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 are recognised as an expense on a straight-line basis over the lease term.

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 HKFRS 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 a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., 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.

The Group's financial assets at amortised cost includes trade receivables, amounts due from directors and a related party and deposits and other receivables included in prepayments, other receivables and other assets.

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 profit or loss.

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 at the end of each of the Relevant Periods 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 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 end of each of the Relevant Periods (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 the end of each of the Relevant Periods. The Group has established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, 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, accruals, amounts due to directors, lease liabilities and interest-bearing other borrowing.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (payables, loans and borrowings)

After initial recognition, payables and interest-bearing loans and 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 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, and assets similar in nature to cash, which are not restricted as to use.

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 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

- 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

- 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.

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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the rendering of dental services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

(a) Revenue from the rendering of orthodontics and cosmetic dentistry services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue on the basis of the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

(b) Revenue from the rendering of other dental services is recognised when the services have been rendered given that such dental services are generally completed within a very short period of time.

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).

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their 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.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

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

The Historical Financial Information is presented in RMB as the major operations of the Group are within Mainland China. 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 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of the Company and certain overseas subsidiaries are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profit or loss is 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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

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 recognised in the Historical Financial Information:

Contractual Arrangements

The Consolidated Affiliated Entities are engaged in the medical business. According to the Negative Lists, investments in medical institutions such as the Consolidated Affiliated Entities fall within the "restricted" investment category, and therefore these entities may not be held 100% by foreign investors, and foreign investments are restricted to the form of joint ventures.

As disclosed in note 2.1, as part of the Reorganisation, the Group enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements, except for the 5% equity interest in Longgang Hospital which is held by an independent third party.

The Group does not have the 30% equity interests in Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care and the 25% equity interests in Longgang Hospital. However, as a result of the Contractual Arrangements, the Company enjoys substantially all economic benefits of the Consolidated Affiliated Entities through the Contractual Arrangements, except for the 5% equity interest of Longgang Hospital which is held by an independent third party. Consequently, the Company regards Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care as wholly-owned subsidiaries and Longgang Hospital as a 95% owned subsidiary. The Group has consolidated the financial position and results of the Consolidated Affiliated Entities in the Historical Financial Information for the Relevant Periods with the 5% equity interest in Longgang Hospital being recognised as non-controlling interest.

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:

The Group concluded that revenue from the rendering of orthodontics and cosmetic dentistry services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

The Group determined that the input method is the best method in measuring the progress of orthodontics and cosmetic dentistry services because there is a direct relationship between the Group's effort (i.e., staff costs and cost of inventories, consumables and customised products incurred) and the transfer of services to the customer. The Group recognises revenue on the basis of the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain PRC subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Such judgement is made with reference to the Group's business plan and future cash requirements outside Mainland China.

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.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing of receivables of the customer.

The provision matrix is initially based on the market 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 the end of each of the Relevant Periods, 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 of forecast economic conditions. The 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 is disclosed in note 17 to the Historical Financial Information.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognised tax losses were RMB759,000, RMB325,000, RMB1,103,000 and RMB1,632,000 as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively. Further details are included in note 26 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an IBR to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

All external revenue of the Group during the Relevant Periods and the five months ended 31 May 2021 was attributable to customers in Mainland China, the place of domicile of the Group's operating entities.

The Group's non-current assets are all located in Mainland China.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods and the five months ended 31 May 2021.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue from contracts with customers	83,159	84,556	105,315	34,422	46,858

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Type of services					
Dental services	83,159	84,556	105,315	34,422	46,858
Geographical market					
Mainland China	83,159	84,556	105,315	34,422	46,858
Timing of revenue recognition					
Services transferred over time	83,159	84,556	105,315	34,422	46,858

The following table shows the amounts of revenue recognised in the Relevant Periods and the five months ended 31 May 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the five months ended 31 May 2021:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of each of the years/periods:					
Rendering of dental services	899	3,845	3,423	2,450	3,190

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of dental services

The performance obligation is satisfied over time when the services are rendered.

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:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:				
Within one year	11,069	12,102	11,750	10,766
After one year	1,176	1,303	1,127	705
	12,245	13,405	12,877	11,471

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to dental services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

An analysis of other income and gains is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income and gains					
Government grants *(note (a))*	–	391	147	145	54
Bank interest income	32	435	1,211	578	435
Other interest income from financial assets at fair value through profit or loss	328	12	–	–	–
Gain on termination of leases	–	–	258	–	–
Others	8	69	46	3	1
	368	907	1,662	726	490

Note:

(a) The government grants mainly represent incentives received from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development. During the year ended 31 December 2020, the Group also received certain government grants as a result of the relief measures adopted by the governmental authority in response to the outbreak of Covid-19 pursuant to the relevant governmental notice. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

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

		Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Cost of inventories, consumables and customised products		11,936	10,759	11,201	4,319	5,714
Depreciation of property, plant and equipment	*13*	3,512	3,887	4,491	1,707	2,838
Depreciation of right-of-use assets	*14(a)*	3,535	4,254	6,387	1,994	2,756
Amortisation of intangible assets*	*15*	69	75	98	30	94
Impairment of trade receivables, net**	*17*	158	58	(311)	(35)	(28)
Lease payments not included in the measurement of lease liabilities	*14(c)*	119	117	147	31	112
Government grants	*5*	–	(391)	(147)	(145)	(54)
Bank interest income	*5*	(32)	(435)	(1,211)	(578)	(435)
Other interest income from financial assets at fair value through profit or loss	*5*	(328)	(12)	–	–	–
Listing expenses		7,471	10,693	2,217	1,678	2,949
Loss on disposal of items of property, plant and equipment, net		–	57	67	–	–
Covid-19-related rent concessions from lessors	*14(c)*	–	(542)	–	–	(212)
Gain on termination of leases	*14(c)*	–	–	(258)	–	–
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):						
Wages and salaries		22,769	22,168	25,917	9,628	12,101
Pension scheme contributions***		3,526	1,581	3,245	1,165	2,677
		26,295	23,749	29,162	10,793	14,778

* *The amortisation of intangible assets for the Relevant Periods and the five months ended 31 May 2021 is included in "Selling expenses" and "Administrative expenses" on the face of the consolidated statements of profit or loss and other comprehensive income.*

** *The impairment/(reversal of impairment) of trade receivables is included in "Impairment losses on financial assets, net" on the face of the consolidated statements of profit or loss and other comprehensive income.*

*** *According to the policies issued by the Ministry of Human Resources and Social Security of the Government of Zhejiang Province and local municipal departments, the Group was entitled certain months of social insurance relief due to the outbreak of Covid-19 during the year ended 31 December 2020. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Interest on lease liabilities	994	978	1,735	463	831
Interest on interest-bearing other borrowing	–	856	736	439	–
	994	1,834	2,471	902	831

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Wang Xiaomin and Ms. Zheng Man are the co-founders of the Group and were appointed as directors on 20 November 2019 and re-designated as executive directors on 29 January 2020.

Mr. Ng Ming Chee, Ms. Tam Hon Shan Celia and Dr. Zhou Jian were appointed as independent non-executive directors of the Company on 8 November 2022.

Certain of the directors received remuneration from a subsidiary now comprising the Group for their appointment as directors of this subsidiary. The remuneration of these directors as recorded in the financial statements of this subsidiary is set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Fees	–	–	–	–	–
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	557	709	708	295	295
Pension scheme contributions	34	37	62	26	30
	591	746	770	321	325
	591	746	770	321	325

Independent non-executive directors

There were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods and the five months ended 31 May 2021.

Executive directors

	Fees	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2019				
Mr. Wang Xiaomin*	–	370	18	388
Ms. Zheng Man	–	187	16	203
	–	557	34	591
Year ended 31 December 2020				
Mr. Wang Xiaomin*	–	360	20	380
Ms. Zheng Man	–	349	17	366
	–	709	37	746
Year ended 31 December 2021				
Mr. Wang Xiaomin*	–	360	31	391
Ms. Zheng Man	–	348	31	379
	–	708	62	770
Five months ended 31 May 2022				
Mr. Wang Xiaomin*	–	150	15	165
Ms. Zheng Man	–	145	15	160
	–	295	30	325
Five months ended 31 May 2021				
(Unaudited)				
Mr. Wang Xiaomin*	–	150	13	163
Ms. Zheng Man	–	145	13	158
	–	295	26	321

* Mr. Wang Xiaomin is the chief executive 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 and the five months ended 31 May 2021.

During the Relevant Periods and the five months ended 31 May 2021, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2021 did not include any directors. Details of directors' remuneration are set out in note 8 above. Details of the remuneration for the five highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the five months ended 31 May 2021 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	2,919	2,919	3,030	1,211	1,204
Pension scheme contributions	234	102	264	63	74
	3,153	3,021	3,294	1,274	1,278

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021** *(Unaudited)*	**2022**
Nil to HK$1,000,000	5	5	5	5	5

10. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary incorporated in the British Virgin Islands are not subject to any income tax in the Cayman Islands or the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Relevant Periods and the five months ended 31 May 2021.

Except for one subsidiary of the Group which was entitled to a preferential income tax rate of 20% for small and micro enterprises during the year ended 31 December 2020 and the five months ended 31 May 2021 and 2022 with the first RMB1.0 million of annual taxable income eligible for 75% reduction and the income between RMB1.0 million and RMB3.0 million eligible for 50% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

The income tax expense of the Group during the Relevant Periods and the five months ended 31 May 2021 is analysed as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current – Mainland China					
Charge for the year/period	6,987	8,851	12,354	3,159	4,431
Deferred *(note 26)*	632	361	(864)	(37)	(775)
Total tax charge for the year/period	7,619	9,212	11,490	3,122	3,656

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax	23,082	24,192	43,667	11,120	12,174
Tax at the statutory tax rate	5,770	6,048	10,917	2,780	3,043
Preferential tax rates enacted by local authority	–	(244)	–	(355)	(10)
Expenses not deductible for tax	1,182	1,988	457	324	530
Waiver of shareholder's loan	–	2,113	–	–	–
Temporary differences and tax losses not recognised	667	(693)	116	373	93
Tax charge at the Group's effective tax rate	7,619	9,212	11,490	3,122	3,656

11. DIVIDEND

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Dividend	32,000	–	–	–	–

For the year ended 31 December 2019, Wenzhou Hospital, a subsidiary of the Group, declared dividends of RMB28,800,000 and RMB3,200,000 to its then shareholders, Mr. Wang Xiaomin and Ms. Zheng Man, respectively, who are also the directors of the Company. The dividends of RMB12,640,000 were paid during the year ended 31 December 2019 and the rest was paid during the year ended 31 December 2020.

No dividend was declared and paid by the Company since its incorporation.

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

Earnings per share information is not presented as its inclusion, for the purpose of the Historical Financial Information, is not considered meaningful due to the Reorganisation and the basis of presentation of the Historical Financial Information of the Group for the Relevant Periods and the five months ended 31 May 2021 as disclosed in note 2.1 to the Historical Financial Information.

13. PROPERTY, PLANT AND EQUIPMENT

	Medical equipment	Office equipment and furniture	Motor vehicles	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019					
At 1 January 2019:					
Cost	12,801	3,128	958	13,206	30,093
Accumulated depreciation	(3,030)	(1,556)	(755)	(5,387)	(10,728)
Net carrying amount	9,771	1,572	203	7,819	19,365
At 1 January 2019, net of accumulated depreciation	9,771	1,572	203	7,819	19,365
Additions	1,284	530	3	2,612	4,429
Depreciation provided during the year *(note 6)*	(1,193)	(448)	(54)	(1,817)	(3,512)
Disposal of a subsidiary	(488)	(87)	–	(1,697)	(2,272)
At 31 December 2019, net of accumulated depreciation	9,374	1,567	152	6,917	18,010
At 31 December 2019:					
Cost	13,521	3,560	961	13,393	31,435
Accumulated depreciation	(4,147)	(1,993)	(809)	(6,476)	(13,425)
Net carrying amount	9,374	1,567	152	6,917	18,010
31 December 2020					
At 1 January 2020:					
Cost	13,521	3,560	961	13,393	31,435
Accumulated depreciation	(4,147)	(1,993)	(809)	(6,476)	(13,425)
Net carrying amount	9,374	1,567	152	6,917	18,010
At 1 January 2020, net of accumulated depreciation	9,374	1,567	152	6,917	18,010
Additions	391	32	–	464	887
Depreciation provided during the year *(note 6)*	(1,354)	(449)	(23)	(2,061)	(3,887)
Disposals	(56)	(2)	–	–	(58)
At 31 December 2020, net of accumulated depreciation	8,355	1,148	129	5,320	14,952
At 31 December 2020:					
Cost	13,680	3,565	961	13,857	32,063
Accumulated depreciation	(5,325)	(2,417)	(832)	(8,537)	(17,111)
Net carrying amount	8,355	1,148	129	5,320	14,952

	Medical equipment *RMB'000*	Office equipment and furniture *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2021						
At 1 January 2021:						
Cost	13,680	3,565	961	13,857	–	32,063
Accumulated depreciation	(5,325)	(2,417)	(832)	(8,537)	–	(17,111)
Net carrying amount	8,355	1,148	129	5,320	–	14,952
At 1 January 2021, net of accumulated depreciation	8,355	1,148	129	5,320	–	14,952
Additions	2,286	2,320	–	11,904	775	17,285
Depreciation provided during the year *(note 6)*	(1,308)	(464)	(23)	(2,696)	–	(4,491)
Disposals	(28)	(1)	–	(38)	–	(67)
At 31 December 2021, net of accumulated depreciation	9,305	3,003	106	14,490	775	27,679
At 31 December 2021:						
Cost	15,932	5,873	961	25,676	775	49,217
Accumulated depreciation	(6,627)	(2,870)	(855)	(11,186)	–	(21,538)
Net carrying amount	9,305	3,003	106	14,490	775	27,679

	Medical equipment *RMB'000*	Office equipment and furniture *RMB'000*	Motor vehicles *RMB'000*	Leasehold improvements *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 May 2022						
At 1 January 2022:						
Cost	15,932	5,873	961	25,676	775	49,217
Accumulated depreciation	(6,627)	(2,870)	(855)	(11,186)	–	(21,538)
Net carrying amount	9,305	3,003	106	14,490	775	27,679
At 1 January 2022, net of accumulated depreciation	9,305	3,003	106	14,490	775	27,679
Additions	1,445	829	–	143	832	3,249
Depreciation provided during the period *(note 6)*	(689)	(343)	(10)	(1,796)	–	(2,838)
Transfers	–	731	–	766	(1,607)	(110)
At 31 May 2022, net of accumulated depreciation	10,061	4,220	96	13,603	–	27,980
At 31 May 2022:						
Cost	17,377	7,433	961	26,585	–	52,356
Accumulated depreciation	(7,316)	(3,213)	(865)	(12,982)	–	(24,376)
Net carrying amount	10,061	4,220	96	13,603	–	27,980

14. LEASES

The Group as a lessee

The Group has lease contracts for office premises used for its operations. Leases of office premises generally have lease terms between 2 and 10 years. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Office premises
	RMB'000
As at 1 January 2019	20,018
Additions	2,254
Depreciation charge *(note 6)*	(3,535)
As at 31 December 2019 and 1 January 2020	18,737
Additions	3,205
Depreciation charge *(note 6)*	(4,254)
Reassessment of lease liabilities *(note 14(d))*	(1,418)
As at 31 December 2020 and 1 January 2021	16,270
Additions	34,517
Depreciation charge *(note 6)*	(6,387)
Reassessment of lease liabilities *(note 14(d))*	368
Reductions as a result of termination of leases	(1,190)
As at 31 December 2021 and 1 January 2022	43,578
Depreciation charge *(note 6)*	(2,756)
As at 31 May 2022	40,822

As at 31 May 2022, the relevant land use right certificate and real property ownership certificate have not been obtained for certain right-of-use assets with an aggregate net book value of RMB30,362,000.

(b) ***Lease liabilities***

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

	Year ended 31 December			Five months ended 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	21,979	20,049	20,618	44,539
New leases	2,254	3,205	34,517	–
Accretion of interest recognised during the year/period	994	978	1,735	831
Covid-19-related rent concessions from lessors	–	(542)	–	(212)
Reassessment of lease liabilities *(note 14(d))*	–	(1,418)	368	–
Reductions as a result of termination of leases	–	–	(1,448)	–
Payments	(5,178)	(1,654)	(11,251)	(5,202)
Carrying amount at end of year/period	20,049	20,618	44,539	39,956
Analysed into:				
Current portion	4,930	8,076	9,376	8,838
Non-current portion	15,119	12,542	35,163	31,118

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain office premises during the Relevant Periods.

Included in the Group's current and non-current lease liabilities of RMB701,000 and RMB1,660,000 as at 31 December 2019, respectively, and RMB850,000 and RMB1,592,000 as at 31 December 2020, respectively, and RMB1,592,000 and nil as at 31 December 2021, respectively, and RMB700,680 and nil as at 31 May 2022, respectively, was an amount due to a director. Further details of the transaction are included in note 31(b).

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

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Interest on lease liabilities	994	978	1,735	463	831
Depreciation charge of right-of-use assets	3,535	4,254	6,387	1,994	2,756
Expense relating to short-term leases (included in selling expenses, administrative expenses and cost of sales) *(note 6)*	119	117	147	31	112
Covid-19-related rent concessions from lessors	–	(542)	–	–	(212)
Gain on termination of leases	–	–	258	–	–
Total amounts recognised in profit or loss	4,648	4,807	8,527	2,488	3,487

(d) Reassessment of lease liabilities

According to the lease contract, the State-owned Assets Supervision and Administration Commission invited a third-party evaluation agency to re-evaluate the fifth-year rent of Lucheng Hospital during the year ended 31 December 2020. The fifth-year rent was reduced from RMB2,037,000 to RMB1,735,000, after which it increases by 1.5% every year and will be re-evaluated once every two years. Therefore, the lease liabilities and the right-of-use assets were adjusted.

In March 2021, the lessor and Rui'an Branch Hospital agreed to amend the original lease to (i) reduce the annual lease payment from RMB880,000 to RMB750,000 and (ii) extend the lease term from 8 years to 10 years. Therefore, the lease liabilities and the right-of-use assets were adjusted.

(e) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 29(c) and 30, respectively, to the Historical Financial Information.

15. INTANGIBLE ASSETS

	Software
	RMB'000
At 1 January 2019:	
Cost	291
Accumulated amortisation	(129)
Net carrying amount	162
Cost at 1 January 2019, net of accumulated amortisation	162
Additions	89
Amortisation provided during the year *(note 6)*	(69)
At 31 December 2019	182
At 31 December 2019:	
Cost	380
Accumulated amortisation	(198)
Net carrying amount	182
Cost at 1 January 2020, net of accumulated amortisation	182
Additions	72
Amortisation provided during the year *(note 6)*	(75)
At 31 December 2020	179
At 31 December 2020:	
Cost	452
Accumulated amortisation	(273)
Net carrying amount	179
Cost at 1 January 2021, net of accumulated amortisation	179
Additions	450
Amortisation provided during the year *(note 6)*	(98)
At 31 December 2021	531
At 31 December 2021:	
Cost	902
Accumulated amortisation	(371)
Net carrying amount	531

	Software
	RMB'000
Cost at 1 January 2022, net of accumulated amortisation	531
Additions	95
Amortisation provided during the period *(note 6)*	(94)
Transfers	110
At 31 May 2022	642
At 31 May 2022:	
Cost	1,107
Accumulated amortisation	(465)
Net carrying amount	642

16. INVENTORIES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pharmaceuticals	66	109	130	79
Medical consumables	1,707	1,474	2,233	2,344
	1,773	1,583	2,363	2,423

17. TRADE RECEIVABLES

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	1,146	1,051	630	237
Impairment	(283)	(341)	(30)	(2)
	863	710	600	235

The trade receivables are due when services are rendered and goods are sold. The Group seeks to maintain strict control over its outstanding receivables. 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.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction dates and net of loss allowance, is as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	364	487	502	188
3 to 6 months	130	182	38	21
6 to 12 months	276	25	23	21
1 to 2 years	54	15	26	4
2 to 3 years	39	1	11	1
	863	710	600	235

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	125	283	341	30
Impairment losses, net *(note 6)*	158	58	(311)	(28)
At end of year/period	283	341	30	2

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 ageing of receivables of the customer. 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 as at the end of each of the Relevant Periods using a provision matrix:

	Less than 1 year	1 to 2 years	Over 2 years	Total
As at 31 December 2019				
Trade receivables (RMB'000)	836	177	133	1,146
Expected credit loss rate	7.89%	69.49%	70.68%	24.69%
Expected credit losses (RMB'000)	66	123	94	283
As at 31 December 2020				
Trade receivables (RMB'000)	767	71	213	1,051
Expected credit loss rate	9.52%	78.87%	99.53%	32.45%
Expected credit losses (RMB'000)	73	56	212	341
As at 31 December 2021				
Trade receivables (RMB'000)	569	28	33	630
Expected credit loss rate	1.05%	7.14%	66.67%	4.76%
Expected credit losses (RMB'000)	6	2	22	30
As at 31 May 2022				
Trade receivables (RMB'000)	232	4	1	237
Expected credit loss rate	0.87%	1.11%	9.61%	0.91%
Expected credit losses (RMB'000)	2	–	–	2

The expected credit loss rates for trade receivables decreased as at 31 December 2021 and 31 May 2022 because of the recovery of certain long aged trade receivables during the year ended 31 December 2021 and the five months ended 31 May 2022, respectively.

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Prepayments for purchase of items of property, plant and equipment and items of intangible assets	146	347	1,957	298
Rental deposits	501	501	1,131	1,131
	647	848	3,088	1,429
Current:				
Prepayments	1,839	4,135	918	2,037
Deferred listing expenses	2,331	5,736	6,432	7,379
Other receivables	3,506	285	3,837	3,796
	7,676	10,156	11,187	13,212
	8,323	11,004	14,275	14,641

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

19. DUE FROM DIRECTORS AND DUE FROM A RELATED PARTY

Amounts due from directors and an amount due from a related party, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Due from directors

Name	At 31 May 2022	Maximum amount outstanding during the period	At 31 December 2021 and 1 January 2022	Maximum amount outstanding during the year	At 31 December 2020 and 1 January 2021	Maximum amount outstanding during the year	At 31 December 2019 and 1 January 2020	Maximum amount outstanding during the year	At 1 January 2019	Security held
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Mr. Wang Xiaomin	–	–	–	–	–	–	–	47,512	40,542	None
Ms. Zheng Man	–	–	–	–	–	75	75	75	–	None
Total	–		–		–		75		40,542	None

Due from a related party

Name	At 31 May 2022	Maximum amount outstanding during the period	At 31 December 2021 and 1 January 2022	Maximum amount outstanding during the year	At 31 December 2020 and 1 January 2021	Maximum amount outstanding during the year	At 31 December 2019 and 1 January 2020	Maximum amount outstanding during the year	At 1 January 2019	Security held
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Mr. Wang Jingyu	–	–	–	–	–	932	932	932	932	None

Amounts due from directors and an amount due from a related party are non-trade in nature, unsecured, interest-free and repayable on demand.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at fair value	5,000	–	–	–

The Group classifies certain financial products purchased from commercial banks in Mainland China as financial assets at fair value through profit or loss. For information about the methods and assumptions used in determining fair value, please refer to note 33 to the Historical Financial Information.

21. CASH AND CASH EQUIVALENTS

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	42,162	50,974	41,283	45,205
Denominated in RMB	42,092	50,963	41,273	45,196
Denominated in US$	55	–	–	–
Denominated in HK$	15	11	10	9
Cash and bank balances	42,162	50,974	41,283	45,205

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, 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 are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

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

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	3,460	2,724	3,666	3,455
3 to 6 months	1,779	438	663	845
6 to 12 months	271	403	300	344
Over 1 year	926	719	1,088	1,053
	6,436	4,284	5,717	5,697

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 180 days.

23. OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payable	6,793	6,464	6,564	7,565
Other payables	6,467	7,371	8,444	8,280
Taxes payable other than corporate income tax	3,705	891	951	1,295
	16,965	14,726	15,959	17,140

Other payables are non-interest-bearing and repayable on demand.

24. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers				
Dental services				
Current	6,908	6,817	7,792	7,736
Non-current	–	362	403	333
	6,908	7,179	8,195	8,069

Contract liabilities include advances received to render dental services. The increase/decrease in contract liabilities during the Relevant Periods was mainly due to the increase/decrease in advances received from customers in relation to the provision of dental services during the Relevant Periods.

25. INTEREST-BEARING OTHER BORROWING

	Effective interest rate (%)	Maturity	As at 31 December 2019 RMB'000	As at 31 December 2020 RMB'000	As at 31 December 2021 RMB'000	As at 31 May 2022 RMB'000
Current						
Other loan – unsecured	4.25	2021	–	25,856	–	–
Analysed into:						
Other borrowing repayable:						
Within one year			–	25,856	–	–

26. DEFERRED TAX

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

Deferred tax assets

	Accrued expenses RMB'000	Impairment of financial assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019	1,166	31	2,058	431	3,686
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	481	40	(1,299)	146	(632)
At 31 December 2019 and 1 January 2020	1,647	71	759	577	3,054
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	146	14	(434)	(87)	(361)
At 31 December 2020 and 1 January 2021	1,793	85	325	490	2,693
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	122	(78)	778	42	864
At 31 December 2021 and 1 January 2022	1,915	7	1,103	532	3,557
Deferred tax credited/(charged) to profit or loss during the period *(note 10)*	183	(6)	529	69	775
At 31 May 2022	2,098	1	1,632	601	4,332

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses	6,668	3,804	4,024	4,667
Deductible temporary differences	1,074	1,167	1,411	1,138
	7,742	4,971	5,435	5,805

The above tax losses will expire in one to five years for offsetting against taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of the above items 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 above items can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately nil, nil, RMB22,483,000 and RMB31,000,000 as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

27. SHARE CAPITAL

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
10,000 ordinary shares of HK$0.01 each	–	–	–	–

A summary of movements in the Company's share capital is as follows:

	Notes	Number of Shares in issue	Share capital
			RMB'000
At incorporation on 18 November 2019	*(a)*	1	–
Subscription on 21 November 2019	*(b)*	9,999	–
At 31 December 2019, 2020, 2021 and 31 May 2022		10,000	–

(a) The Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands on 18 November 2019 with authorised share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each.

Upon its incorporation, one share was allotted and issued to the initial subscriber, which was transferred to JTC (China) Co., LTD ("JTC BVI") on 21 November 2019.

(b) On 21 November 2019, the Company allotted and issued 7,499 shares, 1,500 shares and 1,000 shares to JTC BVI, Ricon (China) Co., LTD ("Ricon BVI") and Meihao (China) Co., LTD ("Meihao BVI") at par, respectively.

The aforesaid transfer and allotments had been properly and legally settled, and completed with the register of members of the Company updated on 26 November 2019, following which the Company was held as to 75%, 15% and 10% by JTC BVI, Ricon BVI and Meihao BVI, respectively.

On 30 January 2020, JTC BVI transferred 500 shares to HDS Group Holding Limited ("HDS BVI") at par. Following the aforesaid transfer, the Company was held as to approximately 75%, 10%, 10% and 5% by JTC BVI, Ricon BVI, Meihao BVI and HDS BVI, respectively.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and the five months ended 31 May 2021 are presented in the consolidated statements of changes in equity of the Historical Financial Information.

Merger reserve

The merger reserve of the Group represents the paid-up capital of the companies comprising the Group prior to the incorporation of the Company. Additionally, it also represents the paid-up capital and capital reserve of the subsidiaries acquired by the Company pursuant to the Reorganisation. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

During the year ended 31 December 2019, the controlling shareholders further made capital contribution of RMB10,000,000 and RMB10,000,000 to Dehong Medical and Tianrui Medical, respectively. The then shareholder of Health Dental HK made capital contribution of HK$2,261,000 (equivalent to RMB2,025,000) to Health Dental HK.

Capital reserve

The capital reserve of the Group represents a waived interest-free shareholder's loan from the controlling shareholder, Mr. Wang Xiaomin, which was advanced to the Group in August 2020 pursuant to a loan agreement dated 18 August 2020 between Mr. Wang Xiaomin and the Group.

Statutory surplus reserve

In accordance with the Company Law of the PRC, a subsidiary of the Group which is a domestic enterprise is required to allocate 10% of its profit after tax, as determined in accordance with the relevant PRC accounting standards, to its statutory surplus reserve until the reserve reaches 50% of its registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

(i) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB2,254,000 and RMB2,254,000 during the year ended 31 December 2019, respectively, RMB3,205,000 and RMB3,205,000 during the year ended 31 December 2020, respectively, and RMB34,517,000 and RMB34,517,000 during the year ended 31 December 2021, respectively, in respect of lease arrangements for office premises.

(ii) The Group had non-cash reductions to right-of-use assets and lease liabilities of RMB1,418,000 and RMB1,418,000, respectively, during the year ended 31 December 2020 and non-cash additions to right-of-use assets and lease liabilities of RMB368,000 and RMB368,000, respectively, during the year ended 31 December 2021 in respect of reassessment of lease liabilities. Further details are included in note 14(d).

(iii) Pursuant to a waiver agreement dated 16 September 2020 entered into between a controlling shareholder, Mr. Wang Xiaomin, and the Group, Mr. Wang Xiaomin waived an interest-free shareholder's loan of an aggregate amount of RMB8,450,000 to the Group, which was advanced to the Group in August 2020 pursuant to a loan agreement dated 18 August 2020 between Mr. Wang Xiaomin and the Group.

(iv) During the year ended 31 December 2021, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB1,190,000 and RMB1,448,000, respectively, in respect of termination of lease for certain office premises.

(b) Changes in liabilities/(assets) arising from financing activities

	Lease liabilities	Dividend payable	Due to a director	Due from a director	Interest-bearing other borrowing	Other payables and accruals
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	21,979	–	45	(40,542)	–	6,628
Changes from financing cash flows						
– Principal portion of lease payments	(4,184)	–	–	–	–	–
– Interest paid	(994)	–	–	–	–	–
– Advances of loans to directors	–	–	–	(7,533)	–	–
– Repayment of loans to a director	–	–	5,494	52,942	–	–
– Dividend paid by a subsidiary	–	(12,640)	–	–	–	–
– Deemed distribution to the then shareholders	–	–	–	(1,259)	–	–
Dividend declared	–	32,000	–	–	–	–
Others	–	(3,160)	–	(366)	–	10,337
Interest expense	994	–	–	–	–	–
New leases	2,254	–	–	–	–	–
Repayment of payment on behalf of the Group by a director classified as operating cash flows	–	–	–	(3,317)	–	–
At 31 December 2019	20,049	16,200	5,539	(75)	–	16,965

	Lease liabilities *RMB'000*	Dividend payable *RMB'000*	Due to a director *RMB'000*	Due from a director *RMB'000*	Interest-bearing other borrowing *RMB'000*	Other payables and accruals *RMB'000*
At 1 January 2020	20,049	16,200	5,539	(75)	–	16,965
Changes from financing cash flows						
– Principal portion of lease payments	(676)	–	–	–	–	–
– Interest paid	(978)	–	–	–	–	–
– Advances of loans to a director	–	–	(5,539)	–	–	–
– Repayment of loans to a director	–	–	–	75	–	–
– Dividend paid by a subsidiary	–	(16,200)	–	–	–	(3,160)
– New borrowing	–	–	–	–	25,000	–
– Shareholder's loan from the controlling shareholder	–	–	8,450	–	–	–
Interest expense	978	–	–	–	856	–
New leases	3,205	–	–	–	–	–
Covid-19-related rent concessions from lessors	(542)	–	–	–	–	–
Reassessment of lease liabilities	(1,418)	–	–	–	–	–
Others	–	–	(8,450)	–	–	921
At 31 December 2020	20,618	–	–	–	25,856	14,726

	Lease liabilities *RMB'000*	Interest-bearing other borrowing *RMB'000*	Other payables and accruals *RMB'000*
At 1 January 2021	20,618	25,856	14,726
Changes from financing cash flows			
– Principal portion of lease payments	(9,516)	–	–
– Interest paid	(1,735)	(1,592)	–
– Repayment of other borrowing	–	(25,000)	–
Interest expense	1,735	736	–
New leases	34,517	–	–
Reassessment of lease liabilities	368	–	–
Termination of leases	(1,448)	–	–
Others	–	–	1,233
At 31 December 2021	44,539	–	15,959

	Lease liabilities *RMB'000*	Other payables and accruals *RMB'000*
At 1 January 2022	44,539	15,959
Changes from financing cash flows		
– Principal portion of lease payments	(4,371)	–
– Interest paid	(831)	–
Interest expense	831	–
Covid-19-related rent concessions from lessors	(212)	–
Others	–	1,181
At 31 May 2022	39,956	17,140

(c) Total cash outflow for leases

The total cash outflow for leases included in the statements of cash flows is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Unaudited*)	*RMB'000*
Within operating activities	119	117	147	31	112
Within investing activities	–	3,173	–	–	–
Within financing activities	5,178	1,654	11,251	7,923	5,202
	5,297	4,944	11,398	7,954	5,314

30. COMMITMENTS

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

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Leasehold improvements	–	–	495	630

(b) The Group has various lease contracts entered as a lessee that have not yet commenced at the end of each of the Relevant Periods. The future lease payments for these non-cancellable lease contracts are falling due as follows:

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	600	–	–	–
In the second to fifth years, inclusive	2,400	–	–	–
After five years	600	–	–	–
	3,600	–	–	–

31. RELATED PARTY TRANSACTIONS

Details of the Group's related parties are as follows:

Name	**Relationship with the Group**
Mr. Wang Xiaomin	Executive director
Ms. Zheng Man	Executive director
Mr. Wang Jingyu	The son of Mr. Wang Xiaomin and Ms. Zheng Man

(a) In addition to the transactions detailed in note 8 to the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2021:

	Year ended 31 December			**Five months ended 31 May**	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Loans to directors:					
Mr. Wang Xiaomin	7,413	5,539	–	–	–
Ms. Zheng Man	120	–	–	–	–
	7,533	5,539	–	–	–
Repayment of loans to a director:					
Mr. Wang Xiaomin	58,436	75	–	–	–
Repayment of a loan to a related party:					
Mr. Wang Jingyu	–	932	–	–	–
Payment on behalf of the Group by a director:					
Mr. Wang Xiaomin	–	125	–	–	–
Repayment of payment on behalf of the Group by a director:					
Mr. Wang Xiaomin	3,317	125	–	–	–

The loans and advances to and from the directors and the related party were unsecured, interest-free and repayable on demand.

(b) Other transactions with related parties:

During the Relevant Periods and the five months ended 31 May 2021, a subsidiary rented office premises from a director, for a period of six years from 1 January 2017, with an annual rental fee of RMB350,000 for the first three years and an annual rental fee of RMB892,000 for the next three years. Additionally, a subsidiary rented some office premises from a director at a consideration of nil for the year ended 31 December 2019, and the Group did not have such arrangement during the years ended 31 December 2020 and 2021 and the five months ended 31 May 2022. Details of the Group's lease liabilities due to a director are included in note 14(b).

(c) Outstanding balances with related parties:

	As at 31 December			As at 31 May
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from a director:				
Ms. Zheng Man	75	–	–	–
Due from a related party:				
Mr. Wang Jingyu	932	–	–	–
Due to a director:				
Mr. Wang Xiaomin	5,539	–	–	–

(i) Details of the Group's amounts due from directors and a related party are included in note 19 to the Historical Financial Information.

(ii) Details of the Group's lease liabilities to a director as at the end of each of the Relevant Periods are included in note 14(b) to the Historical Financial Information.

(iii) The balances with directors and a related party were unsecured, interest-free and repayable on demand and the balances were non-trade in nature. These balances were already settled by the end of the Relevant Periods.

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

	Year ended 31 December			Five months ended 31 May	
	2019	**2020**	**2021**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short-term employee benefits	1,170	1,404	1,597	668	653
Pension scheme contributions	123	73	212	52	60
Total compensation paid to key management personnel	1,293	1,477	1,809	720	713

Further details of directors' and the chief executive's remuneration are included in note 8 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2019

Financial assets

	Financial assets at amortised cost *RMB'000*	Financial assets at fair value through profit or loss *RMB'000*	Total *RMB'000*
Trade receivables	863	–	863
Financial assets included in prepayments, other receivables and other assets	4,007	–	4,007
Due from a director	75	–	75
Due from a related party	932	–	932
Financial assets at fair value through profit or loss	–	5,000	5,000
Cash and cash equivalents	42,162	–	42,162
	48,039	5,000	53,039

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Lease liabilities	20,049
Trade payables	6,436
Financial liabilities included in other payables and accruals	6,467
Due to a director	5,539
Dividend payable	16,200
	54,691

As at 31 December 2020

Financial assets

	Financial assets at amortised cost *RMB'000*
Trade receivables	710
Financial assets included in prepayments, other receivables and other assets	786
Cash and cash equivalents	50,974
	52,470

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Interest-bearing other borrowing	25,856
Lease liabilities	20,618
Trade payables	4,284
Financial liabilities included in other payables and accruals	7,371
	58,129

As at 31 December 2021

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	600
Financial assets included in prepayments, other receivables and other assets	4,968
Cash and cash equivalents	41,283
	46,851

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Lease liabilities	44,539
Trade payables	5,717
Financial liabilities included in other payables and accruals	8,444
	58,700

As at 31 May 2022

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	235
Financial assets included in prepayments, other receivables and other assets	4,927
Cash and cash equivalents	45,205
	50,367

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Lease liabilities	39,956
Trade payables	5,697
Financial liabilities included in other payables and accruals	8,280
	53,933

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

All the carrying amounts of the Group's financial instruments approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, amounts due from directors and a related party, trade receivables, trade payables and financial liabilities included in other payables and accruals, amounts due to directors and interest-bearing other borrowing approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the financial controller. 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 financial controller. The valuation process and results are discussed with the directors periodically for financial reporting.

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:

The fair values of the non-current portion of financial assets included in prepayments, other receivables and other assets 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 value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

The Group invests in unlisted investments, which represent financial products issued by commercial banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using the valuation technique based on market observable inputs, interest rates of instruments. The fair value of these unlisted investments are the sum of principal and interest receivable.

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 2019

	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 assets at fair value through profit or loss	–	5,000	–	5,000

The Group did not have any financial assets measured at fair value as at 31 December 2020 and 2021 and 31 May 2022.

The Group did not have any financial liabilities measured at fair value as at 31 December 2019, 2020 and 2021 and 31 May 2022.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing other borrowing and cash and cash equivalents. 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 and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Receivable balances are monitored on an on-going basis and the Group's exposure to bad debts is not significant.

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 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	–	–	–	1,146	1,146
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,007	–	–	–	4,007
Due from a director					
– Normal**	75	–	–	–	75
Due from a related party					
– Normal**	932	–	–	–	932
Cash and cash equivalents					
– Not yet past due	42,162	–	–	–	42,162
	47,176	–	–	1,146	48,322

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	–	–	–	1,051	1,051
Financial assets included in prepayments, other receivables and other assets					
– Normal**	786	–	–	–	786
Cash and cash equivalents					
– Not yet past due	50,974	–	–	–	50,974
	51,760	–	–	1,051	52,811

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	–	–	–	630	630
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,968	–	–	–	4,968
Cash and cash equivalents					
– Not yet past due	41,283	–	–	–	41,283
	46,251	–	–	630	46,881

As at 31 May 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	**Stage 2** *RMB'000*	**Stage 3** *RMB'000*	**Simplified approach** *RMB'000*	**Total** *RMB'000*
Trade receivables*	–	–	–	237	237
Financial assets included in prepayments, other receivables and other assets					
– Normal**	4,927	–	–	–	4,927
Cash and cash equivalents					
– Not yet past due	45,205	–	–	–	45,205
	50,132	–	–	237	50,369

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets and amounts due from a director and a related party 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 are disclosed in note 17 to the Historical Financial Information.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2019				
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 10 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	992	100	3,936	17,726	22,754
Trade payables	6,436	–	–	–	6,436
Financial liabilities included in other payables and accruals	6,467	–	–	–	6,467
Dividend payable	16,200	–	–	–	16,200
Due to a director	5,539	–	–	–	5,539
	35,634	100	3,936	17,726	57,396

	As at 31 December 2020				
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 10 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing other borrowing	–	–	26,594	–	26,594
Lease liabilities	5,051	–	3,512	14,305	22,868
Trade payables	4,284	–	–	–	4,284
Financial liabilities included in other payables and accruals	7,371	–	–	–	7,371
	16,706	–	30,106	14,305	61,117

	As at 31 December 2021				
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 10 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	921	1,492	7,464	42,611	52,488
Trade payables	5,717	–	–	–	5,717
Financial liabilities included in other payables and accruals	8,444	–	–	–	8,444
	15,082	1,492	7,464	42,611	66,649

	As at 31 May 2022				
	On demand	Less than 3 months	3 to 12 months	1 to 10 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	1,350	2,585	4,957	38,182	47,074
Trade payables	5,697	–	–	–	5,697
Financial liabilities included in other payables and accruals	8,280	–	–	–	8,280
	15,327	2,585	4,957	38,182	61,051

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain 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 and the risk characteristics of the underlying assets. 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.

35. EVENTS AFTER THE RELEVANT PERIODS

(a) There has been an outbreak of Covid-19 since January 2020 across China and around the world. Although China had substantially contained the spread of Covid-19 by the end of December 2021, the extent to which Covid-19 impacts the Group's results of operations will depend on the future developments of the Covid-19 situation which are highly uncertain. The Group will give continuous attention to the situation of Covid-19 and react actively to its impact on the financial position and operating results of the Group. In the opinion of directors, based on the information available as of the date of this report, the Covid-19 situation would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group.

(b) Pursuant to a resolution in writing passed by the shareholders on 8 November 2022, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 shares of HK$0.01 each to HK$15,000,000 divided into 1,500,000,000 shares of HK$0.01 each by the creation of an additional 1,462,000,000 shares.

36. 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 May 2022.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to owners of the parent as at 31 May 2022 as if the Global Offering had taken place on 31 May 2022.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the Global Offering been completed as at 31 May 2022 or at any future date.

	Consolidated net tangible assets attributable to owners of the parent as at 31 May 2022	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as at 31 May 2022	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as at 31 May 2022	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	Note 1	*Note 2*		*Note 3*	*Note 4*
Based on an Offer Price of HK$0.84 per Share	58,153	87,843	145,996	0.24	0.29
Based on an Offer Price of HK$1.00 per Share	58,153	107,395	165,548	0.28	0.33

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as at 31 May 2022 is arrived at after deducting intangible assets of RMB642,000 from the consolidated net assets attributable to owners of the parent of RMB58,795,000 as at 31 May 2022, as set out in the Accountants' Report in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are calculated based on estimated offer prices of HK$0.84 per Share or HK$1.00 per Share, being the low-end price and high-end price, after deduction of the underwriting fees and other related expenses payable by the Group and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on 600,000,000 Shares in issue immediately following the completion of the Capitalisation Issue and the Global Offering without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the allotment and issue or repurchase of the Shares as described in "Appendix IV – Statutory and General Information" to this prospectus.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB0.8486 to HK$1.0000.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 31 May 2022.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

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B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Meihao Medical Group Co., Ltd

We have completed our assurance engagement to report on the compilation of pro forma financial information of Meihao Medical Group Co., Ltd (the "Company", formerly known as China Dental Medical Group Co., Ltd) and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma adjusted consolidated net tangible assets as at 31 May 2022, and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 November 2022 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II (A) to the prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 May 2022 as if the transaction had taken place at 31 May 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 31 May 2022, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma 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:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
30 November 2022

Set out below is a summary of certain provisions of the Memorandum and Articles and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 November 2019 under the Cayman Companies Act. Our Company's constitutional documents consist of the Memorandum and Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(b) Our Company may by special resolution alter its memorandum of association with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 8 November 2022 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or in the case of a Shareholder being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a Shareholder being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(a) increase its share capital by the creation of new shares;

(b) consolidate all or any of its capital into shares of larger amount than its existing shares;

(c) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(d) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(e) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled;

(f) make provision for the issue and allotment of Shares which do not carry any voting rights;

(g) change the currency of denomination of its share capital; and

(h) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.

Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether its principal register or a branch register) may be kept by recording the particulars required by section 40 of the Cayman Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon its principal register to its branch register or any share on its branch register to our Company's principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which our Company's principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and our Company's register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. Our Company's register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office only until the next first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the next first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's Shareholders before the expiration of his term of office (including a managing director or other executive Director, but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or

(bb) he dies or is declared to be of unsound mind and the Board resolves that his office be vacated; or

(cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated; or

(dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or

(ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(ff) he resigns; or

(gg) he is removed from office by an ordinary resolution of our Company or otherwise pursuant to the Articles; or

(hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of our Directors (including himself) then in office.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Listing Rules and the Memorandum and Articles and to any special rights or restrictions conferred on the holders of any shares or class of shares, any share may be issued: (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine; or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.

The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practical for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum and, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine. Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Shareholders must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meeting

Other than the year of our Company's adoption of the Articles, in each financial year during the period commencing from the Listing Date and including the date immediately before the Listing Date our Company shall hold a general meeting as its annual general meeting in addition to any other meeting in that financial year and shall specify the meeting as such in the notice calling it. Such annual general meeting shall be held within six months after the end of relevant financial year.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company, and the foregoing shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company. Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days' notice in writing. All other general meetings must be called by notice of at least fourteen (14) clear days' notice in writing. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the Directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a majority of our Company's shareholders in a general meeting or by other body that is independent of the Board, except that in any particular year our Company in general meeting (or such body independent of the Board as aforementioned) may delegate the fixing of such remuneration to the Board and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of the share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide: (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either: (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (ii) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(h) Inspection of corporate records

Pursuant to the Articles, our Company's register and branch register of members shall be open to inspection during business hours by any shareholder of our Company without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

Unless otherwise provided by the Cayman Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution. If our Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. For the avoidance of doubt, special resolution used in the below summary shall have the meaning as set out in the Cayman Companies Act.

(a) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the 'share premium account'. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in: (i) paying distributions or dividends to members; (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (iii) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (iv) writing-off the preliminary expenses of the company; and (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, our Company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company are to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge: (i) an act which is ultra vires or illegal; (ii) an act which constitutes a fraud against the minority shareholder and the wrongdoers are themselves in control of the company; and (iii) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order: (i) an order regulating the conduct of the company's affairs in the future; (ii) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do; (iii) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct; or (iv) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

(g) Disposal of assets

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place, (ii) all sales and purchases of goods by the company, and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations, and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 3 November 2022.

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority of the Cayman Islands pursuant to the Tax Information Authority Act of the Cayman Islands.

(o) Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up: (i) compulsorily by order of the Court; (ii) voluntarily; or (iii) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it shall be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment. If no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Cayman Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Cayman Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which the company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a 'relevant entity' is required to satisfy the economic substance test set out in the ES Act. A 'relevant entity' includes an exempted company incorporated in the Cayman Islands such as our Company; however, it does not include an entity that is tax resident outside the Cayman Islands.

Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and Available on Display – Documents Available on Display" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 18 November 2019. Our Company has established its principal place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 17 January 2020. Our Company has appointed Mr. Lee Chung Shing of 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Act and to its constitution comprising the Memorandum and the Articles of Association. A summary of various provisions of our Company's constitution and certain relevant aspects of the Cayman Companies Act is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

As at the date of incorporation of our Company on 18 November 2019, its authorised share capital was HK$380,000 divided into 38,000,000 Shares with par value of HK$0.01 each. The following sets out the changes in our Company's issued share capital since the date of its incorporation:

(i) Upon its incorporation, one Share was allotted and issued to its initial subscriber fully paid at par, which was then transferred to JTC BVI on 21 November 2019.

(ii) On 21 November 2019, our Company further allotted and issued 7,499 Shares, 1,500 Shares and 1,000 Shares, fully paid at par, to JTC BVI, Ricon BVI and Meihao BVI, respectively.

(iii) On 30 January 2020, JTC BVI transferred 500 Shares to HDS BVI at par.

(iv) On 30 January 2020, Ricon BVI transferred 500 Shares to JTC BVI at par.

(v) On 8 November 2022, our Company increased its authorised share capital from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$15,000,000 divided into 1,500,000,000 Shares of HK$0.01 each by creation of an additional 1,462,000,000 Shares (ranking *pari passu* in all respects with the then existing issued Shares).

Assuming that the Global Offering becomes unconditional and the issue of the Shares pursuant to the Global Offering and the Capitalisation Issue mentioned herein are made, but not taking into account of any Shares which may be issued upon the exercise of the Over-allotment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK$6,000,000 divided into 600,000,000 Shares fully paid or credited as fully paid.

Other than pursuant to any options which may be granted under the Share Option Scheme, the exercise of the Over-allotment Option or the exercise of the general mandate to issue shares referred to the paragraph headed "– A. Further Information about our Company and its Subsidiaries – 3. Written resolutions of all the Shareholders passed on 8 November 2022" in this section below, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in paragraph headed "– A. Further Information about our Company and its Subsidiaries – 4. Corporate reorganisation" in this section below, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of all the Shareholders passed on 8 November 2022

On 8 November 2022, written resolutions of all the Shareholders were passed pursuant to which, among others:

(a) the Memorandum be and was thereby approved and adopted with immediate effect and the Articles be and were thereby conditionally approved and adopted which will come into effect on the Listing Date, the terms of which are summarised in Appendix III to this prospectus;

(b) the authorised share capital of our Company be increased from HK$380,000 divided into 38,000,000 Shares with a par value of HK$0.01 each to HK$15,000,000 divided into 1,500,000,000 Shares with a par value of HK$0.01 each by the creation of an additional 1,462,000,000 Shares ranking *pari passu* with the existing Shares with immediate effect;

(c) conditional on (A) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the Global Offering, the Capitalisation Issue, the Over-allotment Option and the Share Option Scheme); (B) the entering into of the agreement on the Offer Price between the Overall Coordinator (for itself and on behalf of the Underwriters) and our Company; (C) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus and (D) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Overall Coordinator, (for itself and on behalf of the Underwriters), and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the Underwriting Agreements:

(i) the Global Offering was approved and our Directors were authorised to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the Over-allotment Option was approved and our Directors were authorised to allot and issue any Shares which may be required to be issued if the Over-allotment Option is exercised;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "– D. Share Option Scheme" below, were approved and adopted and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued thereunder and to take all such steps as they consider necessary, desirable or expedient to implement and give effect to the Share Option Scheme; and

(iv) conditional upon the share premium amount of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise the amount of HK$4,499,900 from the amount standing to the credit of the share premium account of our Company to pay up in full at par 449,990,000 Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of our Company as of the date of the passing of the resolution in proportion to (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) their then existing shareholdings in our Company;

(v) a general unconditional mandate was given to our Directors authorising them to exercise all the powers of our Company to allot, issue and deal in (including the power to make an offer or agreement, or grant securities which would or might requires Shares to be allotted and issued), otherwise than by way of rights issue or an issue of shares upon the exercise of the Over-allotment Option or any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of Shares or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or a specific authority granted by the Shareholders in general meeting, any unissued Shares with an aggregate nominal amount of not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme) and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into Shares) which might require the exercise of such power to issue Shares until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or

(3) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate;

(vi) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed, and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value of not exceeding 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable laws of the Cayman Islands to be held; or

(3) the passing of an ordinary resolution by the Shareholders in general meeting revoking, varying or renewing such mandate;

(vii) the general unconditional mandate mentioned in paragraph (v) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (vi) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue (excluding any Shares that may be issued upon exercise of the Over-allotment Option or pursuant to the exercise of any options which may be granted under the Share Option Scheme).

4. Corporate reorganisation

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group. For further details, please refer to the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in this prospectus.

5. Changes in share capital of Subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this prospectus.

6. Particulars of our Subsidiaries

Particulars of our subsidiaries are set forth in the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

7. Repurchase of our own Securities

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of all the Shareholders passed on 8 November 2022, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising any repurchase by our Company of Shares as described above in the paragraphs headed "A. Further Information about our Company and its Subsidiaries – 3. Written resolutions of all the Shareholders passed on 8 November 2022" in this section.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association and the applicable laws and regulations of the Cayman Islands.

(b) Funding of purchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles of Association and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such repurchase will benefit our Company and the Shareholders as a whole. Such repurchase may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) Status of the repurchased Shares

The listing of all repurchased Shares (whether offered on the Stock Exchange or otherwise) on Main Board will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

(e) Trading restrictions

The total number of shares which a listed company may repurchase on Main Board is the number of shares representing up to a maximum of 10% of the aggregate number of shares of that company in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or higher than the average closing market price for the five preceding trading days on which its shares were traded on Main Board. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(f) Suspension of repurchase

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year, half-year or quarter-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on Main Board if a listed company has breached the Listing Rules.

(g) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(h) Exercise of the Repurchase Mandate

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles of Association and all the applicable laws and regulations of the Cayman Islands.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the Listing. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the Listing.

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell any Shares to our Company or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) the equity transfer agreement dated 13 August 2021 between Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) and Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司), pursuant to which Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) agreed to transfer 30% equity interest in Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) to Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) at the consideration of RMB690,000;

(b) the exclusive operation services agreement dated 26 August 2021 between Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司), Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司), Mr. Wang Xiaomin, Ms. Zheng Man (Mr. Wang Xiaomin and Ms. Zheng Man, together the "**Relevant Shareholders**") and Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) whereby, among others, Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) agreed to provide exclusive operation services to Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) to the extent as permitted under the PRC laws in exchange for service fees;

(c) the exclusive option agreement dated 26 August 2021 among Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司), Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司), pursuant to which, (i) Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) granted Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) an exclusive option for itself or its designated person to purchase all or part of its equity interest in Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司); and (ii) Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) granted Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) an exclusive option for itself or its designated person to purchase all or part of the assets of Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司);

(d) the equity pledge agreement dated 26 August 2021 among Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司), Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司), pursuant to which Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) agreed to pledge all of its equity interest in Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) to Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) as security for the performance of contractual obligations of Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) under the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable losses incurred by Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) as a result of any event of default on the part of Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and/or Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司);

(e) the shareholders' rights entrustment agreement dated 26 August 2021 among Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司), Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司), pursuant to which Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) agreed to authorise and entrust Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) (and its successors or liquidators), or such natural person as Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司) may designate, to exercise all of its rights as a shareholder of Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司) to the extent as permitted by the PRC laws;

(f) the supplemental agreement to the exclusive option agreement, the equity pledge agreement and shareholders' rights entrustment agreement dated 26 August 2021 among Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司), Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司) and the Relevant Shareholders, pursuant to which the parties thereto agreed to supplement certain terms and references of the aforesaid agreements all dated 16 January 2020;

(g) the deed of non-competition dated 8 November 2022 executed by our Controlling Shareholders in favour of our Company as detailed in the paragraphs headed "Relationship with our Controlling Shareholders – Deed of Non-competition" in this prospectus;

(h) the deed of indemnity dated 8 November 2022 executed by our Controlling Shareholders in favour of our Company (for itself and as trustee for its subsidiaries) containing the indemnities referred to in the sub-paragraph headed "– E. Other Information – 1. Estate Duty, Tax and other Indemnity" in this appendix; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual property of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered and beneficial owner of the following trademarks which are material to our business:

No.	Trademark	Registration No.	Place of Registration	Trademark Owner	Class	Effective Date	Expiry Date
1.	CWXM	12176138	PRC	Wenzhou Hospital	44	7 August 2014	6 August 2024
2.		12176102	PRC	Wenzhou Hospital	44	7 August 2014	6 August 2024
3.		12176113	PRC	Wenzhou Hospital	44	7 August 2014	6 August 2024
4.		305119461	Hong Kong	Our Company	3, 10, 44	21 November 2019	20 November 2029
5.	CWXM	305201757	Hong Kong	Our Company	3, 10, 44	27 February 2020	26 February 2030

(b) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

No.	Registrant	Domain Name	Date of Registration	Expiry Date
1.	Wenzhou Hospital	www.wzykyy.com	27 March 2003	27 March 2023
2.	Wenzhou Hospital	www.wzykyy.cn	10 October 2013	10 October 2025
3.	Lucheng Hospital	www.wzlckq.com	22 March 2017	22 March 2023
4.	Longgang Hospital	www.cnykyy.com	6 October 2016	6 October 2025
5.	Our Company	www.chinadentalmedical.com	26 May 2020	26 May 2023
6.	Wenzhou Oral Care	www.wzkqyy.cn	27 January 2021	27 January 2023
7.	Our Company	www.meihaomedical.com	4 November 2022	4 November 2023

(c) Patents

As at the Latest Practicable Date, our Group had applied for registration of the following patents which we believe are material to our business:

No.	Patent	Name of applicant	Type	Application number	Place of application	Date of application
1.	A type of material and approach for teeth whitening (一種美白牙齒的材料和方法)	Wenzhou Hospital	Invention patent (發明專利)	201911100762.8	PRC	12 November 2019
2.	A type of approach for dental extraction (一種牙科拔牙的方法)	Wenzhou Hospital	Invention patent (發明專利)	201911100763.2	PRC	12 November 2019
3.	An intelligent device and approach to assist dental cleaning (智慧協助清潔牙齒的裝置及方法)	Wenzhou Hospital	Invention patent (發明專利)	201911101769.1	PRC	12 November 2019

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Interests and short positions of Directors in the share capital of our Company

Interests in our Company

Immediately following completion of the Global Offering and the Capitalisation Issue (taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and the chief executives in the share capital, underlying shares and debentures of our Company which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

Name of Director	Capacity/Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding[2]
Mr. Wang[3][5]	Interest in controlled corporation Interest of spouse	427,500,000 (L)	71.25%
Ms. Zheng[4][5]	Interest in controlled corporation Interest of spouse	427,500,000 (L)	71.25%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 600,000,000 Shares in issue after completion of the Global Offering and the Capitalisation Issue.

(3) JTC BVI and Ricon BVI hold 337,500,000 and 45,000,000 Shares, respectively. Each of JTC BVI and Ricon BVI is directly and wholly owned by Mr. Wang, who is therefore deemed to be interested in all the Shares held by each of JTC BVI and Ricon BVI.

(4) Meihao BVI holds 45,000,000 Shares. Meihao BVI is directly and wholly owned by Ms. Zheng, who is therefore deemed to be interested in all the Shares held by Meihao BVI.

(5) Mr. Wang and Ms. Zheng are the spouse of one another, and are therefore deemed to be interested in any Shares in which one another is interested.

2. Interests and short positions of Substantial Shareholders in the share capital of our Company

Interests in our Company

So far as our Directors are aware, immediately following completion of the Global Offering and the Capitalisation Issue (but taking no account of Shares which may be issued pursuant to the exercise of the Over-allotment Option and options which may be granted under the Share Option Scheme), in addition to the interests disclosed under the paragraph headed "– 1. Interests and short positions of Directors in the share capital of our Company" above in this section, the persons (not being a director or chief executive of our Company) who will have interests or short positions in the Shares and underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of Shareholder	Capacity/Nature of interest	Number and class of securities[1]	Approximate percentage of shareholding[2]
JTC BVI[3]	Beneficial owner	337,500,000 (L)	56.25%
Ricon BVI[3]	Beneficial owner	45,000,000 (L)	7.5%
Meihao BVI[4]	Beneficial owner	45,000,000 (L)	7.5%
Mr. Wang[3][5]	Interest in controlled corporation Interest of spouse	427,500,000 (L)	71.25%
Ms. Zheng[4][5]	Interest in controlled corporation Interest of spouse	427,500,000 (L)	71.25%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on the total number of 600,000,000 Shares in issue after completion of the Global Offering and the Capitalisation Issue.

(3) JTC BVI and Ricon BVI hold 337,500,000 and 45,000,000 Shares, respectively. Each of JTC BVI and Ricon BVI is directly and wholly owned by Mr. Wang, who is therefore deemed to be interested in all the Shares held by each of JTC BVI and Ricon BVI.

(4) Meihao BVI holds 45,000,000 Shares. Meihao BVI is directly and wholly owned by Ms. Zheng, who is therefore deemed to be interested in all the Shares held by Meihao BVI.

(5) Mr. Wang and Ms. Zheng are the spouse of one another, and are therefore deemed to be interested in any Shares in which one another is interested.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a director or chief executive of our Company) who will immediately following completion of the Global Offering and the Capitalisation Issue have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will immediately following completion of the Global Offering and the Capitalisation Issue be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital in any associated corporations of our Company carrying rights to vote in all circumstances at general meetings of associated corporation of our Company.

3. Directors' Service Contracts, Appointment Letters and Remuneration

(a) Directors' service contracts and appointment letters

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the date thereof, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has accepted a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

(b) Directors' remuneration

For the three years ended 31 December 2021 and the five months ended 31 May 2022, the aggregate amount paid to our Directors as remuneration (including fees, salaries, contribution to retirement benefit scheme and discretionary performance related bonus) were RMB591,000, RMB746,000, RMB770,000 and RMB325,000, respectively.

For the year ending 31 December 2022, the estimated total compensation payable to our Directors amounts to RMB817,500 (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this prospectus.

4. Disclaimers

Save as disclosed in this appendix:

(a) none of our Directors nor any of the persons whose names are listed in the paragraphs headed "E. Other Information – 7. Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors nor any of the persons whose names are listed in the paragraphs headed "E. Other Information – 7. Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(d) none of our Directors or their associates (as defined in the Listing Rules) or existing shareholders or our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of our Company; and

(e) none of our Directors or their associates (as defined in the Listing Rules) or our existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any or the five largest suppliers of our Company.

D. SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of all Shareholders of our Company passed on 8 November 2022. Our Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as the Board may approve from time to time.

(b) Who may join

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or adviser of our Group who in the sole discretion of the Board has contributed to and/or will contribute to our Group) (the "**Eligible Persons**") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

(c) Maximum number of Shares

(i) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

(ii) Subject to paragraphs (c)(i), (iv) and (v), at the time of adoption by our Company of the Share Option Scheme or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of our Company must not in aggregate exceed 10% of the total number of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**").

(iii) For the purposes of calculating the Scheme Mandate Limit under paragraph (c)(ii), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.

(iv) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:

- the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as at the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit;

- options previously granted under any Existing Schemes (including options outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and

- a circular regarding the proposed refreshment of the Scheme Mandate Limit has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.

(v) Our Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:

- the grant is to Eligible Persons specifically identified by our Company before the approval is sought; and

- a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and rules,

in accordance with the terms of the Share Option Scheme.

(d) Maximum number of options to any one individual

No option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;

- a circular regarding the grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and

- the number and terms (including the Subscription Price) of such options are fixed before the general meeting of our Company at which the same are approved.

(e) Price of Shares

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer to grant option (the "**Offer Date**") (provided that the new issue price shall be used as the closing price for any business day falling within the period before the listing of Shares where our Company has been listed for less than five business days as of the Offer Date); and (iii) the nominal value of the Share. A consideration of RMB1.0 is payable on acceptance of the offer of an option or options.

(f) Granting options to connected persons

Any grant of options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the options). If our Company proposes to grant options to a Substantial Shareholder or an independent non-executive Director of our Company or their respective associates which will result in the number and value of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant in aggregate exceeding: (i) 0.1% of the Shares in issue at the relevant time of grant; and (ii) HK$5 million, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange at the date of each grant, such grant shall not be valid unless: (A) a circular containing the details of the grant has been despatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting); and (B) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons abstained from voting in favour at such meeting.

(g) Restrictions on the time of grant of options

No offer to grant option shall be made after a price-sensitive event has occurred or a price-sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the Listing

Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement. The period which no option may be granted will cover any period of delay in the publication of results announcement.

(h) Rights are personal to grantee

An option is personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

(i) Time of exercise of option

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer Letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The date of grant of any particular option is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Share Option Scheme. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

(j) Performance target

The Board may from time to time require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Share Option Scheme.

(k) Rights on ceasing to be an Eligible Person

In the event of the grantee ceasing to be an Eligible Person for any reason other than ceasing (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (2) by death or permanent disability the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee or director of our Company or any subsidiary, his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which the relationship constituting him an Eligible Person ceases.

(l) Rights on death or permanent disability

In the event that the grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee or, if appropriate, in the circumstances described in paragraphs (n), (o) and (q), an election made by his personal representatives within twelve months after the date of his death or permanent disability.

(m) Lapse of option on misconduct, bankruptcy or dismissal etc.

If a grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the right to exercise the option (to the extent not already exercised) shall terminate immediately.

(n) Rights on a general offer by way of a take-over

If a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

(o) Rights on a general offer by way of a scheme of arrangement

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

(p) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it despatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement become effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(q) Rights on winding-up

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than four business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(r) Lapse of the options

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

(i) the expiry of the option period;

(ii) the expiry of any of the periods referred to in paragraph (k), (l) or (n);

(iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);

(iv) subject to the compromise or arrangement referred to in paragraph (p);

(v) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;

(vi) subject to paragraph (q), the date of the commencement of the voluntary winding-up of our Company;

(vii) the date on which the grantee commits a breach of paragraph (h);

(viii) the date on which the option is cancelled by the Board as provided in paragraph (v); or

(ix) the non-fulfilment of any condition referred to in paragraph (x) on or before the date specified therein.

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (r).

(s) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's Memorandum and Articles of Association and the laws of the Cayman Islands for the time being in force and shall rank pari passu in all respects with the fully-paid Shares in issue of our Company as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before the date of allotment and issue.

(t) Effect of alterations to share capital

In the event of any alteration to the capital structure of our Company arising from capitalisation of profits or reserves, rights issue, consolidation, redenomination, subdivision or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party. Adjustment (if any) shall be made to (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price for the Shares subject to the option so far as unexercised; and/or (c) the Shares to which the option relates; or any combination thereof as the Auditors or the independent financial advisors to our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto. Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule" attached to the letter of the Stock Exchange dated 5 September 2005 to all issuers relating to share option scheme) and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial advisors to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the Auditors or the independent financial advisors to our Company shall be borne by our Company. Notice of such adjustment shall be given to the Grantees by our Company.

(u) Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

(i) the definitions of "Eligible Person" and "grantee" in the Share Option Scheme; and

(ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules

which shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the bye-laws for the time being of our Company for a variation of the rights attached to the Shares. Any change to the authority of the Board in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting. Any alterations to the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme. Any amended terms of the Scheme or the options must comply with Chapter 17 of the Listing Rules.

(v) Cancellation of options

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit set out in paragraph (c) above from time to time.

(w) Termination of the Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

(i) the Listing Committee granting approval of the listing of, and permission to deal in, any Shares which may fall to be allotted and issued pursuant to the exercise of any such options;

(ii) the passing of the resolutions by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and

(iii) the commencement of dealings in the Shares on the Stock Exchange.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Indemnity on estate duty and taxation

The Controlling Shareholders (the "**Indemnifiers**") have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for itself and as trustee as its subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before (the "**Taxation Liabilities**") the date on which the Global Offering becomes unconditional and dealings in Shares first commence on the Stock Exchange (the "**Effective Date**").

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation where:

(a) to the extent (if any) to which provision, reserve or allowance has been made for such Taxation Liabilities and claims in the audited consolidated accounts of our Company for the Track Record Period as set out in Appendix I to this prospectus (the "**Accounts**");

(b) to the extent that such Taxation Liabilities and claims falling on any of the members of our Group in respect of any accounting period commencing on or after the Listing Date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date, or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in this prospectus; or

(c) to the extent of any provision, reserve or allowance made for such Taxation Liabilities in the Accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such Taxation Liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such Taxation Liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or

(d) to the extent that any Taxation Liabilities or claims arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, the taxation authority of any other jurisdiction(s), including the PRC or any other relevant authority (whether in Hong Kong, the Cayman Islands, the BVI, the PRC or any other part of the world) coming into force after the Effective Date or to the extent such Taxation Liabilities or claims arise or are increased by an increase in rates of such Taxation Liabilities or claims after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

Other indemnity

Under the Deed of Indemnity, the Indemnifiers have also given indemnities on a joint and several basis in favour of our Company (for itself and as trustee as its subsidiaries) on demand from and against all penalties, claims, investigations, actions, demands, legal proceedings, litigations (without limitation to any legal costs), judgements, losses, liabilities, damages, costs, administrative or other charges, fees, expenses and fines of whatever nature which may be imposed on, incurred or suffered by our Group as a result of directly or indirectly or in connection with any non-compliance with any applicable laws, rules or regulations, by our Company and/or any members of our Group in their respective place of incorporation or operation which has occurred at any time on or before the Effective Date, in particular, including but not limited to, the payment of underpaid social insurance and housing provident fund contributions or any penalty imposed payment of the outstanding amount or shortfall of the contribution to the social insurance and/or housing provident fund.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option and pursuant to the exercise of any options which may be granted under the Share Option Scheme).

Each of the Joint Sponsors is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The total amount of fees payable to the Joint Sponsors by our Company for sponsoring the listing of the Shares on the Stock Exchange is HK$8.4 million and a discretionary bonus.

4. Preliminary expenses

Our preliminary expenses are estimated to be approximately US$6,021.72 and were paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Innovax Capital Limited	Licensed for Type 1 (dealing in securities) and Type 6 regulated activities (advising on corporate finance) under the SFO
Sinolink Securities (Hong Kong) Company Limited	Licensed for Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the SFO
Ernst & Young	Certified public accountants and Registered Public Interest Entity Auditor
Commerce & Finance Law Offices	PRC legal advisers to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Ogier	Cayman Islands legal advisers to our Company

7. Consents of experts

Each of the experts named in paragraph 6 above has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or opinion and/or data (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named in paragraph 6 above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

9. Agency fees or commission received

The Underwriters will receive an underwriting commission, and the Joint Sponsors will receive a sponsorship fee, as referred to under the section headed "Underwriting – Underwriting Arrangements and Expenses – Commissions and expenses" in this prospectus.

10. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

1. no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

2. no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

3. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;

4. no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and

5. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.

(b) Since 31 May 2022, being the date of our latest audited consolidated financial results as set out in "Accountants' Report" in Appendix I to this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group.

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) Subject to the provisions of the Cayman Companies Act, the register of members of our Company will be maintained in the Cayman Islands by Ogier Global (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

(g) There are no procedures for the exercise of any right of pre-emption or the transfer of subscription rights.

(h) Our Directors have been advised that, under the Cayman Companies Act, the use of a Chinese name by our Company does not contravene the Cayman Companies Act.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the **GREEN** Application Form;

(b) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 7. Consents of experts" in Appendix IV to this prospectus; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of material contracts" in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.meihaomedical.com** during a period of 14 days from the date of this prospectus.

1. the Memorandum of Association and Articles of Association of our Company;

2. the Accountants' Report for the three years ended 31 December 2021 and the five months ended 31 May 2022 from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

3. the audited consolidated financial statements of our Group for the three years ended 31 December 2021 and the five months ended 31 May 2022;

4. the report prepared by Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

5. the PRC legal opinions issued by Commerce & Finance Law Offices, our PRC legal advisers, in respect of certain aspects of the PRC law;

6. the letter of advice prepared by Ogier, our Cayman Islands legal advisers, summarising certain aspects of the Cayman Companies Act as referred to in Appendix III to this prospectus;

7. the industry report prepared by Frost & Sullivan;

8. the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about our Business – 1. Summary of material contracts" in Appendix IV to this prospectus;

9. the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 7. Consents of experts" in Appendix IV to this prospectus;

10. the rules of the Share Option Scheme;

11. the Directors' service contracts and appointment letters referred to in the section headed "Statutory and General Information – C. Further Information about our Directors, Management and Substantial Shareholders – 3. Directors' service contracts, appointment letters and remuneration" in Appendix IV to this prospectus; and

12. the Cayman Companies Act.

美皓醫療集團有限公司

MEIHAO MEDICAL GROUP CO., LTD