Meihao Medical Group Co., Ltd
美 皓 醫 療 集 團 有 限 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1947)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 42.3% to approximately RMB73.5 million (2022: approximately RMB127.4 million)
- Loss before tax was approximately RMB7.2 million, representing a turnaround as compared with the profit before tax of approximately RMB40.2 million for the year ended 31 December 2022
- Loss attributable to equity holders of the Company was approximately RMB13.6 million, representing a turnaround as compared with the profit attributable to equity holders of the Company of approximately RMB28.5 million for the year ended 31 December 2022
- Loss per share attributable to ordinary equity holders of the parent was approximately RMB2.27 cents as compared with the earnings per share attributable to ordinary equity holders of the parent of approximately RMB6.22 cents for the year ended 31 December 2022
- The Board has resolved to recommend the payment of a final dividend HK$0.01 per ordinary share (2022: Nil) (the shareholders may choose to receive dividends in cash or in shares)

The board (the "**Board**") of directors (the "**Directors**") of Meihao Medical Group Co., Ltd (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022 ("**FY2022**").

In this announcement, "we," "us" and "our" refer to the Company and where the context otherwise requires, the Group. Unless the context requires otherwise, capitalized terms used herein shall have the same meanings as those defined in the prospectus of the Company dated 30 November 2022 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	5	**73,513**	127,408
Cost of sales		**(40,858)**	(49,160)
Gross profit		**32,655**	78,248
Other income and gains	5	**5,859**	9,895
Selling expenses		**(20,655)**	(18,166)
Administrative expenses		**(22,940)**	(27,042)
Other expenses		**(439)**	(874)
(Impairment)/reversal of impairment on financial assets, net		**(5)**	27
Finance costs	7	**(1,633)**	(1,886)
(LOSS)/PROFIT BEFORE TAX	6	**(7,158)**	40,202
Income tax expense	8	**(6,448)**	(11,632)
(LOSS)/PROFIT FOR THE YEAR		**(13,606)**	28,570
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements into presentation currency		**1,400**	(81)
OTHER COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR, NET OF TAX		**1,400**	(81)
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE YEAR		**(12,206)**	28,489
(Loss)/profit attributable to:			
Owners of the parent		**(13,594)**	28,456
Non-controlling interests		**(12)**	114
		(13,606)	28,570

	Note	2023 *RMB'000*	2022 *RMB'000*
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(12,194)**	28,375
Non-controlling interests		**(12)**	114
		(12,206)	28,489
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	10	**RMB(2.27) cents**	RMB6.22 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**27,799**	28,076
Right-of-use assets		**33,857**	36,358
Intangible assets		**373**	528
Deferred tax assets		**694**	5,205
Prepayments, other receivables and other assets		**17,394**	6,044
Total non-current assets		**80,117**	76,211
CURRENT ASSETS			
Inventories		**2,506**	2,497
Trade receivables	11	**789**	523
Prepayments, other receivables and other assets		**7,044**	83,958
Time deposits with original maturity over three months		**55,144**	–
Cash and cash equivalents		**86,827**	89,529
Total current assets		**152,310**	176,507
CURRENT LIABILITIES			
Trade payables	12	**6,640**	5,475
Lease liabilities		**8,803**	6,898
Other payables and accruals		**17,724**	15,787
Contract liabilities		**3,302**	4,203
Tax payable		**1,490**	8,865
Total current liabilities		**37,959**	41,228
NET CURRENT ASSETS		**114,351**	135,279
TOTAL ASSETS LESS CURRENT LIABILITIES		**194,468**	211,490
NON-CURRENT LIABILITIES			
Lease liabilities		**24,918**	29,718
Contract liabilities		**4,005**	4,021
Total non-current liabilities		**28,923**	33,739
Net assets		**165,545**	177,751

	2023	2022
	RMB'000	*RMB'000*
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,365**	5,365
Reserves	**159,813**	172,007
	165,178	177,372
Non-controlling interests	**367**	379
Total equity	**165,545**	177,751

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP 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 principal place of business in China is located at 197 Fuqian Street, Lucheng District, Wenzhou City, Zhejiang Province, People's Republic of China (the "**PRC**").

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in the provision of dental services.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 December 2022.

2. BASIS OF PREPARATION

These financial statements have 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments did not have any significant impact on the Group's financial statements.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 for the years ended 31 December 2023 and 2022 was attributable to customers in Chinese Mainland, the place of domicile of the Group's operating entities.

The Group's non-current assets are all located in Chinese Mainland.

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 year (2022: Nil).

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**73,513**	127,408

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Type of services		
Dental services	**73,513**	127,408
Geographical market		
Chinese Mainland	**73,513**	127,408
Timing of revenue recognition		
Services transferred over time	**73,513**	127,408

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of dental services	**3,816**	4,244

(ii) 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 31 December are as follows:

	2023	2022
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**5,782**	7,826
After one year	**4,388**	4,422
Total	**10,170**	12,248

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 five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

	2023	2022
	RMB'000	*RMB'000*
Other income		
Bank interest income	**4,971**	1,651
Government grants*	**94**	8,210
Others	**416**	34
Total other income	**5,481**	9,895
Gains		
Gain on termination of leases	**321**	–
Foreign exchange gains, net	**57**	–
Total gains	**378**	–
Total other income and gains	**5,859**	9,895

* The government grants mainly represent incentives received or receivable from the local government in connection with certain financial support to local business enterprises for the purpose of encouraging business development. There are no unfulfilled conditions or contingencies relating to these grants.

6. (LOSS)/PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of inventories, consumables and customised products	**10,478**	15,204
Government grants	**(94)**	(8,210)
Bank interest income	**(4,971)**	(1,651)
Listing expenses	**–**	9,494
Loss on disposal of items of property, plant and equipment, net	**165**	58

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	RMB'000	*RMB'000*
Interest on lease liabilities	**1,633**	1,886

8. 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 year (2022: Nil).

Except for certain subsidiaries of the Group which were entitled to a preferential income tax rate of 20% for small and micro enterprises during the year with the RMB3.0 million of annual taxable income eligible for a 75% reduction, the provision for Chinese Mainland current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries in Chinese Mainland as determined in accordance with the Corporate Income Tax Law.

The income tax expense of the Group during the year is analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Current – Chinese Mainland		
Charge for the year	**1,937**	13,280
Deferred	**4,511**	(1,648)
Total	**6,448**	11,632

9. DIVIDENDS

The Board has resolved to recommend the payment of a final dividend HK$0.01 per ordinary share (2022: Nil), the shareholders may choose to receive dividends in cash or in shares.

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss (2022: earnings) per share amount is based on the loss (2022: profit) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 600,000,000 (2022: 457,397,260) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic (loss)/earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(13,594)**	28,456

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**600,000,000**	457,397,260

11. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**797**	526
Impairment	**(8)**	(3)
Net carrying amount	**789**	523

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 the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**759**	413
3 and 6 months	**11**	52
6 and 12 months	**2**	40
1 and 2 years	**7**	16
Over 2 years	**10**	2
Total	**789**	523

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**1,161**	2,569
3 to 6 months	**1,212**	1,385
6 to 12 months	**1,373**	554
Over 1 year	**2,894**	967
Total	**6,640**	5,475

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 180 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is an established private dental service provider in Wenzhou City (溫州市), Zhejiang Province, PRC ("**Wenzhou**"). The Group generates its 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). As at 31 December 2023, the Group owned and operated a network of five private dental hospitals in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital, Wenzhou Oral Care, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City.

During the Reporting Period, the Group was subject to the Collective Procurement Dental Implants Policy (種植牙集採政策) (the "**Collective Procurement Policy**"), which imposed restrictions on the pricing of our services and had an adverse impact on our profit. As a result, the Group recorded the net loss of approximately RMB13.6 million for the year ended 31 December 2023, as compared to the net profit of approximately RMB28.6 million for the year ended 31 December 2022.

On the other hand, with the implementation of the Collective Procurement Policy and anti-corruption efforts in the medical industry, the operational efficiency and service quality of other hospitals of the Group improved significantly. The Collective Procurement Policy reduced procurement costs and enhanced resource utilization efficiency, enabling more patients to access high-quality and affordable medical services. This development, coupled with an increased focus on oral healthcare, has increased patient willingness to engage with dental services, leading to an increasing number of visits.

Furthermore, the rigorous approach to combat medical corruption has cleaned up the industry's atmosphere, established commendable medical ethics, and reinforced patient trust in medical institutions. Beyond the enhanced affordability of dental services for patients and their trust in dental institutions, the demand for oral healthcare services in China is surging, driven by an aging population and a rising prevalence of oral diseases.

In response to this trend and to promote the healthy development of the oral healthcare services sector, China has rolled out a series of policies in recent years. Initiatives like the Healthy China 2030 Planning Outline, the Medium and Long-term Plan for the Prevention and Treatment of Chronic Diseases in China (2017–2025), and the Healthy Oral Action Plan (2019–2025) have set forth clear objectives and action plans for various aspects of oral health. These policies not only highlight the importance of spreading and enhancing oral health practices but also aim to improve the quality and standards of oral healthcare services, stimulating the rapid growth of related industries.

General Dentistry

The general dentistry sector of the Group 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 treatments are priced based on the number of tooth subject to the treatment, the spending of each patient will vary significantly with the condition of each patient.

Orthodontics and Cosmetic Dentistry

The orthodontics and cosmetic dentistry sector of the Group focuses 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.

Reparative Dentistry

The reparative dentistry sector of the Group focuses on restoring the function, integrity and morphology of missing tooth structure. The key dental services we offered under reparative dentistry includes: (i) dental crowns; and (ii) removable dentures. The price for dental crowns and removable dentures are generally related to the respective material and number of tooth subject.

Implant Dentistry

The implant dentistry sector of the Group focuses on surgically placing fixture dental implants in the patient’s jawbone as the foundation to replace the damaged or missing tooth with prosthetics.

Total Number of Active Patients by Five Private Dental Hospitals

The number of the Group's total active patients decreased from 63,659 for the year ended 31 December 2022 to 50,324 for the year ended 31 December 2023, representing a decrease of 20.9%. The following table sets forth the breakdown of the number of active patients by the Group's five private dental hospitals:

	For the year ended	
	31 December 2023	31 December 2022
	No. of active patients	*No. of active patients*
Wenzhou Hospital	**27,958**	32,111
Lucheng Hospital	**10,105**	13,831
Wenzhou Oral Care	**6,269**	8,144
Rui'an Branch Hospital	**2,805**	2,833
Longgang Hospital	**3,187**	6,740
Total	**50,324**	63,659

Revenue by Five Private Dental Hospitals

	For the year ended			
	31 December 2023		31 December 2022	
	Revenue	**%**	Revenue	%
	RMB'000		*RMB'000*	
Wenzhou Hospital	**45,820**	**62.4**	76,539	60.1
Lucheng Hospital	**10,819**	**14.7**	23,036	18.1
Wenzhou Oral Care	**9,499**	**12.9**	17,199	13.5
Rui'an Branch Hospital	**3,332**	**4.5**	3,432	2.7
Longgang Hospital	**4,043**	**5.5**	7,202	5.6
Total	**73,513**	**100.0**	127,408	100.0

Wenzhou Hospital, which commenced operations in March 2011, contributed the largest share of our revenue during the Reporting Period, representing approximately 62.4% of our total revenue for the year ended 31 December 2023.

PROSPECTS

Following the implementation of China's Collective Procurement Policy for dental implants, the cost of implant dentistry services in public hospitals has been reduced, posing operational challenges for dental service providers in the first half of 2023. This policy led to a decline in both the number of visits to our implant dentistry departments and the average expenditure per visit, adversely affecting the Group's implant dentistry services in the short term.

However, in the long run, offering services at more affordable prices is expected to enhance public dental health awareness, thereby benefiting the penetration and growth of the entire sector. As the community recovers from impact of the COVID-19 pandemic and public attention to dental health increases, the dental sector continues to demonstrate vigorous growth.

Leveraging our extensive experience, solid reputation and the trust of our patients, along with the Company's status as a listed entity, we are well-positioned to seize market opportunities, further strengthen our market position, and expand our market share within the industry. Moving forward, the Company is committed to providing high-quality dental services to meet the oral health needs of the public and achieve sustainable growth.

Cementing and extending our business coverage

Given our roots in Wenzhou and our well-established reputation within the local dental healthcare industry, we are committed to continuing our expansion in the regional market with great potential. The Group is consistently planning to establish more proficient private dental hospitals in Wenzhou, attracting dental healthcare talents, and capturing the rising demand at strategic locations in Wenzhou to synergize with our existing dental hospitals. We are also exploring strategic acquisition opportunities in Zhejiang Province and neighbouring provinces. The Group's consolidation and expansion strategies will focus not only on comprehensive dental care, orthodontics, cosmetic dentistry, and implant dentistry but will also extend into the children dental market. The Group is convinced that the demand from children patients will drive growth in the dental services market and, over time, form a sustainable customer base.

Our expansion encompasses diverse customer segments and spans across the upstream and downstream sectors of the industry chain. As the dental service market develops steadily, the Group is well-positioned to invest in additional sectors. Capitalizing on the upstream expansion to the medical device industry, the Group can better manage the sources of raw materials, equipment, and technology through investments and collaborations with device companies, ensuring supply stability and mitigating the risk of supply chain disruptions. Direct procurement or customisation helps us reduce procurement costs and enhance profit margins. By establishing close cooperation with upstream equipment suppliers and material manufacturers, the Group can keep abreast of the latest technologies and products, facilitating our technological innovation and R&D efforts, thus improving our service quality and competitiveness. Downstream investments and partnerships in the medical aesthetics industry will expand the business scope and diversify the revenue sources of the Group, facilitating the integration of industry chain and creation of a more comprehensive business cycle. This strategy not only boosts operational efficiency but also reduces costs and improves service quality through synergistic effects, subsequently consolidating our overall competitiveness. By offering more holistic services and adopting a multi-dimensional strategic investment approach, we aim to strengthen our brand recognition and increase customer satisfaction and loyalty.

Dedicated to dental services

The Group is committed to continuously providing high-quality dental services to our customers, a cornerstone for building a positive reputation and securing customer trust within a competitive landscape. Through ongoing enhancements to our business operation software systems, we aim to improve the efficiency of centralized hospital management and network maintenance, as well as to optimize our children dental services. These efforts underline the Group's profound understanding and capability to meet customer needs.

The upgrade of our business operation software systems will facilitate a more efficient integration and management of data across our five dental hospitals, significantly improving the coherence and efficiency of service processes. In addition, advancements in centralized management and network maintenance are poised to lower operational costs and boost service quality, enabling our clients to access more convenient and efficient dental services.

Furthermore, by reallocating the existing resources of Wenzhou Oral Care to expand the children dental department, the Group is committed to enhancing service quality and enlarging our market share, with a focus on catering to the needs of specific customer groups. Refurbishing parts of the hospital buildings and investing in cutting-edge dental equipment and technologies will significantly enhance the service standards of the children dental department, ensuring a more comfortable and safer environment for young patients.

These strategies will enable the Group to distinguish itself in the highly competitive market by offering clients a superior and more desirable dental experience. By consistently improving service quality and customer satisfaction, the Group will gain more trust and support from clients, achieving sustainable and robust development.

Cultivating medical talent

The Group recognises that dental professionals are vital assets to our Company, crucial for business success and the driving force behind the Group's healthy growth. In 2023, we focused on the personal development of each employee, consistently providing training for our medical staff, ensuring competitive compensation and benefits for all staff, upholding the legitimate rights and interests of every employee, focusing on occupational health and safety, and committed to creating a platform where employees can enhance their professional skills and pursue long-term growth, thereby promoting mutual advancement for both the Company and our employees. Furthermore, the Group continues to carry on the plan to establish a dentistry training centre so that it can have a centralised training centre for all of the dental hospitals and have the capacity to host, meeting and conferences for its dentists. Through cultivating our own pool of dentists, the Group believes that it could distinct us from other competitors and provide professional services to its clients. The Group will also initiate campus recruitment aimed at expanding enrolment for oral medicine programs and enhancing educational quality through stronger partnerships with medical colleges. Moreover, we are attracting outstanding domestic oral medicine talent, working in collaboration with the Wenzhou Science and Technology Bureau and the Cuban Medical Bureau to support the introduction of Cuban doctoral doctors into China's workforce, thereby introducing fresh and unique energy into Wenzhou's dental sector.

FINANCIAL REVIEW

Revenue

During the Reporting Period, our revenue amounted to approximately RMB73.5 million, representing a decrease of approximately 42.3% as compared to the year ended 31 December 2022. The decrease in revenue was mainly driven by (i) the decreased revenue generated from implant dentistry, mainly due to the Collective Procurement Policy; and (ii) the decrease in the number of visits, primarily resulting from intense market competition as dental hospital brands from other regions progressively expand into the local market of the Mainland China.

Revenue by types of dental services

General Dentistry

Our revenue for general dentistry for the year ended 31 December 2023 was approximately RMB31.2 million (FY2022: RMB32.0 million), representing a decrease of approximately 2.5% as compared to the corresponding period in 2022. The decrease was mainly due to the decrease in the number of visits for general dentistry. Such decrease in the number of visits was mainly due to heightened health consciousness in 2023 following the aftermath of the pandemic, which led to a reduction in routine oral health check-ups and visits. Revenue generated from general dentistry accounted for approximately 42.5% of our total revenue for the Reporting Period as compared to approximately 25.1% for the year ended 31 December 2022.

Orthodontics and Cosmetic Dentistry

Our revenue for orthodontics and cosmetic dentistry for the year ended 31 December 2023 was approximately RMB14.4 million (FY2022: RMB19.9 million), representing a decrease of approximately 27.6% as compared to the corresponding period in 2022. The decrease was mainly due to the decrease in the number of visits for the Reporting Period. Such decrease in the number of visits was mainly due to the increase in market competition in 2023. Revenue generated from orthodontics and cosmetic dentistry accounted for approximately 19.7% of our total revenue, as compared to approximately 15.7% for the year ended 31 December 2022.

Reparative Dentistry

Our revenue for reparative dentistry for the year ended 31 December 2023 was approximately RMB14.9 million (FY2022: RMB28.1 million), representing a decrease of RMB13.2 million, or 47.0%, due to the decrease in the number of visits. It accounted for approximately 20.2% of our total revenue for the Reporting Period, similar to approximately 22.1% of the year ended 31 December 2022.

Implant Dentistry

Our revenue for implant dentistry for the year ended 31 December 2023 was approximately RMB8.0 million (FY2022: RMB42.2 million), indicating a decrease of RMB34.2 million or 81.0%. The significant decrease of our revenue of implant dentistry was due to both the number of visits and average spending per visit of our implant dentistry decreased, as a result of the implementation of the Collective Procurement Policy since late March 2023, which lowered the price of implant services that could be charged by public hospitals.

Cost of Sales

Our cost of sales mainly included (i) staff costs; (ii) cost of inventories, consumables and customised products; and (iii) depreciation expenses of property, plant and equipment and right-of-use assets. During the Reporting Period, our cost of sales has decreased by approximately 16.9% to approximately RMB40.9 million (FY2022: approximately RMB49.2 million). The decrease in our cost of sales had a relatively less significant as compared to the decrease in our revenue, as some of the costs within our cost of sales category are fixed costs.

Gross Profit and Gross Profit Margin

During the Reporting Period, our gross profit decreased by approximately 58.2% as compared to the corresponding period in 2022 to approximately RMB32.7 million (FY2022: approximately RMB78.2 million), mainly driven by the decrease in our revenue of approximately 42.3%. As part of our costs within our cost of sales category are fixed costs, our gross profit margin decreased to approximately 44.4% (FY2022: 61.4%).

Other Income and Gains

During the Reporting Period, the other income and gains decreased by approximately 40.4% as compared to the corresponding period in 2022 to approximately RMB5.9 million (FY2022: approximately RMB9.9 million), mainly due to the decrease in one-off allowance granted by the government for the previous year.

Selling Expenses

During the Reporting Period, the selling expenses primarily comprised marketing and promotion expenses, and staff costs. During the Reporting Period, the Group's selling expenses increased by approximately 13.7% as compared to the corresponding period in 2022 to approximately RMB20.7 million (FY2022: approximately RMB18.2 million), mainly driven by the increase in headcounts of sales and marketing personnel to enhance the Group's marketing efforts.

Administrative Expenses

Our administrative expenses decreased by approximately 15.2% or approximately RMB22.9 million as compared to the corresponding period in 2022 (FY2022: approximately RMB27.0 million). The decrease in our administrative expenses was due to a combined effect of (i) the non-recurrence of the listing expenses for the year ended 31 December 2022; and (ii) the increase in professional fee since the Company's listing on the Main Board of the Stock Exchange in December 2022.

Income Tax

During the Reporting Period, we recorded an income tax expense of approximately RMB6.4 million as compared to an income tax expense of approximately RMB11.6 million for the year ended 31 December 2022, mainly due to the decrease in revenue of the Group and the loss making position of certain subsidiaries for the Reporting Period.

Loss attributable to the owners of the Company

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately RMB13.6 million as compared to a profit attributable to owners of the Company of approximately RMB28.5 million for the year ended 31 December 2022.

Prepayments, other receivables and other assets

The current portion of our prepayments, other receivables and other assets decreased by approximately RMB77.0 million, from approximately RMB84.0 million as at 31 December 2022 to approximately RMB7.0 million as at 31 December 2023. The decrease was mainly due to the settlement of IPO proceeds from the global offering of the Company's shares (the "**Global Offering**") of approximately RMB67.1 million in the first quarter of 2023, which remained as receivable from the underwriters of the Global Offering as at 31 December 2022. For details, please refer to the announcement of the Company dated 5 May 2023. While the non current prepayment increased by RMB11.4 million to RMB17.4 million as at 31 December 2023 (RMB6.0 million as at 31 December 2022), such increase is due to the prepayment for two acquisitions related to Yueqing Stomatological Hospital Co., Ltd, and Wenzhou Ouhai Jielaiya Oral Clinic Co., Ltd, as well as the deposit of indication of interest for a potential acquisition.

Liquidity, Financial Resources and Capital Structure

The Group financed its operations primarily through cash generated from the Group's operations and the net proceeds received from the Global Offering. As at 31 December 2023, the Group's net current assets amounted to approximately RMB114.4 million (as at 31 December 2022: approximately RMB135.3 million), and its liquidity as represented by current ratio (total current assets/total current liabilities) was 4.0 times (as at 31 December 2022: 4.3 times). The Group's bank balances amounted to approximately RMB86.8 million (as at 31 December 2022: approximately RMB89.5 million). As at 31 December 2023, the Group had no bank loans (as at 31 December 2022: Nil), and therefore the gearing ratio was not applicable (2022: not applicable). On 14 December 2022, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of Global Offering and completed the share offer of its 150,000,000 ordinary shares, comprising 45,000,000 Hong Kong offer shares and 105,000,000 international placing shares, with a par value of

HK$0.01 each at an offer price of HK$0.84 per share. The Company believes that the funding from the Global Offering on the Main Board would allow the Group to continue with its future business development to expanding our dental medical institutions network in the PRC and to gain access to capital market for raising funds in the future.

Pledge of Assets

As at 31 December 2023, the Group did not have any pledged assets (as at 31 December 2022: Nil).

Foreign Currency Exposure

The majority of the Group's revenue is denominated in Renminbi and the Group's accounts are prepared in Renminbi. As such, the Group maintained stable cashflow generated from its operating activities and did not have material exposure to fluctuations in foreign currency rates. However, there is a special situation that needs attention: the net proceeds received by the Company for the Global Offering are denominated in Hong Kong dollars and the Company is exposed to fluctuation of exchange rate between Renminbi and Hong Kong dollars.

The Group currently does not have any hedging policy for foreign currencies in place. However, the management will remain alert to any relevant risks as the financial position of the Company may be adversely affected due to any material fluctuations in foreign currency rates. Therefore, the management will closely monitor the market changes and may consider to adopt hedging policy to mitigate any material potential foreign exchange risk if necessary.

Capital Commitments

As at 31 December 2023, the Group had capital commitments of approximately RMB3.2 million for leasehold improvements and addition of medical equipments (as at 31 December 2022: approximately RMB2.1 million).

Contingent liabilities and guarantees

As at 31 December 2023, the Group had no material contingent liabilities or guarantees (as at 31 December 2022: nil).

Employees and Remuneration Policies

As at 31 December 2023, the Group employed 286 staff (including executive Directors), all of which were located in the PRC (as at 31 December 2022: 304). Remuneration packages for the Group's employees mainly comprise basic salary and bonus. The Group annually reviews their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. Moreover, the Group provides comprehensive training programs to its employees to enhance the technical skills of medical professionals to further their career development. The Group provides both in-house and external trainings for its employees to improve their skills and knowledge. The Company was adopted a share option scheme on 8 November 2022 and a share award scheme on 16 January 2024 to create incentives to employees and to align their interest with that of the Company. Employee benefit expenses primarily consist of wages and salaries as well as pension scheme contribution. Employee benefits expenses was approximately RMB33.4 million during the Reporting Period (FY2022: approximately RMB37.8 million), representing a decrease of RMB4.4 million.

Significant Investments

During the Reporting Period, the Group did not have any significant investments.

Future Plans for Material Investment and Capital Assets

During the Reporting Period, the Group has utilized and intends to utilise the net proceeds raised from the Global Offering for business expansion and working capital in the manner set out in the Prospectus. Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 31 December 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

There were no material acquisitions or disposals of subsidiaries, associates or joint ventures of the Group during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 19 December 2023, Wenzhou Oral Care, a wholly-owned subsidiary of the Group, entered into a share purchase agreement for the acquisition of 51% equity interests in Wenzhou Ouhai Jielaiya Oral Clinic Co., Ltd, a private dental service provider. As at the date of this announcement, the acquisition has been completed.

On 19 December 2023, Dehong Medical and Tianrui Medical, wholly-owned subsidiaries of the Group, entered into share purchase agreements for to the acquisition of 98.5% equity interests in Yueqing Stomatological Hospital Co., Ltd, a private dental service provider. As at the date of this announcement, the acquisition has not yet been completed.

On 16 January 2024, the Company adopted a share award scheme with the objectives: (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. For details of the share award scheme, please refer to the Company's announcement dated 16 January 2024.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.01 per ordinary share for the year ended 31 December 2023 (the "**Final Dividend**") (FY2022: Nil) to the Company's shareholders. The Final Dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting to be held on Tuesday, 18 June 2024 (the "**AGM**").

The Final Dividend will be payable in cash, with an option provided to the Company's shareholders to receive new and fully paid shares in lieu of cash, under the scrip dividend scheme (the "**Scrip Dividend Scheme**"). The circular containing details of the Scrip Dividend Scheme and the relevant election form will be dispatched to shareholders in due course. The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the Final Dividend at the AGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new shares of the Company to be issued under the Scrip Dividend Scheme.

ANNUAL GENERAL MEETING

The AGM of the Company will be scheduled on Tuesday, 18 June 2024. A notice convening the AGM will be issued and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024 (both days inclusive), during which period no transfer of shares will be registered. All transfer documents of the Company accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 12 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance so as to deliver long-term and sustained value for the Shareholders.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of the Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices, and the Corporate Governance Code has been applicable to the Company with effect from the Listing Date.

To the best knowledge of the Directors, save and except for code provision C.2.1 of Corporate Governance Code as set out below, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code during the year ended 31 December 2023.

The Company does not have a separate chairman and chief executive officer and Mr. Wang Xiaomin currently performs these two roles concurrently. The 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 the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the 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. The Board will from time to time review and consider whether separation the roles of chairman of the Board and the chief executive officer of the Company is necessary.

Further information of the corporate governance practices of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2023.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions, and the Model Code has been applicable to the Company with effect from the Listing Date.

All Directors have confirmed, following specific enquiry made by the Company with each Director, that they had complied with the guidelines contained in the Model Code during the year ended 31 December 2023.

SCOPE OF WORK OF THE AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2023, but represents an extract from the consolidated financial statements for the year ended 31 December 2023 which have been audited by the auditor of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Ng Ming Chee, Ms. Tam Hon Shan Celia, and Dr. Zhou Jian. Mr. Ng Ming Chee is the chairman of the Audit Committee.

The Audit Committee has, together with the management of the Company, reviewed the annual consolidated financial statements of the Group for the year ended 31 December 2023 and the accounting principles and policies adopted by the Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company, internal control and financial reporting matters with senior management members of the Group. The Audit Committee considers that this announcement is in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.meihaomedical.com. The Company's annual report for the year ended 31 December 2023 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees and business partners for their support and contribution to the Group.

By order of the Board
Meihao Medical Group Co., Ltd
Mr. Wang Xiaomin
Chairman and executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive Directors are Mr. Wang Xiaomin and Ms. Zheng Man, and the independent non-executive Directors are Mr. Ng Ming Chee, Ms. Tam Hon Shan Celia and Dr. Zhou Jian.