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

Annual Report

2023

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wang Xiaomin *(Chairman, Chief Executive Officer)*
Ms. Zheng Man *(General Manager)*

Independent Non-executive Directors

Mr. Ng Ming Chee
Ms. Tam Hon Shan Celia
Dr. Zhou Jian

Company Secretary

Mr. Lee Chung Shing (HKICPA, ACCA)
(resigned with effect from 31 March 2024)
Ms. Chan Yuk Wing
(appointed with effect from 31 March 2024)

Authorised Representatives Under the Listing Rules

Mr. Wang Xiaomin
Mr. Lee Chung Shing
(resigned with effect from 31 March 2024)
Ms. Chan Yuk Wing
(appointed with effect from 31 March 2024)

Audit Committee

Mr. Ng Ming Chee *(Chairman)*
Dr. Zhou Jian
Ms. Tam Hon Shan Celia

Remuneration Committee

Ms. Tam Hon Shan Celia *(Chairperson)*
Mr. Ng Ming Chee
Mr. Wang Xiaomin

Nomination Committee

Mr. Wang Xiaomin *(Chairman)*
Dr. Zhou Jian
Ms. Tam Hon Shan Celia

Principal Share Registrar

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay
Grand Cayman KY1-9009
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wan Chai
Hong Kong

Principal Bank

Bank of Wenzhou, Huihai Branch
1st, 2nd Yinlong Building
Shishuiliao
Wenzhou City
Zhejiang Province
PRC

Legal Advisers

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

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road, Quarry Bay
Hong Kong

Compliance Adviser

Innovax Capital Limited
Room B, 13/F
Neich Tower
128 Gloucester Road
Wan Chai
Hong Kong

Registered Office

89 Nexus Way
Camana Bay
Grand Cayman KY1-9009
Cayman Islands

Headquarters and Principal Place of Business in China

197 Fuqian Street
Lucheng District
Wenzhou City
Zhejiang Province
PRC

Principal Place of Business in Hong Kong

Unit 11, 5/F,
Bedford Factory Building
No. 51 Bedford Road
Tai Kwok Tsui
Kowloon, Hong Kong

Stock Code

1947

Website

www.meihaomedical.com

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Meihao Medical Group Co., Ltd, I am pleased to present the audited consolidated financial results of the Company and its subsidiaries for the year ended 31 December 2023.

Since successfully listed on the Main Board of the Stock Exchange on 14 December 2022, the Company has remained true to its original aspirations and worked hard to improve its business and service levels. Affected by the national dental centralized procurement policy, the reinforcement of Group's financial position has been traded off partially. As the largest private dental service provider in Wenzhou, we continue to enhance the Group's image and influence in the PRC. Leveraging the advantage of the listing platform and the profound foundation laid in our existing businesses, we shall persistently improve our services provided to our customers in Wenzhou while expanding our business network progressively in PRC.

Looking back in 2023, with relatively 0.5 per cent lower per capita income, compared to 2022, many people have downgraded their purchasing power, leading to under consumption and thus hampering economic growth in PRC, while many economic activities had grown become stagnant. The GDP in China had grown by 5.2 per cent in 2023, while the RMB depreciated by about 4% relative to the U.S. dollar, posing challenges to the Chinese economy and also the industry landscape. During the Year, even after the lifting of anti-COVID measures, the potential threatening of x virus still exists, therefore the demand for dental services had been affected, which caused detriment to the business performance of the Group.

The Group's revenue and profitability were decreased. However, towards the end of 2023, Wenzhou maintained stable growth, the GDP of Wenzhou outperformed many other cities in PRC, reaching RMB873.06 billion. The income of Wenzhou residents has also continued to increase steadily. In 2023, the per capita disposable income of the city's residents was RMB67,380, a nominal increase of 6.9% over the previous year.

Under the volatile market condition during the Year, the revenue of Group during the Year had decreased of approximately 42.3% from RMB127.4 million to RMB73.5 million. The financial position of the Group had remained relatively healthy with a slightly deteriorate in financial liquidity. The cash and cash equivalents of the Group amounted to RMB86.8 million as at 31 December 2023, representing decrease of approximately 3.0% than that of 2022. The net asset of the Group had decreased from RMB177.8 million in 2022 to RMB165.5 million in 2023. During the Year, with the seasoned talents and staff, experience and knowledge we possessed, the number of active patients to our dental hospitals had decreased from 63,659 to 50,324.

Looking ahead to 2024, the listing of the Company at the Main of Board of the Stock Exchange in December 2022 has brought the Group more resilient to market uncertainty, which enables the Group to put forward its business objectives with a better fundraising ability and enhanced reputation in the market. Though dental centralized procurement policy lowers the price for implant business, the perpetration rate expected to have a further improvement, the Group is more than confident to further strengthen and expand the Group's market position in the PRC.

As a listed company, the Group always keeps responsibility in its society. As a pioneer in private dental service provider in Wenzhou, the Group's dedicates its effort to strengthen the internal control system and to bring high quality services with stringent safety controls to our customers. In the year to come, the Group will adopt prudent financial management and cost control and explore suitable business opportunities to drive its business growth.

Acknowledgment

On behalf of the Board, I wish to take this opportunity to express the Company's appreciation to the management and staff of the Group for their commitment, and the Directors for their dedication and perseverance, especially in times full of challenges. I would also like to express the Company's sincere gratitude to its customers for their invaluable patronage and to the shareholders for their continued confidence in and support of the Group. I would also like to sincerely thank our business partners, banks for their continuous support throughout the Year. In the years to come, I hope that we will continue working together to achieve new development for the Group and to generate a greater return for the Shareholders.

Mr. Wang Xiaomin
Chairman

Hong Kong, 28 March 2024

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 No. of active patients	31 December 2022 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 RMB'000	**%**	Revenue 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 subsidy of RMB8.0 million 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 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 equipment (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.

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 report, 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 report, 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 the Final Dividend of HK$0.01 per Share for the year ended 31 December 2023 (FY2022: Nil) to the Shareholders. The Final Dividend is subject to the approval of the Shareholders at the 2024 AGM to be held on Tuesday, 18 June 2024.

The Final Dividend will be payable in cash, with an option provided to the 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 2024 AGM and the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the new Shares to be issued under the Scrip Dividend Scheme.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Wang Xiaomin (王曉敏), aged 50, 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 the Board and 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 Man, an executive Director and general manager of the Company, 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 is the spouse of Ms. Zheng Man, the executive Director and general manager of the Company.

Ms. Zheng Man (鄭蠻), 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. 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 Xiaomin, an executive Director, chairman of the Board and chief executive officer of the Company, 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 is the spouse of Mr. Wang Xiaomin, the executive Director, chairman and chief executive officer of the Company.

Independent Non-executive Directors

Mr. Ng Ming Chee (黃晞華), aged 58, 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 orthopedic 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 51, was appointed as an independent non-executive Director on 8 November 2022. Ms. Tam is responsible for supervising the management of the 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 Draft Worldwide 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 69, 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 the Board. He is also a member of the Audit Committee and the Nomination Committee.

Dr. Zhou has over 31 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.

Senior Management

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 Xiaomin.

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 Man.

Dr. Chen Haibing (陳海兵), aged 47, 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 59, 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) resigned as the company secretary with effect from 31 March 2024.

Ms. Chan Yuk Wing (陳玉穎) ("**Ms. Chan**") was appointed as company secretary with effect from 31 March 2024. Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and an Associate of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators). Ms. Chan is a master degree holder of Corporate Governance awarded by Hong Kong Metropolitan University in 2021. Ms. Chan possesses the qualifications of a company secretary as required under Rule 3.28 of the Listing Rules. For details, please refer to the announcement of the Company dated 28 March 2024.

The Board is pleased to present the corporate governance report in the annual report of the Company for the Reporting Period.

Corporate Governance Practices

With an aim to preserving the high levels of corporate governance and business ethics is one of the Group's major objectives. The Group believes that conducting business in an ethical and reliable manner will optimize its long term interests and those of the shareholders.

The Group is committed to maintaining high standards of corporate governance to safeguard and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Part 2 of the Appendix C1 to the Listing Rules. In accordance with the code provision D.1.2 of the CG Code, during the Reporting Period, top management of the Group have provided and will continue to provide to all members of the Board with updates on any material changes to the performance, position and prospects of the Company, which is considered with sufficient details to provide the general updates of the Company to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision D.1.2 of CG Code and/or the respective Listing Rules.

In the opinion of the Directors, the Company has fully complied with the CG Code during the Reporting Period except from the deviation of the code provision C.2.1 of the CG Code. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

Corporate Culture, Values, Strategy

The Board has established, on-going strengthened the Group's purpose, values and strategy, and satisfy itself that these and the Group's culture are aligned. All Directors must act with integrity, lead by example, and promote the desired culture. Such culture should instill and continually reinforce across the organization values of acting lawfully, ethically and responsibly.

The core purpose of the Group is to create value for its shareholders. The Group strives to become the leading pioneer in the industry of private dental services provider that is trusted by its patients, and a place where its employees are proud to work for. The mission of the Group is to lead the development of the industry and set the industry benchmarks. In this connection, the Group endeavours to provide to its employees, patients, shareholders, the society, and the environment in a lawfully, ethically and responsibly way. These purpose and values shape the Group's strategy, which are geared towards building a trusted and top-hygiene private dental services provider whereby values for shareholders are created.

The Group's purpose, values and strategy form the foundations of the Group's corporate culture. The Group's corporate culture is centered on adherence to high ethical standards and practices, and striving for sustainable development.

Chairman and Chief Executive Officer

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals. 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 the 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.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted 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 during the Reporting Period.

All Directors have confirmed, following specific enquiry made by the Company with each of the Directors, that they have complied with the required standards set out in the Model Code during the Reporting Period.

Corporate Strategy, Business Model and Culture

The Board has strengthened and reappraised the Group's purpose, values and strategy, and satisfy itself that these and the Group's culture are aligned. All directors must act with integrity, lead by example, and promote the desired culture. Such culture should instill and continually reinforce across the organization values of acting lawfully, ethically and responsibly.

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interest of the Company. The Directors are responsible for ensuring the Group keeps proper accounting records which disclose at any time the financial position of the Group from which the financial statements of the Group could be prepared in accordance with statutory requirements and the appropriate accounting policies. The Board has delegated the authority and responsibilities for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference. All Board committees are provided with sufficient resources to perform their duties. The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Strategies of the Company

The Company plans to consolidate and expand our market position in the PRC. The Company plans to implement the following strategies:

(1) Expanding the dental medical institutions network globally;

(2) Organic growth in Wenzhou City;

(3) Establishing a dental clinic chain outside Wenzhou under a new trade name;

(4) Acquiring new dental devices and consumables to improve the quality of our dental services offered; and

(5) Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services.

Board of Directors

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Group and takes decisions objectively in the best interests of the Company and its shareholders as a whole.

The Board regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board currently comprises five Directors, including two executive Directors and three independent non-executive Directors. Members of the Board are listed below:

Members of the Board	Position	Date of appointment as Director
Executive Directors		
Mr. Wang Xiaomin	chairman of the Board, Chief Executive Officer, & Executive Director	20 November 2019
Ms. Zheng Man	Executive Director & General Manager	20 November 2019
Independent-non executive Director		
Mr. Ng Ming Chee	Independent Non-executive Director	8 November 2022
Ms. Tam Hon Shan Celia	Independent Non-executive Director	8 November 2022
Dr. Zhou Jian	Independent Non-executive Director	8 November 2022

Notes:

(1) The biographies of the Directors are set out in the section headed "Directors and Senior Management" from pages 14 to 18 of this annual report.

(2) Mr. Wang Xiaomin and Ms. Zheng Man are the spouse of one another.

To the best knowledge of the Company, save as disclosed above, there have been no relationships (neither financial, business nor family or other material/relevant relationships) among members of the Board as at the date of this report.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

The Board currently has two female Directors. The Board has achieved gender diversity and thus fulfils the requirement under Rule 13.92 of the Listing Rules. The Company believes that such merit-based selection process based on the Board Diversity Policy and the nature of our business is in the best interests of our Company and shareholders as a whole.

Independent Non-executive Directors

Throughout the Reporting Period and up to the date of this annual report, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received from each independent non-executive Director a written confirmation of independence pursuant to Rule 3.13 of the Listing Rules for the Reporting Period. The Company is of the view that all independent non-executive Directors are independent.

Responsibilities of the Board of Directors and Senior Management

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitoring business and performance. The functions and duties of the Board include but are not limited to, convening general meetings, reporting on the performance of the Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating the annual financial budget and final accounts, formulating our proposals for profit distributions, and formulating proposals for increase or reduction of the capital as well as exercising other powers, functions and duties as conferred by the Articles of Association.

The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Company with department heads accountable for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of the senior management, in particular, with respect to the circumstances where the senior management need to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company. To oversee particular aspects of the Company's affairs, the Board has established Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its shareholders at all times.

The independent non-executive Directors are particularly responsible for supervising and providing an independent judgement on the Board. They take the lead where potential conflicts of interests arise and monitor the Company's performance in achieving agreed corporate goals and objectives and the relevant reporting.

In compliance with code provision C.1.8 of the CG Code, the Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

Director's Appointment, Re-election and Removal

All Directors (including independent non-executive Directors) have entered into service contracts/appointment letters with the Company and subject to termination in accordance with their respective terms and may be renewed in accordance with the Articles and Association and the applicable Listing Rules.

Each of the executive Directors has entered into a service contract with the 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 the independent non-executive Directors has entered into an appointment letter with the 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.

All Directors will hold office subject to provision of retirement and rotation of directors under the Articles of Association. Pursuant to Article 108, at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years.

Pursuant to Article 112, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Pursuant to the Article 114, the Shareholders may by ordinary resolution remove any Director (including a managing director or other executive director, but without prejudice to any claim for damages under any contract) before the expiration of his period of office notwithstanding anything in the Articles and Association or in any agreement between the Company and such Director (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another person in his stead. Any Director so appointed shall be subject to retirement by rotation pursuant to the Article 108.

Training and Continuous Professional Development of Directors

Pursuant to code provision C.1.4 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director shall receive a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the purpose of the Company. Additionally, in preparation for the Listing, Directors have received formal and comprehensive training regarding their responsibilities and obligations under the Listing Rules and relevant laws and regulations as well as the governance policy of the Company.

To ensure that each Director's better understanding in respect of the Company's conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors, to ensure that he has a proper understanding of the Company's operation with the fiduciary duty of being a Director under relevant laws, rules and regulations.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director. All Directors have perused reading materials and updated information on the latest developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. All Directors had provided their relevant training records for the year ended 31 December 2023 to the Company.

The Company will constantly update the Directors on the latest developments regarding the Listing Rules and other applicable regulatory and statutory requirements from time to time, to keep abreast of the Director's acknowledgment in the latest change in Listing Rules, applicable law or regulation and corporate governance practices.

The Directors confirmed that they have complied with the Code Provision C.1.4 of the CG Code on the directors' training. During the Reporting Period, all the Directors have participated in continuous professional development and the relevant details are set out below:

Name of Directors	Training for the year ended 31 December 2023
Executive Directors	
Mr. Wang Xiaomin	✔
Ms. Zheng Man	✔
Independent Non-executive Directors	
Mr. Ng Ming Chee	✔
Ms. Tam Hon Shan Celia	✔
Dr. Zhou Jian	✔

All the Directors have been updated with the latest development regarding to the environmental, social and governance, connected transactions and share option/share award scheme. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Board Diversity Policy

The Board has adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the business growth support the execution of our business strategy. Pursuant to the 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 the Board.

The Board comprises five Directors, including two executive Directors and three independent non-executive Directors. 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. The Board members also obtained degrees in various majors including hospital management, stomatology and commerce. Furthermore, the ages of the Directors range from 49 to 69 years old. The Company has also taken, and will continue to take steps to promote gender diversity at all levels, including but not limited to at the Board and senior management levels, and ensure to have at least one female board member. In this regard, the Board comprises two female Directors, including one executive Director and one independent non-executive Director. The Company is also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of its corporate governance and it will continue to apply the principle of appointments based on merits with reference to the Board diversity policy as a whole.

The Nomination Committee is responsible for ensuring the diversity of the Board. The Nomination Committee will review the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and the Company will disclose the implementation of the board diversity policy in its corporate governance report on an annual basis. Having reviewed the Board composition, the Board has complied with the board diversity policy and has achieved board gender diversity.

The Board also recognises the importance of diversity in the workforce (including senior management). The Group will continue to make ways in achieving gender diversity in the workforce at all levels. As at 31 December 2023, the Group's total number of workforce was 286, among which 216 of them were female. For more details, please refer to "Environmental, Social and Governance Report".

The Nomination Committee is responsible for the Board Diversity Policy. The Nomination Committee should review Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives, and to make disclosure or its review results in the annual report of the Company annually.

Board Independence Mechanism

The Company ensures independent views and input are available to the Board via the below mechanisms:

1. the Board composition and the independence of the independent non-executive Directors should be reviewed by the Nomination Committee on an annual basis, in particular the portion of the independent non-executive Directors;

2. a written confirmation was received by the Company under Rule 3.13 of the Listing Rules from each of the independent non-executive Directors in relation to his independence to the Company. The Company considers all its independent non-executive directors to be independent;

3. the Directors who are also directors and/or senior management of the Company's controlling shareholders and/or certain subsidiaries of the controlling shareholders, would abstain from voting in the relevant Board resolutions in relation to the transactions with the controlling shareholders and/or its associates;

4. the chairman of the Board shall meet with independent non-executive Directors at least once annually; and

5. all members of the Board can seek independent professional advice at the Company's expense to assist the performance of their duties in accordance with the Company's policy.

The Board reviews the mechanisms for ensuring independent views and input are available to the Board on an annual basis, whether in terms of proportion, recruitment and independence of independent non-executive Directors, and their contribution and access to external independent professional advice.

Delegation by the Board

To oversee particular aspects of the Company's affairs, the Board has established the Board committees, including the Audit Committee, the Remuneration Committee and Nomination Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Board Meetings and General Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals in accordance with the CG Code. Notices of no less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given. The agenda and accompanying board papers are sent to the Directors or Board Committee members at least 3 days before the meetings, and all Directors have full and timely access to the senior management for any information to enable them to make informed decisions and perform their duties and responsibilities.

Minutes of meetings shall be kept by the company secretary of the Company with copies circulated to all Directors for information and records. Minutes of Board meetings and meetings of Board Committees are recorded in sufficient detail about the matters considered and decisions reached, including any concerns raised by the Directors or dissenting views expressed. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by the Directors.

During the Reporting Period, four Board meetings and one annual general meeting were held. All Directors duly performed their duties and attended the meetings in person or by electronic communication means. They made informed decisions to safeguard the interests of the Company and the Shareholders as a whole. The attendance of Directors is as follows:

	Meetings attended/ Number of board meetings held	Meetings attended/ Number of general meetings held
Executive Directors		
Mr. Wang Xiaomin	4/4	1/1
Ms. Zheng Man	4/4	1/1
Independent Non-executive Directors		
Mr. Ng Ming Chee	4/4	1/1
Ms. Tam Hon Shan Celia	4/4	1/1
Dr. Zhou Jian	4/4	1/1

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. Each of these committees are established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established the Audit Committee of the Board with terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three members, all of which are independent non-executive Directors, Mr. Ng Ming Chee (chairman), Dr. Zhou Jian and Ms. Tam Hon Shan Celia.

The primary duties of the Audit Committee are to review and approve the Group's financial reporting process and internal control system.

The following is a summary of work performed by the Audit Committee, which have been reported to the Board, during the Reporting Period:

- the integrity of the Group's annual accounts as well as the audit report prepared by the external auditor relating to accounting issues and major issues in course of audit;
- draft results announcement;
- effectiveness and sufficiency of the risk management and internal control systems;
- the contractual arrangements of the Group;
- the work scope of audit and reporting obligations of external auditor;
- the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and
- the engagement of the external auditor.

During the Reporting Period, two meetings were held by the Audit Committee to review the annual/interim financial results and report and major internal audit issues, re-appointment of external auditor and relevant scope of work.

The table sets below the details of the attendance of the Directors:

Name of committee member	Attended/number of meeting(s) held
Mr. Ng Ming Chee *(Chairman)*	2/2
Ms. Tam Hon Shan Celia	2/2
Dr. Zhou Jian	2/2

The Audit Committee has reviewed the consolidated financial statements of the Group during the Reporting Period and is of the opinion that such consolidated financial statements complied with the applicable accounting standards, the Listing Rules, other applicable legal requirements and that adequate disclosures have been made. Also, the Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters.

Remuneration Committee

The Company has established the Remuneration Committee of the Board with written terms of references in compliance with Rule 3.25 of the Listing Rules and the CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company. The Remuneration Committee comprises three members, including two independent non-executive Directors, Ms. Tam Hon Shan Celia (chairperson) and Mr. Ng Ming Chee, and one executive Director, Mr. Wang Xiaomin.

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 the Group. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

The following is a summary of works performed by the Remuneration Committee, which have been reported to the Board, during the Reporting Period.

- recommended to the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

- reviewed the management's remuneration proposals with reference to the Board's corporate goals and objectives, and

- made recommendations to the Board on the remuneration packages of the executive Directors and senior management.

During the Reporting Period, one meeting was held by the Remuneration Committee for considering and recommending to the Board the remuneration and other benefits paid by the Company to the Directors and senior management and other related matters.

The table sets below the details of the attendance of the Directors:

Name of committee member	Attended/number of meeting(s) held
Ms. Tam Hon Shan Celia *(Chairperson)*	1/1
Mr. Ng Ming Chee	1/1
Mr. Wang Xiaomin	1/1

The Remuneration Committee discussed and reviewed on the Group's renumeration policy and structures for the Directors and senior management remuneration, the establishment of a formal and transparent procedure for developing remuneration policy for the Company, made recommendation to the Board on the remuneration package to the executive Directors and senior management and fulfilled duties as required aforesaid.

Remuneration of Directors and Senior Management

Details of the Directors' remuneration and the five highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements.

The level of remuneration is mainly based on the experience, scope of duties, work performance and time committed to the Company, prevailing market rates, salaries paid by comparable companies and remuneration packages elsewhere in the Group. The remuneration paid to the senior management of the Company fell within the following band for the Reporting Period:

	Number of Individuals
Nil to HK$1,000,000	3
HK$1,000,001 to HK$1,500,000	1

Nomination Committee

The Company has established the Nomination Committee of the Board with written terms of references in compliance with CG Code. The terms of reference are available on the websites of the Stock Exchange and the Company. The Nomination Committee comprises three members, including one executive Director, Mr. Wang Xiaomin (chairman), and two independent non-executive Directors, Ms. Tam Hon Shan Celia and Dr. Zhou Jian.

The primary duties of the Nomination Committee are to make recommendations to the Board on appointment of Directors and the management of the Board succession. The following is a summary of works performed by the Nomination Committee, which have been reported to the Board, during the Reporting Period:

- reviewed the structure, size and composition of the Board;
- assessed the independence of Independent Non-executive Directors;
- reviewed the retirement and re-appointment of Directors whose terms of office were subject to renew in the annual general meeting, and made recommendation to the Board; and
- reviewed the Board Diversity Policy of the Company.

During the Reporting Period, one meeting was held by the Nomination Committee to review the structure, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendation to the Board on the re-election of the retiring Directors.

The Table set below the attendance of the Directors:

Name of committee member	**Attended/number of meeting(s) held**
Mr. Wang Xiaomin *(Chairman)*	1/1
Dr. Zhou Jian	1/1
Ms. Tam Hon Shan Celia	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the board diversity policy of the Company, reviewed the structure, size and composition of the Board and fulfilled duties as required aforesaid.

Nomination Policy

The Company has adopted a nomination policy (the "**Nomination Policy**"), which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors. The Nomination Committee will review the Nomination Policy, as appropriate, to ensure its effectiveness.

Selection and recommendation of candidates will be based on the nomination procedures and the process and criteria as set out in the Nomination Policy and a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of services, personal integrity and time commitments of the proposed candidates. The Company should also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code. The Board recognises that corporate governance should be the collective responsibility of the Directors, which include:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Risk Management and Internal Controls

The internal control department of the Company is generally responsible for approving all the risk management procedures and internal control systems. The department oversees the implementation of such procedures and systems by dental hospitals, while the respective departments of dental hospitals are responsible for daily affairs in respect of implementation of such procedures and systems. The 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.

The Company has conducted several systems to identify the potential risks in relation to the Group's business, including but not limited to comprehensive quality control systems in dental hospitals, designated personnel responsible for responding to emergency such as power outage at the hospitals, information management system to manage its patients' information, a designated professional team that is in charge of keeping records of the stock of the pharmaceuticals and to ensure proper storage of its pharmaceuticals, and internal control measures to govern the sales and marketing activities.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee is to oversee the internal control procedures and accounting and financial reporting matters of the Group. Pursuant to its terms of reference, one of the duties and obligations of the Audit Committee is to ensure the 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 on a regular basis. The Company has not established an internal audit function and is of the view that there is no immediate need to set up an internal audit function in light of the size, nature and complexity of the Group's business. The Group will continue to conduct internal control procedures and enhance its internal control measures, and will review the situation annually.

The Board, as supported by the Audit Committee as well as the management, has reviewed the report from the management and findings from the internal control department, and reviewed the risk management and internal control systems, including the financial, operational and compliance controls. The review process comprises, among other things, meetings with management of business groups, internal control department, and the external auditor, reviewing the relevant work reports and information of key performance indicators, and discussing the major risks with the senior management of the Company. The Company also appointed an independent internal control adviser to conduct the internal control review. The annual review also covered areas on the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions.

The Company has procedures and internal controls for the handling and dissemination of inside information. In practice, employees of the Group who become aware of any events and/or matters which he/she considers potentially inside information, will report to the designated personnel of the Company who, if considered appropriate, will pass such information to the Board for the purpose of considering and deciding whether or not such information constitutes inside information and disclosure of which shall be made immediately.

The Board considered the risk management and internal control systems of the Company during the Reporting Period were effective and adequate.

Anti-corruption and Whistleblowing Policy

The administration department at the headquarters of the Company is responsible for design and implementation of our anti-bribery and corruption policies and procedures. The Company provides anti-bribery and corruption trainings to the senior management and employees.

The Company has a zero-tolerance policy towards acceptance of any bribes by the dentists and other medical professionals. The Company has established a whistle blower program, including a dedicated hotline and a whistle blower box, to receive reports of corruption charges, with the option of anonymity. Any employee found in breach of the Group's anti-bribery and corruption policies and procedures will be disciplined or dismissed depends on the severity of the case.

With respect to procurement, the Company has centralised the procurement of medical supplies, thereby minimising the risk of corruption or abuse. In addition, the Company requires the suppliers to sign an anti-bribery and corruption undertaking to the Group to ensure their understanding and compliance with the Group's anti-bribery and corruption policies.

Auditor's Remuneration

The total fee paid/payable to the external auditor of the Company in the amount of RMB2,080,000 in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

Categories of the services	**Fee paid/ Payable** RMB
Audit Services	2,080,000
Non-audit Services	–
Total	2,080,000

Directors' Responsibilities in Respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 96 to 97 of this annual report.

Company Secretary

Mr. Lee Chung Shing ("**Mr. Lee**") has tendered his resignation as the company secretary of the Company with effect from 31 March 2024. Following the resignation of Mr. Lee, Ms. Chan Yuk Wing was appointed as the company secretary of the Company with effect from 31 March 2024. For details, please refer to the announcement of the Company dated 28 March 2024. During the year ended 31 December 2023, Ms. Chan has received no less than 15 hours relevant professional training to update her skill and knowledge.

The Company engages an external service provider to provide company secretarial services and has appointed Ms. Chan as its company secretary. Ms. Chan is not an employee of the Group. Mr. Wang Xiaomin, an executive Director and the chairman of the Board, is the primary contact of Ms. Chan at the Company.

Dividend Policy

In compliance with code provision F.1.1 of the CG Code, the Company has adopted and formulated dividend policy (the "**Dividend Policy**"). The factors of determination whether the Board to recommend the payment of dividend to Shareholders including but not limited, the general business conditions, financial condition and results of operation, expected capital requirements and future expansion plans, future prospects, statutory and regulatory restrictions, contractual restrictions on the payment of dividends, Shareholders' interests, and other factors the Board may deem relevant. The Company in the general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board. Any final dividend declared by the Company must be approved by an ordinary resolution of the Shareholders at the general meeting, and, in particular, must not exceed the amount recommended by the Board. Any future dividend declaration and distribution by the Company will be at the discretion of the Board. No dividend shall be declared or payable except out of the profits and reserves of the Company lawfully available for distribution, including share premium.

The Dividend Policy will be reviewed from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

Investor Relations and Communication with Shareholders

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance, and strategies. The Company also recognises the importance of timely and non selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meeting (the "**AGM**") provides opportunities for communication between the Company and the Shareholders. The chairman of the Board and the chairpersons of the Board Committees of the Company or their delegates will attend the AGMs to answer Shareholders' questions and solicit and understand the views of Shareholders and stakeholders. The Auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

To promote effective communication, the Company maintains a website at www.meihaomedical.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. For the shareholders' inquiry, please refer to the shareholders' rights below.

As there are various means of communication between shareholders and the Company as prescribed above, the Board has considered the existing communication with shareholders is effective during the year ended 31 December 2023.

Shareholders' Rights

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

Procedures for Shareholders to Convene Extraordinary General Meeting and Putting Forward Proposal

Pursuant to Article 64 of the Articles of Association, 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 the 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 the 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.

There are no provisions in the Articles of Association or the Cayman Companies Act for Shareholders to propose new resolutions at general meetings. Shareholders who wish to propose a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

Procedures for Shareholders to Propose a Person for Election as a Director

The notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Head Office or at the Registration Office of the Company. The period for lodgement of the notices required under the Articles of Association will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

Procedure in relation to Raising Enquiry and Concerns

Shareholders wishing to make any enquiry to the Board may do so in writing to the Company since verbal or anonymous ones would not generally be dealt with by the Company.

Shareholders who intend to put forward their enquiries about the Company to the Board could send their enquiries to the head office and principal place of business in the PRC of the Company at 197 Fuqian Street, Lucheng District, Wenzhou City, Zhejiang Province, PRC, by mail, telephone (+86 (0577) 88298377) or e-mail (meihaomedical@163.com).

Shareholders may also make enquiries with the Board at the general meetings of the Company.

As part of its regular review, the Board, during the Reporting Period, has reviewed the designs and implementation of communication channels in relation to investors relations and communication with the Shareholders for the year ended 31 December 2023 and is of the view that both investors relations and the Shareholders communication implemented are effective and adequate.

Changes in Constitutional Documents

During the year ended 31 December 2023, the Company did not make any changes to its constitutional documents. The current version of the Articles of Association and the Memorandum of Association are available on the websites of the Company and the Stock Exchange.

About This Report

Meihao Medical Group Co., Ltd (the "**Company**", together with its subsidiaries, collectively as the "**Group**" or "**we**") is delighted to present its environmental, social and governance report (the "**ESG Report**") for the financial year ended 31 December 2023. This ESG Report focuses on providing an overview of the environmental and social aspects of our Group, and outlines how we seek to continually improve our operational strategy in regard to our environment and society in order to cope with the global standards of sustainability.

The Group believes that prudent management of environmental and social issues is one of the key factors in long-term success in this rapidly changing world. To better understand the risks and opportunities for environmental protection, the Group closely follows the requirements and expectations of regulatory authorities through efficient operation management, well-established policies and procedures as well as a higher standard of energy-efficient measures and waste treatment. The Group believes that its expertise, capabilities and ownership patterns can be part of the solution to some of the challenges the Group is facing. In order to carry out the Group's sustainability strategy from top to bottom, the Board of Directors (the "**Board**") of the Company has ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance policies. The Board has established certain dedicated teams to manage the environmental, social and governance issues within each business segment of the Group. The designated staff has been assigned to enforce and supervise the implementation of the relevant policies.

The Group is committed to the implementation of sustainable development and social corporate responsibility. While the Group is actively developing and expanding its business, the Group also takes environmental, social and moral needs into serious consideration so as to strike a balance and unity between the profitability, environmental and social impacts. The Group also pays great attention to all stakeholders including but not limited to customers, investors, environment, suppliers, employees and government to establish a good relationship through better understanding and responding to their expectations. As a result, the Group will continue to maintain close contact with the stakeholders to meet their expectations and needs with an aim to continuously improve its environmental, social and governance strategies to create an efficient and diversified business. During the process of the preparation of this ESG Report, the Group has conducted a thorough review and evaluation of the existing Group's policies and practices with the aim of achieving better performance results in the future. Unless otherwise stated, this ESG Report covers the data and information from the dental business of the Group located in the People's Republic of China (the "**PRC**").

Reporting Scope and Boundary

The reporting period of this Report is from 1 January 2023 to 31 December 2023 (the "**Year**"). In order to maintain the continuity of information, the Report may include matters beyond this time range. This ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide ("**ESG Reporting Guide**") as set out in Appendix C2 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and in accordance to the material ESG issues identified from the Stakeholders' Questionnaire. Information disclosed and presented in this ESG Report follows the four Reporting Principles required by the ESG Reporting Guide, i.e., materiality, quantitative, balance and consistency. In preparing the ESG Report, the Group has adopted the international standards and emission factors specified in the guidance materials on ESG issued by the Stock Exchange for computing the relevant key performance indicators ("**KPIs**"). For details on the application of the materiality reporting principle, please refer to the section headed "Materiality Assessment" in this ESG Report. The ESG Report provides an unbiased picture of the Group's performance within the Reporting Period, avoiding selections, omissions or presentation formats that may inappropriately influence a decision or judgement by the reader. The Group will maintain the consistency of the methodologies and key performance indicators of the Reporting Period and that of the future reporting period, to allow for meaningful comparisons over time.

Reporting Principles

This Report is prepared in accordance with the ESG Reporting Guide set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Group has complied with the disclosure requirements of the "comply or explain" provisions set out in the ESG Reporting Guide. During the process of preparation of this Report, we summarised the Group's performance in corporate and social responsibilities based on the principles of "Materiality, Quantitative, Balance and Consistency". Please refer to the table below for our understanding and responses to such reporting principles.

Materiality:	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.
Quantitative:	This Report should disclose key performance indicators ("KPIs") in a measurable manner.
Balance:	This Report should reflect fairly the overall sustainability performance of the Group.
Consistency:	Unless otherwise stated, the KPIs and statistical methods disclosed in this report are consistent with those in the Environmental, Social and Governance Report for the year ended 31 December 2022 of the Group.

Information Explanation and Feedback

The information in this Report is extracted from relevant internal statistical statements, company documents and reports of the Group, as well as surveys and interviews of stakeholders. Emissions and energy usage indicators are collected and calculated in accordance with national regulations or international standards. For details in relation to our financial performance and corporate governance, please visit our website on www.meihaomedical.com and/or refer to our Annual Report for the year ended 31 December 2023. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquiries to our office at meihaomedical@163.com.

ESG Management

The Group looks at issues that may have a reputational impact on, or that may pose a risk to, the Group in the short-, medium- or long-term. Issues that are important to the stakeholders, including but not limited to, customers and employees, as well as non-governmental organizations, are also crucial to the Group. All potential issues are covered and evaluated in the annual risk assessment. The Group is positive in developing opportunities with a focus on work ethics to ensure that success in business development is sustainable with the benefits to be passed on to the employees, the customers and the environment.

Integration of sustainability into the business strategies as well as daily operations of the Company is a must to pursue the business model. To deal with ESG issues effectively, understanding, and interacting with, the employees, customers and other stakeholders are of the highest priority. The Group believes that effective management of ESG issues is important to long-term success in the rapidly changing world. With a thorough understanding of the ESG risks and opportunities, the Group will be better positioned in allocating resources to reduce and recycle different kinds of waste, and responding to the increasing demand for higher standards of waste treatment by the regulators.

The Group is confident that as part of the business decision-making process, by involving all relevant stakeholders in the ESG management process, the ESG issues will be monitored closely, and the long-term success of the Group will be assured.

The sustainability strategy of the Group in the following aspects applies to all the work streams:

- to promote environmental sustainability;
- to attract, retain and support employees;
- to engage with stakeholders;
- to promote sustainability of local communities;
- to strengthen community relations; and
- to grow suppliers' commitment.

ESG Governance Structure

To facilitate effective management of ESG issues, the Group has established a governance structure. The Board has overall responsibility for overseeing the Group's ESG-related risks and opportunities, establishing and adopting the ESG-related strategies and targets of the Group including setting KPIs for environmental-related issues and setting higher standards of energy efficient measures and waste treatment, reviewing the Group's performance annually against the ESG-related targets, and revising the ESG-related strategies as appropriate if significant variance from the ESG-related target is identified. Our Board has established an ESG Committee that comprises heads of relevant functional departments, including business units, financial management, human resources, audit control, corporate affairs, etc. The ESG Committee serves a supportive role to our Board in implementing the agreed ESG policy, targets and strategies, conducting materiality assessments of environmental-related, and social-related risks and assessing 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 deviations from targets and liaises 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 meetings on the ESG performance of our Group, the effectiveness of these ESG systems and any applicable recommendations.

Based on the set goals and targets, the Board will continue to review the Group's progress in relation to ESG issues in order to build a more sustainable business and bring greater benefits to society as a whole.

Governance structure

Board:	The Board is responsible for the overall decision-making, oversees the formulation, administration, and assessment of the ESG system.
ESG Committee:	The ESG Committee is responsible for assisting the Board in managing and monitoring the ESG matters on a daily basis.
Functional Department:	Functional department is responsible for the execution of implemented measures to achieve the set strategies and targets.

Communication with Stakeholders

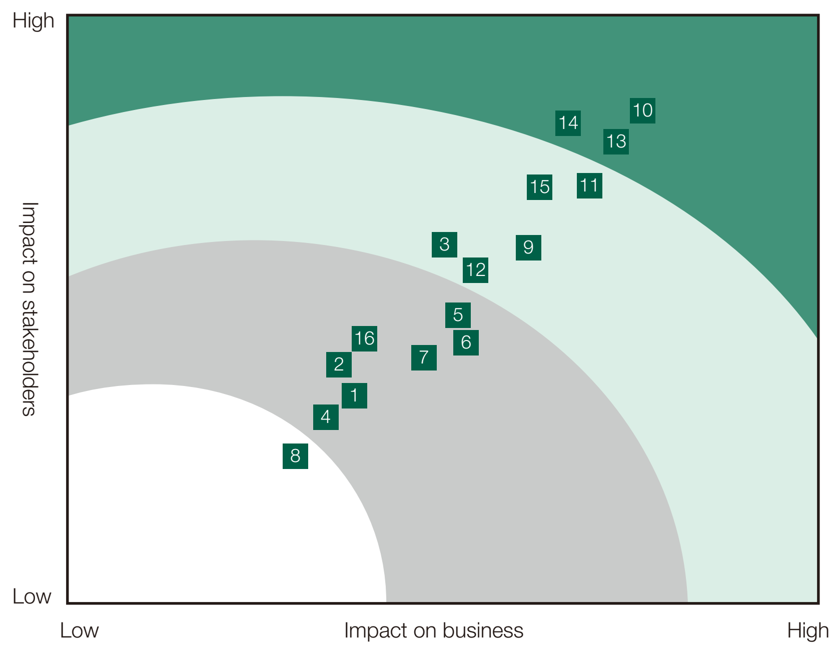
The Group strongly believes that its stakeholders play a crucial role in sustaining the success of its business. The Group is actively searching for every opportunity to understand and engage its stakeholders to ensure that improvement can be implemented to its products and services.

Stakeholders	Probable Points of Concern	Communication and Responses
Stock Exchange	Compliance with Listing Rules, and timely and accurate announcements.	Meetings, training, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, preventing tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Investors	Protection of shareholders' rights and interests and fair treatment, corporate governance, business strategies and performance, and investment returns.	Organizing briefing sessions and seminars, interviews, shareholders' meetings, non-transaction roadshows, issue of financial reports or operation reports for investors, and media and analysts.
Media & Public	Corporate governance, environmental protection, and human rights.	Issue of announcements and newsletters on the Company's website.
Customers	Service quality, service delivery schedule, reasonable prices, service value, and personal data protection.	Daily operation communication, after-sales services, feedback/complaint channels, online customer services, and social media platforms.
Suppliers	Long-term and stable cooperative relationship, fair and loyal cooperation, information resource sharing, low risk, and win-win cooperation.	Business meetings, supplier meetings, phone calls, interviews, review and evaluation, and bidding process.
Peer/Industry Association	Experience sharing, and fair competition.	Industry conferences, and on-site inspections.
Market regulator	Compliance with laws and regulations, disclosure of information, and protection of patients' rights and interests.	Annual and interim reports and announcements and circulars, and research discussion.
Employees	Rights and benefits of employees, compensation, training and development, occupation health and safety, work hours, and working environment.	Conducting training, interviews with employees, internal memos, and employee suggestion boxes.
Community	Community environment, employment opportunities, community development, and social welfare.	Developing community activities, employee voluntary activities, and community welfare subsidies and donations.

Materiality Assessment

The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as issues identified in previous ESG reports, internal policies, industry trends and the Sustainability Accounting Standards Board's Materiality Map[i]. The ESG issues have been analyzed with reference to an array of factors, including the Group's overall strategy, development, and goals and targets. The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact.

The Group has conducted a materiality assessment to rate the identified ESG issues that are pertinent to its business and stakeholders, and their respective levels of impact. The assessment results are shown below:



ESG Issues

1 Emissions
2 Greenhouse Gas Emissions
3 Hazardous Waste
4 Non-Hazardous Waste
5 Energy Consumption
6 Water Consumption
7 Natural Resources
8 Climate Change
9 Employment
10 Health and Safety
11 Development and Training
12 Labor Standards
13 Supply Chain Management
14 Product and Service Responsibility
15 Anti-corruption
16 Community Investment

Sustainability Accounting Standards Board Materiality Map (https://materiality.sasb.org/)

Environmental

Overview

A sustainable environment is a foundation for long-term economic and social prosperity. The Group believes that sustainability represents not just an ethical obligation, but also a gateway to business success. Therefore, the Group prioritises environmental protection, strives to mitigate any undesirable impact on the environment and continues to contribute to sustainable development.

The Group has formulated an ESG policy that sets forth its corporate social responsibility objectives and provides guidance on practising corporate social responsibility in its daily operations. The ESG policy also sets out the respective responsibility and authority of different parties in facilitating an effective management of the ESG matters.

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding air and greenhouse gas emissions including but not limited to the "Law of the People's Republic of China on Environmental Protection (中華人民共和國環境保護法)" , the "Law of the People's Republic of China on the Pollution Prevention and Control on Water Pollution (中華人民共和國水污染防治法)", the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法)" and the "Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution (中華人民共和國固體廢物污染環境防治法)". During the Reporting Period, there were no non-compliance incidents or grievances noted by the Group in relation to environmental issues.

Emissions

Indicators	Year ended 31 December 2023
Petrol (in kWh)	**77,901.86**
Electricity Consumption (in kWh)	**1,212,081**
Total Electricity Consumption (kWh)	**1,289,982.86**
Electricity Consumption Intensity (kWh/employee)	**4,510.43**
Greenhouse Gas ("GHG") Emissions (tonnes CO_2-e)	
Scope 1 – Direct Emissions from Mobile Combustion Sources	**0.02**
Scope 2 – Energy Indirect Emissions (Electricity consumption)	**1,163.60**
Scope 3 – Other Indirect Emissions (Paper consumption)	**0.68**
Total Amount of GHG Produced during the Reporting Period (tonnes CO_2-e)	**1,164.3**
Intensity of GHG Produced during the Reporting Period (tonnes CO_2-e/employee):	**4.07**
Air pollutant emissions (in grams)	
NO_x emission	**17,048.70**
SO_x emission	**28.33**
PM emission	**1,633.43**

During the Reporting Period, the GHG emissions intensity of the Group is 4.07 tonnes CO_2 -e per employee. To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the total GHG emissions intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next three reporting periods ending 31 December 2026.

Our Group has implemented an array of measures in mitigating GHG emissions, including but not limited to the following:

- Provide training and educate our employees on the concept of energy efficiency;
- Promote a 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 employees 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

Water Management

The Group has complied with the "Prevention and Control of Water Pollution Law (水污染防治法)" with an aim to prevent and control water pollution, protect and improve the environment and make sure the safety of drinking water. During the Reporting Period, we have no issue in sourcing water that is fit for purpose and no significant discharge of wastewater. Hence, there is no significant impact to the environment.

The Group treasures the preciousness of water resources. Through the implementation of a variety of measures, the Group are committed to achieving water conservation and adopted various measures to lessen the use of water under the principal of saving and recycling:

- Any water wastage phenomenon is prohibited;
- Water-efficient fittings are installed;
- Regular checking on water taps and pipes to avoid unnecessary leakage;
- Meter reading is checked constantly for revealing any hidden leakage phenomena;
- Water-saving education and ideas of water-saving and water scarcity are continuously promoted among our employees.

The Group believes that the implementation of the measures stated above will be effective in raising the awareness of employees' water conservation initiatives and reduce water consumption in the long run.

During the Reporting Period, the water consumption of the Group is shown as follows:

Water Consumption (in m^3)	9,988
Water Consumption Intensity (m^3/employee)	34.92

Waste Management

During the Reporting Period, the Group has fully complied with all applicable requirements as set up by the laws and regulations regarding the generation of hazardous waste and non-hazardous waste including but not limited to the "Law of the People's Republic of China on Environmental Protection (中華人民共和國環境保護法)" and the "Law of China on Prevention and Control of Environmental Pollution by Solid Waste (中國固體廢物污染環境防治法)". No confirmed material non-compliance incidents or grievances in relation to waste management were noted by the Group.

For hazardous wastes, especially for disposing medical wastes and the storage of pharmaceutical drugs, we, as the dental service provider, would generate medical waste during our operation. For non-hazardous wastes, they are mainly generated from paper consumed for administrative purpose during our business activities. The following shows the statistics of hazardous and non-hazardous waste generated and recorded during the Reporting Period:

Total Hazardous Waste Generated (in tonnes)	18.58
Intensity of Hazardous Waste Generated (tonnes/employee)	0.06
Total Non-Hazardous Waste Generated (in tonnes)	0.65
Intensity of Non-Hazardous Waste Generated (tonnes/employee)	0.002

The Group have established a policy for handling hazardous and non-hazardous wastes. For all medical wastes including hazardous waste and non-hazardous waste, we make wise use of qualified packing bags to pack and collect various medical wastes by category, and store them in a recycled 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. Training will be provided to our employees on proper medical wastes handling and disposal. Besides medical wastes, another major non-hazardous wastes produced by our business activities are papers 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 an on-site inspection and perform spot checks on a regular basis to ensure that hazardous wastes are properly handled and disposed of in accordance with the relevant laws and regulations. In case of any non-compliance is 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 regularly, with follow-ups on those deviating from the normal standards, if any.

To uphold the principles of sustainable development, the Group is committed to reducing or maintaining the intensity of the hazardous waste and non-hazardous waste generated between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next three reporting periods ending 31 December 2026.

Climate Change

The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

The processes used to identify, evaluate and manage significant risks (including significant climate-related issues) by the Group are summarised as follows:

- Risk Identification: identifies risks that may potentially affect the Group's business and operations.

- Risk Assessment: assesses the risks identified by using the assessment criteria developed by the management; and considers the impact and consequence on the business and the likelihood of their occurrence.

- Risk Response: prioritises the risks by comparing the results of the risk assessment; and determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

- Risk Monitoring and Reporting: performs ongoing and periodic monitoring of the risks and ensures that appropriate internal control processes are in place; revises the risk management strategies and internal control processes in case of any significant change of situation; and reports the results of risk monitoring to the management and the Board regularly.

As a result of above risk management processes, physical risk and transition risks arising from climate change may not bring significant impacts to the Group's business. The Group has assessed the potential climate related risks and identified the rising mean temperature and increasing severity and likelihood of extreme weather events such as rainstorms, floods, fire and heatwaves as major physical risks impacting our daily operation.

In order to cope with climate-related risk, the Group has implemented various emergency response mechanism and maintained adequate insurance policies against natural disasters, including fire or flood so as to cope with extreme weather. In the future, we will continue to identify potential business activities impacting the environment and develop corresponding improvement measures, so as to further prevent the possible negative impacts of our operation on climate change.

Packaging

As the Group's core business activities do not involve the use of packaging materials, and thus, no relevant data and measures in this respect are available.

Energy Efficiency

We are committed to minimizing the negative impact on the environment by reducing emissions. Therefore, we strictly comply with the "Atmospheric Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國大氣污染防治法)", the "Water Pollution Prevention and Control Law of the People's Republic of China (中華人民共和國水污染防治法)" and other relevant laws and regulations. Moreover, we control the emissions of wastewater, exhaust gas and solid waste, implement effective emission control measures. At the same time, the Group also attaches great importance to the use of energy and has taken a series of measures to reduce energy consumption, including but not limited to the following:

Water Resources	• Prohibit any waste of water; • Install water-saving accessories; • Check faucets and pipes regularly to avoid unnecessary leaks; • Check meter readings regularly to detect any potential leaks; • Continue to promote water conservation education and the concept of water conservation and water scarcity among employees.
Waste	• Standardise the management of hazardous waste, classify storage, and post signs; • Entrust disposal units with hazardous waste disposal qualifications for disposal regularly; • Keep hazardous waste records in a timely and truthful manner; • Outsource the processing of general solid waste.
Energy Saving	• Turn off the lights, cut off the power supply of office equipment when leaving the office, and resolutely put an end to the phenomenon of "constant lights"; • Turn off the power of kettles and microwave ovens promptly after get off work and when no one is using them; • Reduce the standby energy consumption of electronic equipment: set the computer to sleep when it is inactive for half an hour, and turn off the office equipment when it is inactive for more than an hour.

For details of the energy consumption, please refer to the section headed "Emissions" in this ESG report.

During the Reporting Period, the energy consumption intensity of the Group is 4510.43 kwh per employee. To uphold the principles of sustainable development, the Groups committed to reducing or maintaining the energy consumption intensity between 90% to 120% of the level of the baseline year ended 31 December 2023 in the next three reporting periods ending 31 December 2026.

Environmental Protection

As a dental service provider, there is no significant consumption of natural resources and therefore the Group's activities do not have any significant impact on the environment. However, the Group is concerned about the natural resources consumed along the supply chain and it endeavours to select suppliers that are environmentally and socially conscious. Details of supplier selection criteria are set out in the section headed "Supply Chain Management" below.

Social

Employment

The Group believes that employees are the key asset and important component to business success, and they are the Group's main driving force for healthy development. Therefore, the Group pays attention to the personal growth of every employee; provides competitive salaries, remuneration and benefits; respects and protects the legitimate rights and interests of each employee; pays attention to the occupational health and safety of employees, and strives to create a platform for employees to improve their professional capabilities and seek long-term development, and to promote the common development of the Company and employees. The Group has set up various channels of communication with employees to enhance their sense of belonging to the Group. The Group is also committed to promoting the diversity of its employees to enhance the effectiveness of its corporate governance. The Group strives 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 its employees. The Group supports diversity, equity and inclusion in the workplace and believes that by providing all individuals with equal opportunities, we can make the most of their capabilities as part of our social responsibility. The Group have established a set of rules in our Employees' 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.

Labor Standards

The Group has strictly complied with a series of labor laws in the People's Republic of China including but not limited to the "Labor Contract Law of the PRC (中華人民共和國勞動合同法)", the "Labor Law of the PRC (中華人民共和國勞動法)" and the "Prohibition on the Use of Child Labor (禁止使用童工規定)" , which bans any recruitment of child labor and forced labor. To this end, the Company strictly reviews employees' ID cards and graduation certificates during the entry process. The Company will not withhold any employee's identity card or collect deposits for any reason, ensuring that all employees of the Company must be employed voluntarily to avoid the use of child labor and forced labor. If management discovers irregular employment of child labor or forced labor, the Group will immediately terminate the contract, ascertain the causes of such irregular employment and accountabilities of relevant recruitment staff to eliminate such practices. During the Reporting Period, the Group was not aware of any major violations of relevant laws and regulations.

Equal Opportunity

The Group ensures that employees will not be abused, harassed, discriminated against or deprived of any opportunity (including but not limited to recruitment, promotion, training and company benefits) because of their nationality, religion, belief, disability, gender, age, place of birth, sexual orientation, values, work style and family status. The Group also provides open and transparent career development environment. Employees will be given corresponding salary packages and fair promotion opportunities based on their qualifications and abilities, and the Group will provide employees with professional skills training, job rotation/job transfer opportunities, and academic education improvement. All important values within the Group are properly communicated to all employees. The Group acknowledge the value of diversity and will ensure gender equality in our Board composition by having at least one female Board member. The Group are committed to improving human resources policies and working environment, to care for the physical and mental health of employees, to guarantee employees' health and safety at all time, and to help them achieve their goals and realise self-worth, stimulate and improve work motivation and professional capabilities, and grow together with the Company.

Employee care and rights protection

In order to enrich the cultural life of employees and create a pleasant working atmosphere, the Group actively organise festival activities, employee birthday parties and women's care activities, which can improve team cohesion and enhance employees' awareness and belonging. In 2023, we held team bonding activities, birthday parties, annual meetings and various activities to unite employee relations. Such activities create a rich and colorful working environment for employees and create a dedicated and happy atmosphere. To create an environment where the Group and employees can grow together, the Group continues to improve its management of the organisation, employees, cultural atmosphere and other aspects. We respect the human rights of our employees and ensure their equal rights to employment and career choice, and to obtain compensation and labor rights such as paid leaves.

The Team

The Group believes that a diversified and cohesive team is indispensable to the success of the business. The Group strives to ensure that the recruitment process is fair and without any discrimination. With the continuous business development of the Group, the employee team continues to grow, with a large number of physicians, nurses and management members joining every year. In 2023, the Group attracted a huge number of outstanding talents to join the Group, as well as a large number of professionals in various positions, assuring the human resources for the development of its business.

Meihao's female employees account for more than 75%. As one of the outstanding employers of female employees, we understand the importance of women in contemporary society. The Company strictly abides by the "Constitution of the People's Republic of China (中華人民共和國憲法)" and the "Women's "Law on the Protection of Rights and Interests (中華人民共和國婦女權益保障法)" and the "Special Provisions on Labor Protection of Female Employees (女職工勞動保護特別規定)". In the process of promotion, promotion, and professional and technical assessment, the principle of equality between men and women shall be adhered to. Importantly, many of the Company's key positions are held by women.

Compliant employment is the bottom line of the Company's recruitment. The Company's formal employee labor contract signing rate is 100%, and ratio of paying Insurance and Housing Fund for employees is 100%. In 2023, the Group did not violate labor-related laws and regulations or any violation of employees' rights and interests that have a significant impact on the Group. We have not been received any punishment that related to employees' rights and interests.

As at 31 December 2023, the Group had a total of 286 employees, including full-time employees and interns.

The breakdowns of the Group's workforce by employment category, gender, age group and region as follows:

KPI: Employment		2023 (Unit: person(s))
Total number of employees by employment category	Entry	**250**
	Middle	**24**
	Management	**12**
Total number of employees by gender	Male	**70**
	Female	**216**
Total number of employees by age group	25 or below	**87**
	26–35	**92**
	36–45	**59**
	46–55	**29**
	56 or above	**19**
Total number of employees by region	Mainland	**285**
	Hong Kong	**1**
Total number of employees by employment type	Full-time	**286**
	Part-time	**–**

During the Reporting Period, the employee turnover of the Group was 40.3%, which was at a lower level in the industry. The details are as follows:

KPI: Employment overall Turnover Rate		2023
Total number of employees by gender	Male	**26%**
	Female	**74%**
Total number of employees by age group	25 or below	**45%**
	26–35	**30%**
	36–45	**17%**
	46–55	**4%**
	56 or above	**4%**
Total number of employees by region	Mainland	**100%**
	Hong Kong	**–**

** *The turnover rate is the voluntary turnover rate of the Group, and does not include interns.*

Health and Safety

During the Reporting Period, the Group has complied with the "Labor Law of the PRC (中華人民共和國勞動法)", the "Labor Contract Law of the PRC (中華人民共和國勞動合同法)" and other relevant laws and regulations which stipulate requirements to maintain safe working conditions and to protect the occupational health of employees. The Group has been educating employees on occupational safety and sanitation, preventing accidents at work and reducing occupational hazards. We have responsibility to provide a safe and healthy working environment for all employees, contractors and visitors. To protect the health of everyone, we commit to:

We strive to offer a healthy and safe work environment for our employees, and have incorporated the bulletins published by the Occupational Safety & Health Council as our internal policies with a view to ensuring strict compliance with such requirements, which primarily include the following measures:

- Identifying, evaluating and controlling factors within the workplace, which may cause or potentially cause injury or health issues;
- Providing safe equipment and systems of work;
- Providing written procedures and instructions to ensure safe systems of work;
- Ensuring compliance with legislative requirements and industry standards;
- Providing information, instruction, training and supervision where appropriate to staff, contractors and visitors to ensure their safety;
- All fire extinguishing systems are inspected regularly on the inspection date, and fire extinguishers and fire extinguishing systems are marked with relevant information. The equipment should be placed in a conspicuous area without any obstacles;
- Employees should participate in safety training to become familiar with relevant safety regulations and procedures, such as evacuation routes and the use of fire extinguishers usage, and etc.;
- Staff should wear appropriate work shoes according to the nature of work and environment;
- All chemicals, disinfectants and bactericides should be properly labelled and stored in designated areas;
- Staff must wear protective clothing such as masks, goggles or gloves when they contact with patients' blood or body fluid;
- After removing clothing such as robes, uniforms or gloves, staff should wash their hands immediately with hand sanitisers; and
- Used syringes must be placed in the sharp box with care to prevent acupuncture accidents which may cause blood infection.

The Group will continue to review its existing safety policies and is committed to continuously adjusting and improving occupational safety measures when necessary. We also implement emergency response measures based on the severity of the incident. In the past three years (including the Reporting Period), the Group recorded no work-related deaths on injuries and the number of working days lost due to work-related injuries was zero.

Development and Training

The Group regards employees as its most valuable asset. In order to support business development, we attach great importance to the strengthening of employees' capabilities and the construction of talent reserve for the Company. The Group formulated and implemented the "Employee Promotion Policy", and established a management and professional dual-track job ranking system to clarify the standards, evaluation and promotion processes for different career development channels and to ensure each employee receives fair and equitable promotion opportunities, effectively guiding their career development.

The Group believes that investing in employees through training will help enhance job satisfaction and loyalty of employees. Different types of training were provided to the employees to enhance their knowledge and capabilities. Learning and professional development are important parts of employment. The Group encourages career development by providing continuing professional development, formal training and internship opportunities, and encourages employees to gain as much experience and comprehensive development as possible within the Company.

We operate in an ever-changing industry and as a first-level discipline, dentistry has its own complexities and it is vital to maintain and develop skills to ensure that we provide excellent services to our clients and that our employees achieve their full potential. In response to the problems discovered during diagnosis and treatment, the Company organised special training so that similar situations in the future can be reasonably solved, better adapt to market changes, enhance our competitive advantages, and cultivate the strength of future generations of dental professionals. After nurses and other medical support staff join the Group, they will be provided with induction training to understand the relevant and latest medical standards, procedures and operating techniques adopted by dental hospitals. Employees in each position will be provided with different types of training, such as regular customer handling training, safety training, induction training expansion training and management training.

During the Reporting Period, the employees of the Group received 7,108.38 hours of training in total. The training details of the Group during the Reporting Period are as follows:

KPI B3.1		
Development and Training Indicators	Total	100%
By Gender	Male	24%
	Female	76%
By Employe Category	Entry	87%
	Middle	9%
	Management	4%

KPI B3.2		
Development and Training Indicators	Average hours of training that employees participated in	27
Average hours of training per employee by gender	Male	24
	Female	25
Average hours of training per employee by employment category	Entry	25
	Middle	27
	Management	24

Supply Chain Management

The Company strictly abides by laws and regulations such as the "Bidding Law of the People's Republic of China (中華人民共和國招投標法)" and has formulated and implemented internal policies such as the "Procurement Management Measures". We have formulated specific requirements on the access, evaluation and management of suppliers and we strive to become the driver of a responsible supply chain. We adhere to the principles of "integrity and sunshine procurement". The Company conducts qualitative and quantitative multi-level evaluation of suppliers, continuously optimises supplier management and maintains an exclusive sustainable supply chain.

Sustainable management, compliance, robustness and sustainable operation of the supply chain are important guarantees for the Group's business continuity and sustainable development. The Group supports the purchase of environmentally friendly products to minimise the environmental impact of our business operations. The Group would consider the awareness of occupational health and safety during the supplier selection. In the selection of suppliers, we perform rigorous assessments based on several criteria, including quality and source of products, reputation in the industry, price and delivery time. Our suppliers are required to possess relevant licenses and permits necessary to conduct their operations. Suppliers with more environmentally friendly practices and high-quality standards would be more favorable. The Group also closely cooperates with the suppliers to maintain the quality of products and services provided to the customers.

The Group closely monitors the performance of the existing suppliers and selects new suppliers based on defined criteria, such as qualification, company scales and reputation, etc. The Group recognised that the conduct and behavior of our suppliers, vendors and contractors can affect – both positively and negatively – the quality of our products, the lives of people in local communities, as well as our reputation and ability to operate effectively. We expect and require our supply chain partners to uphold the Group's principles of ethical business conduct, respect for human rights and support sustainable development. We strive to do business only with those suppliers who share these principles. Approved suppliers are evaluated on a regular basis by the relevant procurement departments to ensure that the quality of products and services that the Group purchased are up to standard. Disqualified suppliers for a prolonged period of time will be excluded.

When introducing new suppliers, we will evaluate and inspect their qualifications, finance, technology, service, quality, law, sustainable development and other aspects. Through standardised information collection, we guide them in developing in many different dimensions, specifically in the development of the certification system and measurement system for the sustainable development. This will also serve as one aspect of the supplier's comprehensive strength. We require suppliers to comply with national and government environmental protection laws and regulations. We also require our suppliers to provide ISO quality management system certification, environmental management system certification, occupational health and safety management system, safety production certificate and other qualifications as much as possible. We utilise the scoring items of qualifications to screen and guide suppliers to be more professional and sustainable.

In the access certification and scoring for suppliers, we require suppliers to meet the requirements of national environmental protection regulations and their upstream companies to meet environmental protection requirements. We increase the weight of environmental protection qualifications in the inspection scoring and regard the supplier's environmental protection qualifications as a key scoring item in the technical standards. If suppliers are involved in sewage discharge, gas discharge and solid waste discharge, we require them to have complete treatment processes and technical means. The materials provided to the Group must be renewable and easy to disassemble when being remanufactured. Suppliers shall establish a reverse logistics responsibility system to ensure that there is a recyclable mechanism for the goods provided to the Group when they are aging and discarded.

For all suppliers, we will note whether they have passed the relevant environmental and quality certifications. Under the same conditions, we will give priority to suppliers with more complete environmental, safety and quality management systems. At the same time, we are increasing the centralised management of supplier integration and procurement and promoting the optimisation and upgrading of the Company's supply chain management to reduce costs and increase efficiency while further improving the efficiency and sustainability of resource utilisation.

To strengthen the management of the social and environmental risks of suppliers, the procurement department is responsible for monitoring and evaluating the social responsibility performance of suppliers. We require each of our supplier:

(i) To confirm that it has complied with all local laws and regulations;

(ii) To be accredited with certification and qualification related to environmental protection;

(iii) To establish and maintain stringent quality assurance systems throughout their production processes and be able to provide timely support in the event that incoming raw materials do not meet our quality standards; and

(iv) To observe U.S. Food and Drug Administration ("**FDA**"), CE, Chinese State Food and Drug Administration ("**SFDA**") or other relevant certification requirements depending on the intended market destination.

The Group maintains a long-term relationship with suppliers based on the result of supplier assessment. For more details about our quality control on procurement and production processes, please refer to section headed "Product Quality Assurance".

There were a total of 50 approved suppliers and all of them were located in the PRC during the Reporting Period. The Group has performed the annual evaluation of the suppliers in order to assess whether they have complied with the standards of the Group.

Product Quality Assurance

The Group complies with all relevant laws and regulations relating to products and services provided in the PRC which have a significant impact on us, including but not limited to the "Law on Doctors of the PRC (中華人民共和國醫師法)" and the "Regulations on Nurses (護士條例)". Our professional medical team in the PRC comprises dentists, nurses and other allied health professionals, who are registered in accordance with the relevant healthcare administrative authorities in the PRC.

The dean of each of our dental hospitals is responsible for the quality control of our services. We hold weekly meetings with senior management members and dentists of each hospital. The meetings are chaired by the 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.

In terms of process management, the Company has formulated quality risk assessment, control, communication and audit systems, and adopted a forward-looking approach to carry out risk identification, risk assessment, control and communication in all aspects of its quality management system, procurement, receipt, acceptance, storage, sales, transportation and after-sales service, so as to evaluate risks in our operations, prevent risks, take appropriate preventive measures, effectively eliminate potential hidden dangers or defects, and effectively control quality risks in the pharmaceutical business processes.

To ensure drug safety, the Group has formulated that the procurement of drugs and devices must undergo acceptance checks on product name, specifications, quantity, approval number, production batch number, manufacturer's registered trademark, expiration date, appearance quality, packaging status, purchase price and other items. Only after all items are qualified can they be accepted and stored. Those that do not meet the specified requirements shall not be purchased or used. Secondly, the storage of drugs should be regularly inspected and counted, and necessary measures such as refrigeration, antifreeze, moisture-proof, insect and rodent prevention should be taken to ensure the quality of drugs. The Group prohibits the use of drugs and medical devices that have not been legally registered, have no qualification certificates, have expired, become invalid, or have been eliminated. For imported drugs and medical devices, there should be Chinese instructions and labels. For oral anesthesia drugs and emergency drugs, they must be managed by dedicated personnel at each clinic, with dedicated areas and records established. They should be used strictly according to prescriptions and regularly counted to fully ensure medication safety.

In terms of personnel training, the Group has formulated an annual training plan and carried out training in accordance with the quality education and training assessment management system, provided pre-job education and continuing education and training related to their responsibilities and work. The training content includes relevant laws and regulations, professional ethics, quality management systems, department responsibilities, operating procedures, professional knowledge and skills, etc. It enables our personnel to correctly understand and perform their duties. All trainings are assessed and training files are established to achieve meaningful results.

In terms of supplier management, the Group reviewed and evaluated the quality management systems of suppliers and purchasers and conducted on-site inspections on major suppliers and purchasers to evaluate their quality management systems. Dynamic management is implemented for all suppliers and relevant information and certification documents are regularly updated to ensure that the relevant qualifications of suppliers and purchasers are under legal and effective control and that the source and destination channels of drugs are legal.

In order to implement national health policies and regulations, improve medical quality, and ensure medical safety, the quality control specialist team of the Group continues to empower each hospital of the Company through on-site supervision, multi-group joint inspections and other forms to ensure the implementation and execution of core medical systems. The Group supervises the entire process of medical safety incidents, guides and urges hospitals to solve problems promptly, effectively eliminate preventable medical risks, control unpreventable medical risks, deepen the physician-patient relationship, and promote the continuous improvement of medical quality management.

The Group was originally founded to provide reliable and premium dental services for patients, while service quality control and medical quality control complement each other. We are committed to constantly following the standardised procedures and actively implementing our 5S initiatives (Sort, Straighten, Shine, Standardise and Sustain), to deliver one-stop dental healthcare services that cover the full lifecycle of our patients from babies to the elderly.

Due to the nature of the Group's business, no products sold or shipped were subject to recall due to safety or health reasons during the Reporting Period.

Our Products and Services

The Group values customer relations as they are integral to the success of its business, committed to implementing the "customer first" service tenet by providing customers with efficient and high-quality services and creating higher value for them. To this end, the Group continues to pay close attention to market development while continuously improving relevant systems and manuals based on customer feedback, providing professional training for customer service personnel and constantly improving the customer service experience.

We pledge to offer quality after-sales service to our customers and handle customer complaints seriously. We take the initiative to understand needs and expectations by collecting their feedbacks through the WeChat group, customer communication system, corporate hotline, corporate customer service email and other channels, and take corresponding action based on customers' comments and suggestions. Customers are welcome to provide feedback and express concerns through our customer service hotline or directly on-site through our frontline staff at dental hospitals. All of the feedback and complaints are recorded in our customer complaint register, detailing information such as the cause of the complaint, the product concerned, follow-up actions and results. By keeping track of all the complaints, we can ensure that our customers' concerns have been attended to accordingly, while implementing rectifications in a timely manner. Meanwhile, we regularly organise meetings on customer satisfaction analysis, service quality inspection and service quality analysis to summarise complaints and suggestions of customers. Accordingly, we make timely rectifications and continuously refine our complaint management mechanism, to improve our customer satisfaction and trust. In view of the medical industry's wide range of service targets, heavy workload and rapid knowledge evolution, the Group provides relevant training to customer service staff on a regular basis to continuously improve their professional service level in order to deliver better services to meet customer needs. The Group also formulates development plans for customer service employees.

The Group strives to create a good customer experience by providing quality products and services that suit their needs. We welcome feedback from our customers and provide them with various ways of solving their issues. In addition to proactive feedback from customers, the Group also has dedicated return visits to review quality with customers on a regular basis to improve the entire service quality assurance process.

As consumers pay more and more attention to the sustainability of products and services, the Group is paying great attention to sustainability education for consumers so that they can understand the impact of products and services they chose on the environment and health, and leading customers to make conscious, healthy and responsible consumption. When providing health management services to customers, the Group will also provide reasonable health plans based on the actual situation of customers to prevent them from inadvertently misusing certain drugs and harming health and safety. The professional advice of the Group helps customers reduce environmental impact and improves health through a healthy lifestyle.

During the Reporting Period, 18 cases of the number of products and service-related complaints were received and all complaints have been timely solved.

Data Privacy

In order to comprehensively and effectively carry out information security management and reinforce customer trust and loyalty, the Group has established measures to reduce the risk of employees leaking confidential information to outsiders. By establishing a sound security management system, combined with training and other methods, the Group ensures that sufficient resources are invested in information security management, thereby improving the professional level of personnel and building a responsible structure for consumers in a reliable consumption environment. In terms of safety management system construction, the Group has established an information security and data security management organisation which is responsible for the implementation, operation, inspection and improvement of the Group's information security and data security. By setting up a data security management system, the Group has formulated a corresponding process control mechanism for data processing (collection, storage, use, processing, transmission, provision, disclosure and deletion). The Company has detailed and fixed standard operating procedures (SOP) for emergency response. The Company can quickly respond to various common situations. In the verification process of system changes, we have predicted potential information disclosure risks in our original system, and modified the information presentation format that may disclose user privacy, to gradually mitigate potential privacy disclosure and information security risks.

Our "Confidentiality Policies" is to comply with the "Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法)", the "Data Security Law of the PRC" (中華人民共和國數據安全法) and the "Cyber Security Law of the PRC (中華人民共和國網絡安全法)". We conduct a comprehensive investigation of the Company's various businesses involving personal information, and review the compliance of the data life process in accordance with the latest legal regulations.

All relevant codes of practice and guidelines are issued to ensure that the information is collected for specific purposes and is only available for designated staff. If collecting personal information on behalf of the Group, employees must inform the person involved of the purpose for which information is collected and the information which they can collect on request, subject to certain limitations. The Group will take reasonable steps to protect personal information, to ensure that data is appropriately accurate, complete and updated, and will be destroyed promptly after use. If any employee has been discovered of misappropriating customers' private data, the Group will take disciplinary action against the employee concerned and reserve its right to legal action. The Group set up a personal information emergency plans for corporation information security and data security, improved internal management systems and operating procedures, and clarified the requirements for the acquisition, processing, transmission and storage of various types of data and information, to ensure data and information security from all aspects to avoid business interruption or loss caused by information system failures, data loss and sensitive information leakage, and to ensure the confidentiality, integrity and availability of all types of data. In addition, the Group develop different levels of personal information authorities for different confidentiality levels, departments and business personnel on prohibition of unauthorised access to ensure the security of personal information. Authorisation is managed by the Information Technology Department of the Group, which will regularly review the internal IT system to ensure the safety of the Group's computer systems. Employees are strictly prohibited from modifying their computers without formal approval from the management. Furthermore, non-disclosure agreements are signed by the employees of the Group to ensure that they are aware of their legally binding obligations of protecting the confidential information of the Group.

All matters involving the processing or outsourcing of personal data will be reviewed in accordance with the various outgoing factors specified in the "Personal Information Protection Law of the People's Republic of China (中華人民共和國個人資訊保護法)". Once the requirements are met, they will be approved by heads of various departments and levels in the form of a company signature report. In terms of data authorisation, personal information will only be used within the scope of the individual's authorisation and consent. Once the purposes, methods or types for processing personal information are changed, the individual's consent should be obtained again. In terms of processing sensitive information, the Group will inform the individual of the processing purpose, method, scope, storage time and other rules, and also provide him/her with the necessity of processing sensitive personal information and the impact on personal rights and interests, and obtain his/her consent. In terms of data storage, we comprehensively analyze and sort out historical data, adopt encryption and de-identification processing for storage, store personal biometric information separately from other personal information, delete or anonymise expired data, and effectively implement regulatory requirements for data storage management.

Advertising and Intellectual Property Rights

The Group attaches great importance to advertising management and intellectual property protection. In terms of advertising management, we complied with all relevant laws and regulations that have a significant impact on us, including but not limited to the "Measures for the Administration of Medical Advertisements (醫療廣告管理辦法)" in the PRC and the "Advertisement Law of the PRC (中華人民共和國廣告法)" in order to prevent the public suffering from health issues through prohibiting or restricting advertisements which may induce the seeking of improper management of certain health conditions.

Conducting fair transactions and ensuring the authenticity of advertising is important to safeguarding our reputation. The Group strictly complies with the advertising requirements. All kinds of advertisements, such as leaflets or websites, are carefully drafted with a strict review on the authenticity and legality of the Group's external content. The Group put effort on maintaining the brand images, so we always avoid the use of false descriptions to mislead customers and effectively protect the rights and interests of users from infringement. All final drafts of the advertisement must be approved by our management before bulk printing. Moreover, we have designated employees to monitor notices, news and information in the media in connection with tenders relating to dental services to ensure that we strictly comply with local laws and regulations regarding advertising and labelling.

During the Reporting Period, the Group complied with all laws and regulations related to intellectual property rights in Hong Kong and the PRC that have a significant impact on it, including but not limited to the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong), the "Trademark Law of the People's Republic of China (中華人民共和國商標法)" and the "Copyright Law of the People's Republic of China (中華人民共和國著作權法)". By applying for software copyright certificates, signing R&D non-disclosure agreements and using other means, the Group effectively protects its own intellectual property rights and ensures that it does not infringe the intellectual property rights of others. We have registered trademarks that are important to our business and regularly monitor whether trademarks have been infringed. We are committed to protecting intellectual property rights and handle them with special prudence in our daily operations. The Group requires its employees to fully respect the legitimate intellectual property rights of third parties while striving to protect and develop the Group's intellectual property rights. In addition, the Group will also sign confidentiality agreements and non-competition agreements with its employees and suppliers to prevent infringement of intellectual property rights. Employees who are suspected of violating the Group's intellectual property regulations will be investigated and the Group will take corresponding actions.

Anti-corruption

During the Reporting Period, the Group strictly abides by the "Anti-monopoly Law of the People's Republic of China (中華人民共和國反壟斷法)", the "Anti Unfair Competition Law of the People's Republic of China (中華人民共和國反不正當競爭法)", the "Criminal Law of the PRC (中華人民共和國刑法)" and the "Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法)". The Group constantly improves the anti-corruption, anti-monopoly and anti-unfair competition review mechanisms and procedures to ensure that the Company and its employees do not engage in bribery, fraud, misappropriation, corruption and malpractice, and does not undermine the fairness of business competition.

Moreover, the Group formulated "Anti-corruption Management Policy" and "Anti-bribery Management Policy" which clearly sets out the procedures and channels for reporting corruption, bribery and fraud cases. As stipulated in the policies, all employees should immediately report any suspected fraud cases. The Group's Board leads the anti-fraud work and urges the management to organise the implementation of anti-fraud work. It regularly takes anti-corruption and internal audit actions, links violations and frauds with managers' performance salaries and has established an effective system and mechanism of fraud prevention. In order to promote anti-corruption and anti-bribery in business, the policies strengthen the Group's internal control mechanism and supervision in related to anti-corruption issues.

The Group has a whistle-blowing policy in place to encourage employees to report any suspicious fraudulent activities. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation. Therefore, the employees reporting in good faith under this procedure shall be assured of the protection against unfair termination or victimisation, even if the reports are subsequently proved to be unsubstantiated. A full investigation will then be conducted by the management in a confidential manner. Disciplinary action will be applied to the employee involved upon confirmation of the occurrence, and further legal action may be taken depending on the nature and particular circumstances of each case. Employees and all other parties can report information on actual or suspected fraud cases of the Company and relevant staff through the Company's public email addresses, by post or other channels, and rewards will be given to those who provide valuable reporting clues.

The Group will actively combat any money laundering using public or private bank accounts to ensure that there is no corruption or bribery within the Group. If employees wish to report any suspected corruption cases, they can report it to the relevant management department by phone, email or letter.

Online Reporting E-mail: jubao-report@meihaomedical.com

During the Reporting Period, no legal cases regarding corruption or money laundering was brought against the Group or its employees, and no continuing aforesaid legal cases were noted or reported. The Group provides induction training for new employees which includes training in relation to basic employee ethics, such as anti-corruption. The Group will closely monitor the regulatory development and will arrange relevant anti-corruption training for its employees and directors, where necessary.

Community Investment

The Group understands that the development of the enterprise depends on the support from the communities, so we pay close attention to social issues, insists on fulfilling social responsibilities, fully considers the social interests of the operating area, provides financial and human support to the operating area within the scope of its ability to help the local public welfare undertakings and contributes to the development of the operating community. The Group encourages its employees to participate and contribute to society as a sustainable business is dependent on the stability and well-being of the community.

As part of our efforts to fulfil our social responsibility, we actively provide voluntary dental assistance to the local community. The Group is convinced that oral health plays an important role in public health. We always adhere to the mission of "serving communities and giving back to society", and actively organise and carry out publicity activities related to free clinical services in communities, enterprises and schools. In response to the national policy, the Group has launched a series of policies that benefit the people to popularise oral health knowledge and improve the physical quality of the citizens. The social activities we held during the Reporting Period included "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 visited our dental hospitals and experienced the environment of our dental hospitals and understood how we operate. We also occasionally offer teeth protection lectures and dental health lectures to schools and the local community.

Contributing to the Development of Communities

The Group actively fulfills its social responsibilities, builds a charitable oral health system, and gains the trust of the public through continuous charitable programs and free clinical activities, giving back to customers and all sectors of society for their support. During the year, the Group conducted a variety of activities in the name of Wenzhou Hospital and Wenzhou Oral Care such as free clinical services in communities, oral examinations and oral health lectures in primary and secondary schools, and visited government organisations, communities, enterprises, and schools to popularise medical knowledge over 50 sessions of activities. These public welfare activities benefited over 5,000 people. The Group will continue to explore more community activities and contribute to the prosperity of the community.

Charitable Donation

The road of public welfare never ends since it starts. Since its inception, the Group has always been committed to public welfare and actively fulfilled its social responsibilities, making continuous progress in public welfare activities. Starting from 2023, the Group and Wenzhou Lucheng District Charity Federation (溫州市鹿城區慈善總會) jointly launched the "Meihao Charity Fund". This fund will be actively used to help the weak and needy group. The Group will continue to carry out various charity activities that comply with the provisions of the Charity Law. In addition, the Group has also spontaneously organised many social welfare activities, or jointly organised and cooperated with government authorities to actively participate in and promote various public welfare events. The public welfare will be spread to the heart of every employee, and even to the whole city and the country.

- Chasing Light Project – organising public welfare classes in communities
- The Most Beautiful City Project – special public welfare projects for urban gardeners, construction workers and sanitation workers
- Good Food and Reunion Project – promoting health awareness and sending warm love in nursing homes
- Sunshine Supporting Scheme – helping households with five guarantees or low-income households
- Hopes with the Teeth Project – caring for the disabled group
- Sunflower Fund Project – helping designated diseases and groups
- Dental Public Welfare Outpatient Program – providing assistances and supports for special groups

According to the "Top Ten Public Welfare Projects" of Wenzhou Oral Care established by the Organisation Department and Finance Office of Wenzhou City, the Group integrated the "Sunflower Fund Project" in the project, and allocated RMB100 million for the construction and implementation of "Gongtongshe-Xingfuli and Dental Public Welfare Outpatient Program". Wenzhou Oral Care will persist on the objective of "carrying forward the spirit of humanitarianism, alleviating poverty, helping those in need, and assisting those in the most difficult lives of society. Meanwhile, the Group opened a public welfare dental clinic in Wenzhou Oral Care and formulated the "Trial Measures for the Public Welfare Clinic of Wenzhou Oral Care".

- Enjoying Silver Age Plan: caring for retired cadres

Wenzhou Oral Care, a subsidiary of the Group, actively participates in special visiting services and delivery services for veterans organised by the district financial office. Representatives of the Group and party members and cadres from various units visited veterans to provide preliminary dental diagnosis and treatment services, and sent them condolences and gifts to express the party's deep concern and friendship.

This public welfare condolence activity fully reflects the Group's social responsibility of caring for veterans and promoting mutual support. In addition, the Group hopes to play a leading role in allowing more caring companies to participate and jointly care for veterans.

- Public Welfare Cultivation Scheme: small dentist practical classroom

Children's oral health is the cornerstone of lifelong health. In order to let children understand oral health knowledge raise their awareness of health care, cultivate their good hygiene habits, and experience the joy of dental care, the Group have carried out more than 20 public welfare dental care activities – "I am a little dentist" in 2023. Cooperated with more than 20 schools and pre-child care classes, more than 2,000 students have participated in this charity experience activities, which were well received by parents.

On the day of the event, the medical team conducted free dental clinic services for all students in an orderly manner, treated them gently and carefully, provided free clinic services such as oral education, oral examination and fluoride application. The medical team also patiently explained how to protect teeth and the correct order of brushing, and educated children with warm attitude. In the dental class, medical staff used picture book stories to explain a series of oral health knowledge such as how to brush teeth and take care of teeth, and taught children to protect their teeth. The Group also prepared dental care gift packs for children to always remind them to pay attention to their oral hygiene.

The Group not only cares about the impact of oral health on children, but also strongly supports teenagers' education and infinite exploration in oral medicine. In order to improve students' ability in social practice activities, understand the charm of dental medicine and the Group's medical services, experience the real working status of dental medical staff, increase the understanding of dental medical staff, dental hospital and the medical treatment process, and understand the work process of each position. Wenzhou Oral Care, a subsidiary of the Group, launched a practical activity with Wenzhou Xiushan Middle School on 10 July 2023. 19 students were invited to visit our hospital for professional experiences.

The oral health lecturer of Wenzhou Oral Care gave a lecture on "Basic Knowledge of Oral Disease Prevention and Treatment" to the students, explained the dangers and prevention of dental caries, the dangers of periodontal disease, and how to brush teeth correctly. The lecture allowed students to have a preliminary understanding of the occurrence of oral diseases and some treatment steps, and improved students' oral health awareness. The medical staff explained the head mold room and head mold operations, and demonstrated the dental irrigation device and other operations. The students also learned a lot by operating the equipment themselves to simulate oral examination, and they all expressed that the experience was excellent and impressive when such class enriched their understanding of the profession of stomatologists, and gained the motivation to learn and the way to work hard. Finally, the physicians discussed the career of a dental surgeon with the students. They also shared their experiences on "the job responsibilities of a dental surgeon", "qualifications of a dental surgeon", and other topics. They wished these students never forget their original aspirations, persevere and work hard towards their goals. Besides, the students have to study diligently, and strive to improve their overall quality and abilities to achieve their dreams.

- Workers' Harbor Program: public welfare projects for conveying warmth towards delivery staff, online ride-hailing service and taxi drivers.

In May 2023, Wenzhou Oral Care, a subsidiary of the Group, and Wenzhou Shunheng Express Headquarters of SF Express jointly launched a ceremony of "the alliance of Gongtongshe-Xingfuli and Workers' Harbor Program". This alliance marks that Wenzhou Oral Care has officially become the "designated dental medical institution" of SF Express in Wenzhou, making Wenzhou Oral Care a higher starting point, and a new vitality that injected into the public welfare medical industry, so as to better serve the general public and benefit society. The Group carried out 7 free medical clinics in SF outlets in 2023, with a total of more than 100 SF staff participated in oral physical examination activities. This public welfare activity allows couriers who are usually busy to detect dental health in time a great opportunity to solve their health problems and protect their oral health.

- Loving the People and Supporting the Police Program: special charity activity for policemen and citizens

In response to the party and the country's call to "support the military and police", the Group further enhanced its ability to protect the health of public security officers, consolidated and developed the relationship between the police and the people. The Group launched a special charity activity for policemen and citizens. Wenzhou Oral Care conducted a free oral examination for the policemen of Jiangbin Police Station. Through this public welfare activity, the Group popularised a series of oral knowledge to the policemen while they can improve their own oral health in a further understanding. Meanwhile, it also allowed the police officers to devote themselves to their work with fuller and more confident smiles.

This charity event gave full play to the Group's advantages and role in the dental industry, and raised the police's awareness and participation in oral health care. The level of attention paid to oral health has further popularised oral hygiene knowledge and strengthened the public's awareness of oral hygiene, creating a good atmosphere of loving and caring for teeth together.

- Wenzhou Government's Ten Major Public Welfare Projects: White Warriors in the Fire

Wenzhou Oral Care, a subsidiary of the Group, actively responded to the government's call, participated in ten major public welfare projects. Cooperated with Wenzhou Jiangbin Road Fire Station, it launched the "White Warriors in the Fire" activity. The Group promoted oral knowledge to the firemen so that they can understand the importance of maintaining oral hygiene and pay more attention to their own oral health. Medical staff used easy-to-understand promotional materials to promote dental care to everyone, focused on correction of incorrect ways of cleaning and caring for teeth in daily life, and encouraged firemen to have good habits of regular teeth cleaning, and improved their awareness of oral health.

This charity event helped 11 firemen check their oral problems. During the event, the medical team answered various questions about teeth care, and provided treatment suggestions for different scenarios, which effectively solved the problem of firemen being busy with work and delaying minor illnesses. At the same time, it played a strong role in improving the combat effectiveness of the troops and laid the foundation for building a healthy force. After the event, the commander in charge of the fire rescue station expressed his heartfelt thanks and said that, in the future work, they will use fuller enthusiasm, stronger fighting spirit, and the unity of the military and civilians to better serve local safety and firefighting stability.

APPENDIX I – HKEX ESG REPORTING GUIDE CONTENT INDEX

Scope A: Environmental

General Disclosure and KPIs	Related section(s)	Remarks
A1. Emissions		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Overview, Emissions, Water Management, Waste Management, Energy Efficiency	
KPI A1.1 The types of emissions and respective emission data.	Emissions	
KPI A1.2 Greenhouse gas emission in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions, Energy Efficiency	
KPI A1.3 Total hazardous waste produced (in kilograms) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management, Energy Efficiency	
KPI A1.4 Total non-hazardous waste produced (in kilograms) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management, Energy Efficiency	
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Water Management, Energy Efficiency	
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Waste Management	
A2. Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.	Water Management, Energy Efficiency	
KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Emissions	
KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Management	
KPI A2.3 Description of energy use efficiency initiatives and results achieved.	Energy Efficiency	
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Management	
KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging	

General Disclosure and KPIs	Related section(s)	Remarks
A3. The Environmental and Natural Resources		
Policies on minimizing the issuer's significant impact on the environment and natural resources.	Water Management, Energy Efficiency, Environmental Protection	
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection	
A4. Climate Change		
Policies on identification and mitigation of significant climate-related issues which have impacted and those which may impact the issuer.	Climate Change	
KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change	

Scope B: Social

ESG Aspects	Related section(s)	Remarks
B1. Employment		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment, Equal Opportunity	
KPI B1.1 Total workforce by employment type, gender, age group and geographical region.	The Team	
KPI B1.2 Employment turnover rate by gender, age group and geographical region.	The Team	
B2. Health and Safety		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	
KPI B2.1 Number and rate of work-related fatalities.	Health and Safety	
KPI B2.2 Lost days due to work injury.	Health and Safety	
KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	

ESG Aspects	Related section(s)	Remarks
B3. Development and Training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training	
KPI B3.1 The percentage of employees trained by gender and employee category.	Development and Training	
KPI B3.2 The average training hours completed per employee by gender and employee category.	Development and Training	
B4. Labor Standards		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Labor Standards	
KPI B4.1 Description of measures to review employment practices to avoid child and forced labor.	Labor Standards	
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Labor Standards	
B5. Supply Chain Management		
Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	
KPI B5.1 Number of suppliers by geographical region.	Supply Chain Management	
KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	

ESG Aspects	Related section(s)	Remarks
B6. Product and Service Responsibility		
Information on the policies and compliance with laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and method of redress.	Product Quality Assurance, Our Products and Services, Data Privacy, Advertising and Intellectual Property Rights	
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality Assurance	
KPI B6.2 Number of products and service-related complaints received and how they are dealt with.	Our Products and Services	
KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	Advertising and Intellectual Property Rights	
KPI B6.4 Description of quality assurance process and recall procedures.	Product Quality Assurance	
KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored	Data Privacy	
B7. Anti-corruption		
Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	
KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-corruption	
KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption	
KPI B7.3 Description of anti-corruption training provided to directors and staff.	Anti-corruption	
B8. Community investment		
Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure that its activities take into consideration the communities' interests.	Community investment	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Contributing to the development of Communities	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Charitable Donation	

DIRECTORS' REPORT

The Board is pleased to present this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

General Information

The Company was incorporated in Cayman Islands as an exempted company with limited liability on 18 November 2019. The Shares were listed on the Main Board of the Stock Exchange on 14 December 2022 under the stock code 1947.

Principal Business

The Company is an investment holding company. The Group is principally engaged in the provision of dental services through operating dental hospitals in Zhejiang Province. Analysis of the principal activities of the Group during the year ended 31 December 2023 is set out in the note 1 to the consolidated financial statements.

Business Review and Results

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

The results of the Group for the year ended 31 December 2023 are set out in the consolidated financial statement of profit or loss and other comprehensive income on pages 98 to 99 of this annual report.

Board of Directors

The Board currently comprises five Directors, consisting of two executive Directors and three Independent non-executive Directors:

Executive Directors

Mr. Wang Xiaomin *(chairman and chief executive officer)*
Ms. Zheng Man

Independent Non-executive Directors

Mr. Ng Ming Chee
Ms. Tam Hon Shan Celia
Dr. Zhou Jian

Pursuant to Article 112 of the Articles of Association, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next first annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Pursuant to Article 108 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Principal Risks and Uncertainties

The following list is a summary of some major risks and uncertainties involved in the Group's operations:

(1) The brand, market reputation and consumer perception contribute significantly to its 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 the results of operations and prospect.

(2) The revenue has historically been entirely dependent on, and will remain heavily dependent on, the 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.

(3) The Company conducts its business in a heavily regulated industry and incurs on-going compliance costs and faces potential penalties for non-compliance.

(4) The expansion plans, particularly its plans to expand its business into various new geographic areas, are subject to uncertainties and risks, and the Group may not be able to successfully manage its expanded operations.

(5) The demand for the orthodontics and cosmetic dentistry services is subject to (i) the disposable income of its 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) its patients' satisfaction of these dental services which is often multifaceted and more subjectively driven.

(6) It recorded accumulated losses historically.

Environmental Policies and Performance

The Group is committed to building a sustainable business and minimising the Group's operational impact on the environment.

During the year ended 31 December 2023, the Group is subject to various environmental protection laws and regulations.

Environmental, Social and Governance Report

For the year ended 31 December 2023, the Group has complied with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules.

Further details of the Group's environmental, social and governance matters including environmental policies and performance are set out in the section headed "**Environmental, Social and Governance Report**" of this annual report.

Compliance with Relevant Laws and Regulations

The Group is subject to various laws and regulations in PRC, in relation to its business in the PRC, including but not limited to the PRC laws and regulations of the requirements for medical institutions and equipment, intellectual property rights, data privacy, data security and cyber security, laws and regulations related to foreign investments in the PRC, laws and regulations related to overseas listing, and other related laws and regulations.

To the best knowledge of the Board and the Company, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group and have obtained all material licenses, approvals and permits from relevant regulatory authorities for the operations of the Group in the PRC. During the year ended 31 December 2023, there had been no material breach of or non-compliance with the applicable laws and regulations by the Group.

Significant Legal Proceedings

During the year ended 31 December 2023, the Company was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company.

Key Relations with Stakeholders

The Group recognises the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, patients, suppliers, business partners are key to the Group's success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Patients

The patients are individuals of all ages. Except Wenzhou Oral Care, each of the Group's private dental hospitals has children department to offer dental services to children under 14 years old. The high quality services and stringent safety controls have led to the Group's low number of patient complaints and high number of repeat patients.

The Group's largest customer and top five customers accounted for approximately 0.16% (2022: 0.15%) and 0.64% (2022: 0.68%) of Group's total revenue respectively.

Suppliers

The suppliers primarily include suppliers for pharmaceuticals, medical consumables, customised products and dental tools. To the best knowledge of the Directors, all the top five suppliers are Independent Third Parties. None of Directors or their respective close associates or any Shareholders, which to the best knowledge of the Directors, own more than 5% of the issued share capital of the Company, had any interest in the five largest suppliers during the Reporting Period.

The largest supplier and the top five suppliers for the year ended 31 December 2023 accounted for approximately 20.8% (2022: 21.3%) and 57.6% (2022: 60.2%) of the Group's total trade purchases from continuing operations respectively.

Medical Professionals

The qualification and expertise of the dentists, nurses and other medical professionals are vital to the quality of the services and competitiveness. The dentists, nurses and other medical professionals are our employees and regularly practice at one of the Group's dental hospitals on a full-time basis. Occasionally, some of dentists and nurses also practice at more than one dental hospital on an as-needed basis. The Company generally enters into employment contracts with dentists, nurses and other medical professionals. As at 31 December 2023, the Group had 57 dentists, 62 nurses and 23 other medical professionals.

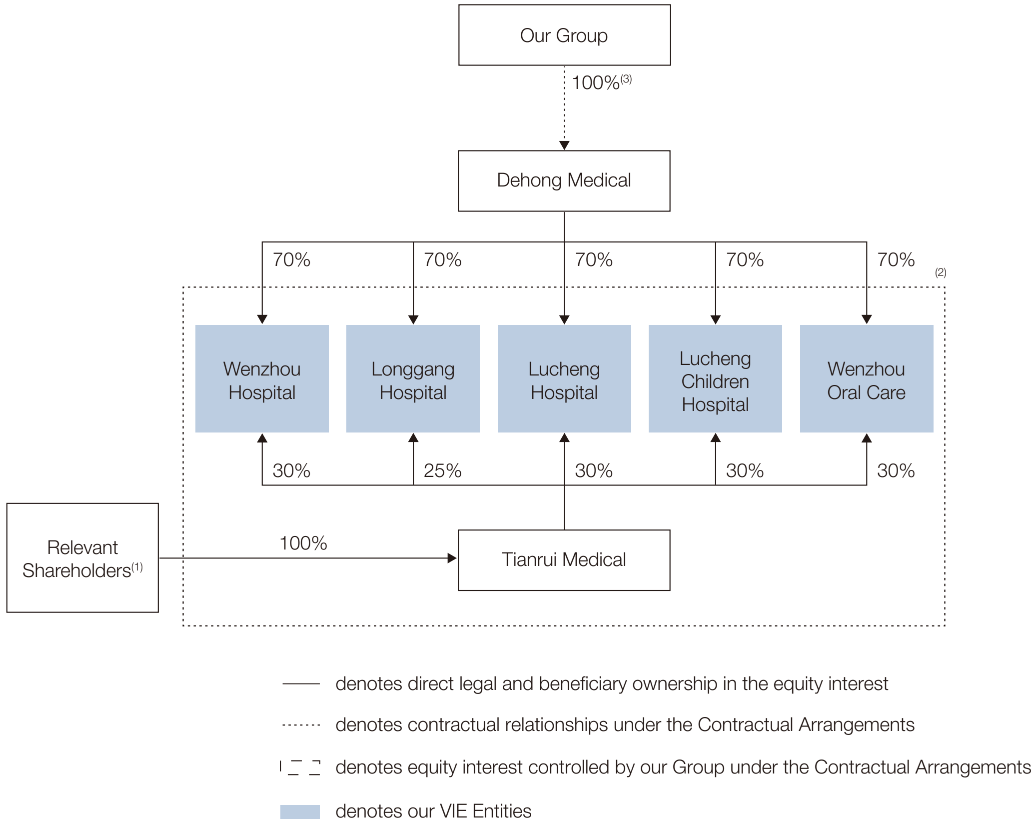
Non-Exempt Continuing Connected Transactions

Contractual Arrangements

Background

The Company is principally engaged in the provision of dental medical services in the PRC. The medical institutions fall within the foreign investment restrictions under current PRC laws and regulations. The Company entered into Contractual Arrangements to enable to exercise control and enjoy substantially all economic benefits of each of Wenzhou Dental Hospital Co., Ltd. (溫州牙科醫院有限公司, "**Wenzhou Hospital**"), Wenzhou Lucheng Stomatological Hospital Co., Ltd. (溫州鹿城口腔醫院有限公司, "**Lucheng Hospital**"), Wenzhou Lucheng Children Stomatological Hospital Co., Ltd. (溫州鹿城兒童口腔醫院有限公司, "**Lucheng Children Hospital**"), Wenzhou Stomatological Hospital Co., Ltd. (溫州口腔醫院有限公司, "**Wenzhou Oral Care**"), and Longgang Stomatological Hospital Co., Ltd. (龍港口腔醫院有限公司, "**Longgang Hospital**") (together, the "**VIE Entities**").

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



Notes:

(1) *The Relevant Shareholders are Mr. Wang Xiaomin and Ms. Zheng Man, who hold 90% and 10% equity interest in Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司, "**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) *Wenzhou Dehong Medical Management Co., Ltd. (溫州德鴻醫療管理有限公司, "**Dehong Medical**") is an indirect wholly-owned subsidiary of our Group.*

The VIE Entities contributed a significant portion of the Group's financial positions and results of operations. The revenue of VIE Entities amounted to RMB73.5 million for the year ended 31 December 2023, representing approximately 100% of the total revenue of the Group. The total assets of VIE Entities amounted to RMB107.7 million as at 31 December 2023, representing approximately 46.3% of the total assets of the 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.

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 Exclusive 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.

(2) **Exclusive Option Agreement**

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**").

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 the 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.

(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.

(4) Equity Pledge Agreement

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.

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 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.

(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 Undertaking

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.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and VIE Entities during the year ended 31 December 2023. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2023.

As at 31 December 2023, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating the Group's businesses through Tianrui Medical and the VIE Entities under the Contractual Arrangements. The 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).

Reasons for Adopting the Contractual Arrangements

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.

The 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).

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 the Company and to minimise the potential for conflict with relevant PRC laws and regulations.

The Contractual Arrangements enable Dehong Medical to obtain substantially all economic benefits of the VIE 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.

Risks relating to the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, including:

(1) If the PRC government deems that the Contractual Arrangements in relation to the 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, the Company could be subject to severe penalties or be forced to relinquish the interests in those operations.

(2) The shareholders of VIE Entities may have conflict of interest with the Company, which may materially and adversely affect the Company's business, financial condition and results of operations.

(3) Certain terms of Contractual Arrangements may not be enforceable under PRC laws.

(4) The Contractual Arrangements may be considered by the PRC tax authorities as requiring transfer pricing adjustment.

(5) If the Company exercises the option to acquire equity ownership and assets of the VIE Entities, the ownership or asset transfer may subject the Company to certain limitations and substantial costs.

(6) 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 the Company from using the proceeds of the Global Offering to make loans to PRC subsidiaries, or to make additional capital contributions to PRC subsidiaries.

Please refer to "Risk Factors – Risks Relating to our Contractual Arrangements" in the Prospectus for details.

Actions taken by the Group to mitigate the risks

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

(1) 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;

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

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

(4) the 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.

Listing Rules Implications and Waiver from the Stock Exchange and Annual Review

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules upon the Listing as certain parties to the Contractual Arrangements, including Mr. Wang Xiaomin, Ms. Zheng Man and Tianrui Medical are connected persons of the Group pursuant to Chapter 14A of the Listing Rules.

In view of the Contractual Arrangements, in respect of transactions contemplated under the Structured Contracts and any New Intergroup Agreements, the Company has 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 the Shares of the Company are listed on the Stock Exchange and Tianrui Medical and the VIE Entities will continue to be treated as the Company's subsidiaries subject to the following conditions:

(1) Save as described in paragraph (4) 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;

(2) Save as described in paragraph (4) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of the independent Shareholders;

(3) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by Tianrui Medical and the VIE Entities;

(4) On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and its subsidiaries in which the 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 the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(5) The Group will disclose details relating to the Contractual Arrangements on an on-going basis.

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

(1) the transactions carried out during the year ended 31 December 2023 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 the Group;

(2) 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 the Group;

(3) no dividends or other distributions have been made by the VIE Entities to Tianrui Medical which are not otherwise subsequently assigned or transferred to the Group; and

(4) any new contracts entered into, renewed or reproduced between the Company on one hand and Tianrui Medical, the VIE Entities and the Relevant Shareholders, on the other hand, during the year ended 31 December 2023 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.

The auditor of the Company has confirmed in a letter to the Board that, with respect to Contractual Arrangements:

(1) nothing has come to their attention that causes the auditor to believe that the Contractual Arrangements have not been approved by the Board;

(2) nothing has come to their attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and

(3) nothing has come to their attention that causes the auditor to believe that no dividends or other distributions have been made by the VIE Entities to the holders of their equity interests which are not otherwise subsequently assigned or transferred to the Group.

For details of the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements" and "Connected Transactions" in the Prospectus.

Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme adopted by the Company on 8 November 2022.

1. Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph 2 below) for their contribution to, and continuing efforts to promote the interests of, the Group and for such other purposes as the Board may approve from time to time.

2. Eligible Participants

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 the 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.

3. Maximum number of Shares

The maximum aggregate number of Shares which may be issued upon exercise of all options pursuant to the Share Option Scheme is 60,000,000 Shares at the date of this annual report, which represents 10% of the issued share of the Company at the date of this annual report.

No options have been granted since the adoption of the Share Option Scheme and up to 31 December 2023. Therefore, no shares are expected to be issued in relation to the share options, and the proportion of such shares divided by the weighted average number of shares in issue would be nil during the Report Period. The number of share options available for grant under the Share Option Scheme was 60,000,000 as at 1 January 2023 and as at 31 December 2023, respectively.

4. Maximum number of options to any one individual

No option shall be granted to any 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 the time, unless:

(1) 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;

(2) 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

(3) the number and terms (including the subscription price) of such options are fixed before the general meeting of the Company at which the same are approved.

5. 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.

6. Term of Share Option Scheme

Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption.

As at 31 December 2023, the remaining term of Share Option Scheme was approximately 8 years and 10 months.

7. 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 the 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.

Since the adoption of the Share Option Scheme to 31 December 2023, no option was granted, exercised, cancelled, expired or lapsed and there is no outstanding share option under the Share Option Scheme as at 31 December 2023.

Subsequent to the end of the Reporting Period, the Board resolved to grant a total of 60,000,000 share options to certain employees of the Group to subscribe for a total of 60,000,000 ordinary shares of HK$0.01 each in the capital of the Company pursuant to the Share Option Scheme. The share options granted are subject to, amongst others, a vesting schedule in tranches. For details, please refer to the announcement of the Company dated 16 January 2024.

Share Award Scheme

The Company adopted the Share Award Scheme with effect from 16 January 2024. The principal terms of the Share Award Scheme are set out as follows:

Purposes and objectives of the Share Aware Scheme

(i) To recognize 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.

Eligible Participants

As set out in the Scheme Rules, Eligible Participants include: (i) any employees of the Group; (ii) any employees of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) any persons who provide services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group, provided any such person is not a connected person of the Group. Although the Scheme Rules allows the granting of Awards to non-employees, the Company currently has no intention to grant any Award to non-employee participants.

Duration

Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date, after which no further awards will be granted. Therefore, the remaining term of the Share Award Scheme is approximately 10 years as at the Latest Practicable Date.

Administration

The Share Award Scheme is subject to the administration of the Board and the Trustee in accordance with the Scheme Rules and the Trust Deed.

To the extent permissible under the Listing Rules and other applicable laws and regulations, the Board may resolve to delegate to another committee of the Board or to one or more officers of the Company any or all of the authority and responsibility of the Board under the Scheme Rules and the Trust Deed.

The Board may from time to time cause to be paid a contributed amount to the Trust which shall constitute part of the trust fund, for the purchase of Shares and other purposes set out in the Scheme Rules and the Trust Deed. The grant of awards would not cause any dilution of shareholding to any Shareholders.

Scheme limit and individual sublimit

The Board shall not make any further grant of award such that the total number of Shares granted under the Share Award Scheme will exceed 10% of the total number of issued Shares as of the adoption Date. On the basis that the total number of issued Shares as of the adoption Date is 600,000,000 Shares, the aforesaid 10% limit represents a total of 60,000,000 Shares.

The maximum number of options or awards to the Grantees and a selected participant under the Share Option Scheme and Share Award Scheme of the Company, which would result in the Shares issued and to be issued in respect of all options and awards granted to such person (excluding any options and awards lapsed in accordance with the terms of the respective scheme(s), shall not exceed 1% of the issued share capital of the Company in any 12-month period.

The aforesaid limits shall always be subject to the compliance with the Listing Rules that are in-force from time-to-time, including the requirement on maintaining a minimum public float.

Vesting

Subject to the terms and conditions of the Scheme Rules and the fulfillment of all vesting conditions to the vesting of the awarded Shares on such selected participant as specified in the Share Award Scheme and the relevant grant instrument, the awarded Shares held by the Trustee on behalf of the selected participant shall vest in such selected participant in accordance with the applicable vesting schedule, and the Trustee shall cause the awarded Shares to be transferred to such selected participant in accordance with the terms of Scheme Rules. Where a selected participant subsequently becomes a connected person of the Company prior to vesting of the award, vesting of the award will be subject to compliance by the Company of requirements under Chapter 14A of the Listing Rules, where applicable, and the Remuneration Committee of the Board shall have absolute discretion to alter the vesting of or terminate such award where such requirements would, in the opinion of the Remuneration Committee of the Board, be burdensome on the Company.

Voting rights

No instructions shall be given by a selected participant (including, without limitation, voting rights) to the Trustee in respect of the awarded Shares that have not been vested, and such other properties of the Trust Fund managed by the Trustee. The Trustee shall abstain from exercising the voting rights in respect of any Shares held directly or indirectly by it under the Trust (if any) (including but not limited to the awarded Shares, any bonus Shares and scrip Shares derived therefrom).

Purchasing Shares pursuant to the Share Award Scheme

Subsequent to the end of the Reporting Period, the Trustee, as instructed by the Board, purchased a total of 230,000 Shares on the market from 24 January 2024 to 25 January 2024, representing approximately 0.038% of the total number of Shares of the Company in issue up to the Latest Practicable Date. The Trustee holds these Shares in accordance with to the Scheme Rules and the Trust Deed.

The Trustee, which is a professional entity licensed under the laws of Hong Kong to carry out the trustees services, a third party independent of and not connected with the Company and/or any of its connected persons, for the Share Award Scheme.

Since the Share Award Scheme was adopted after the Reporting Period, no award Shares was granted by the Company, nor any award Shares was exercised, canceled or lapsed under the Share Award Scheme, and there was no award Shares outstanding under the Share Award Scheme as at 31 December 2023. Subsequent to the end of the Reporting Period, based on the recommendation of the Remuneration Committee, the Board resolved to grant a total of 24,000,000 awarded Shares to the Eligible Participants, which will be satisfied by existing Shares purchased or to be purchased by the Trustee from the open market by utilising the Company's internal resources provided to the Trustee, to four selected employees of the Group, pursuant to the Share Award Scheme at nil consideration, subject to acceptance by the Grantees. Therefore, the total number of Shares that granted under the Share Award Scheme was 24,000,000 Shares, accounting for approximately 4% of the issued share capital as at the Latest Practicable Date.

For details, please refer to the announcement of the Company dated 16 January 2024.

Environmental Policies and Performance

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth. For details, please refer to the section headed "Environmental, Social and Governance Report" of this annual report.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in note 28 to the consolidated financial statements in this annual report. Such transactions were either (i) fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules; or (ii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules (as amended from time to time).

Share Capital

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in note 24 to the consolidated financial statements in this annual report.

As at 31 December 2023, the issued share capital of the Company was 600,000,000 shares.

Reserve

Details of movements in the reserves of the Group during the year ended 31 December 2023 are set out on page 102 in the consolidated financial statement of changes in equity in this annual report.

Distributable Reserves

As at 31 December 2023, the Company's reserve available for distribution to shareholders amounted to approximately RMB92.4 million (as at 31 December 2022: RMB92.4 million).

Bank Loans and Other Borrowings

As at 31 December 2023, the Company had no bank loans and other borrowings (as at 31 December 2022: Nil).

Property, Plant and Equipment

Details of the movements in property and equipment of the Group during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

Subsidiaries

Particulars of the Company's principal subsidiaries are set out in note 1 to the consolidated financial statements.

Debenture Issued

The Group did not issue any debenture during the year ended 31 December 2023.

Final Dividend

The Board has resolved to recommend the payment of the Final Dividend HK$0.01 per Share (2022: Nil) for the year ended 31 December 2023 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 26 June 2024 (the "**Eligible Shareholders**"), with the Eligible Shareholders being given an option to elect to wholly receive the Final Dividend all in new and fully paid shares under the Scrip Dividend Scheme. The Final Dividend is subject to the approval of the Shareholders at the 2024 AGM to be held on Tuesday, 18 June 2024.

For the purpose of ascertaining whether the Shareholders are the Eligible Shareholders and are entitled to the Final Dividend, the registers of members of the Company will be closed from Monday, 24 June 2024 to Wednesday, 26 June 2024, both days inclusive.

In order to qualify for the Final Dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch 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 Friday, 21 June 2024.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the Final Dividend at the 2024 AGM and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new Shares to be issued under the Scrip Dividend Scheme. The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be despatched to the Eligible Shareholders on Monday, 15 July 2024. Subject to approval by the Shareholders at the 2024 AGM to be held on Tuesday, 18 June 2024 and compliance with the Companies Act of the Cayman Islands, the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme are expected to be despatched by ordinary mail to the Shareholders on or around Wednesday, 14 August 2024.

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the 2024 AGM, please refer to the section headed "Closure of Register of Members For Annual General Meeting" set out in page 91 of this annual report.

Charitable Donations

The Group did not make charitable donations during the year ended 31 December 2023 (2022: Nil).

Equity-Linked Agreement

Save as disclosed in the sections headed "Share Option Scheme" and the "Share Award Scheme" as set out in this report of the Directors, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during the year ended 31 December 2023 and up to the date of this annual report.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemptions available to the Shareholders by reason of their holding of the Company's securities.

Permitted Indemnity

Pursuant to the Articles of Associations and subject to the applicable laws and regulations, every Director and other officer shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred or to be incurred by him in the execution and discharge his duties or in relation thereto.

Such permitted indemnity provision has been in force for the year ended 31 December 2023. The Company has arranged appropriate liability insurance coverage for the Directors during the Reporting Period.

Service Agreements of Directors

Each Director has entered into a service contract with the 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 the independent non-executive Directors has entered into a letter of appointment with the 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.

None of the Directors has entered into any service contract/letter of appointment with the Company or any of its subsidiaries which was not determinable by the Company within one year without payment of compensation (other than statutory compensation).

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Employees and Remuneration Policy

As at 31 December 2023, the total number of employees of the Group was 286 (2022: 304). The Company has established a remuneration committee for developing remuneration policy, reviewing the remuneration structure of the Directors and senior management of the Group. Total staff costs (including Directors' emoluments, salaries, bonus, and pension scheme contributors) were approximately RMB33.4 million (2022: RMB37.8 million).

The remuneration package of the employees including salary, bonus, allowance, benefits in kind (including contributions to pension schemes) and pension or allowance on the retirement. 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 also adopted Share Option Scheme and Share Award Scheme, details of which are set out in the section headed "Share Option Scheme" and "Share Award Scheme" as set out in this report of the Directors.

The Company confirms that none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent and remain so as of the date of this annual report.

Directors' Rights to Acquire Share or Debentures

Save as otherwise disclosed in this annual report, at no time during the year, was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended 31 December 2023.

Directors' Interests in Competing Business

The Company has received confirmation letters from the Directors, none of the Directors or their respective close associates had engaged in or had any interest in any business, apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended 31 December 2023.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in any of the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, recorded in the register referred to therein; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares

Name of Director or Chief Executive	Nature of Interest	Number of Shares	Approximately Percentage[1]
Wang Xiaomin[2][4]	Interests in controlled corporation Interest of spouse	427,500,000 (L)	71.25%
Zheng Man[3][4]	Interests in controlled corporation Interest of spouse	427,500,000 (L)	71.25%

Notes:

(L) denotes long position

(1) The calculation is based on the total number of 600,000,000 issued Shares as at 31 December 2023.

*(2) Each of JTC (China) Co., LTD (健齒康(中國)有限公司) ("**JTC BVI**") and Ricon (China) Co., LTD (瑞康(中國)有限公司) ("**Ricon BVI**") is directly and wholly owned by Mr. Wang Xiaomin. Mr. Wang Xiaomin is therefore deemed to be interested in all the Shares held by each of JTC BVI and Ricon BVI.*

*(3) Meihao (China) Co., LTD (美皓(中國)有限公司) ("**Meihao BVI**") is directly and wholly owned by Ms. Zheng Man. Ms. Zheng Man is therefore deemed to be interested in all the Shares held by Meihao BVI.*

(4) Mr. Wang Xiaomin and Ms. Zheng Man 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, so far as the Directors are aware, as at 31 December 2023, none of the Directors or chief executive of the Company had any interest or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange under the Model Code.

Substantial Shareholder's Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, so far as is known to Directors or chief executive of the Company are aware, the following persons (other than the Directors and chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of Substantial Shareholders	Nature of Interest	Number of Shares	Approximately Percentage[1]
JTC BVI[2]	Beneficial owner	337,500,000 (L)	56.25%
Ricon BVI[2]	Beneficial owner	45,000,000 (L)	7.5%
Meihao BVI[3]	Beneficial owner	45,000,000 (L)	7.5%

Notes:

(L) denotes long position

(1) The calculation is based on the total number of 600,000,000 issued Shares as at 31 December 2023.

(2) Each of JTC BVI and Ricon BVI is directly and wholly owned by Mr. Wang Xiaomin.

(3) Meihao BVI is directly and wholly owned by Ms. Zheng Man.

Save as disclosed herein, as at 31 December 2023, the Company had not been notified by any person (other than the Directors or the chief executive of the Company) who had an interest or short position in the Shares or the underlying Shares which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Non-competition Undertakings

Each of the controlling shareholders of the Company (Mr. Wang Xiaomin, Ms. Zheng Man, JTC BVI, Ricon BVI and Meihao BVI, each a "**Covenantor**" and collectively as the "**Covenantors**") has given an irrevocable non-competition undertaking in favour of the Company (for itself and for benefit of each of the members of the Group) under the deed of non-competition dated 8 November 2022 (the "**Deed of Non-competition**") pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with the Company that, among others, with effect from the Listing Date and for as long as the Shares remain listed on the Stock Exchange.

After reviewing the annual declaration and relevant information provided by Controlling Shareholders, the independent non-executive Directors were of the view, to the best of their knowledge, that proper compliance on and enforcement of the undertakings under Deed of Non-competition was in place during the Reporting Period.

Please refer to "Relationship with our Controlling Shareholders – Deed of Non-Competition" in the Prospectus for details.

Purchase, Sale or Redemption of the Listed Securities

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

Directors' and Controlling Shareholders' Interests in Transactions, Agreements and Contracts of Significance

Save as disclosed in this annual report, no transaction, arrangement or contract of significance (including provision of services) in relation to the Group's business to which the Company, any of its subsidiaries, fellow subsidiaries or its parent company was a party and in which any Director or any entity connected with a Director or the controlling shareholders of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the Reporting Period.

Use of Net Proceeds

The Shares were listed on the Stock Exchange on 14 December 2022 by way of Global Offering, raised total net proceeds of approximately HK$74.9 million (the "**Net Proceeds**") from the Global Offering after deduction of the underwriting fees and other estimated expenses payable by the Company in connection with the Global Offering. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company intends to utilise the additional net proceeds on a pro rata basis for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company will gradually utilise the residual amount of the net proceeds in accordance with such intended purposes based on actual business needs.

As at 31 December 2023, approximately HK$9.5 million from the Global Offering has been utilised. The table below sets forth a detailed breakdown and description of the use of net proceed as at 31 December 2023:

Intended use of Net Proceeds	Allocation of Net Proceeds (HK$ million)	Approximate percentage of total Net Proceeds	Unutilised Net Proceeds as at 31 December 2022 (HK$ million)	Utilised Net Proceeds as at 31 December 2023 (HK$ million)	Unutilised Net Proceeds as at 31 December 2023 (HK$ million)	Intended timetable for use of unutilised Net Proceeds *(Note 1)*
Potential strategic acquisition of two dental hospitals in the PRC	21.5	28.6%	21.5	–	21.5	12/2024 *(Note 2)*
Funding the capital expenditure and initial operating costs for the development of Wenzhou Oral Care	20.2	27.0%	20.2	0.9	19.3	9/2024 *(Note 3)*
Funding the capital expenditure and initial operating costs for establishing Lucheng Children Hospital in Wenzhou	10.6	14.1%	10.6	0.4	10.2	12/2024 *(Note 4)*
Working capital and other general corporate purposes	7.5	10.0%	7.5	4.9	2.6	12/2024
Funding the capital expenditure and initial operating costs for establishing a dental clinic chain outside Wenzhou under a new trade name	6.4	8.6%	6.4	–	6.4	12/2024
Establishing a dentistry training centre to maintain our own dentists talent pool and improve the quality of our dental services	4.0	5.4%	4.0	–	4.0	12/2024
Acquiring new dental devices and consumables to improve the quality of our dental services offered	2.5	3.3%	2.5	1.1	1.4	3/2024
Renovating our Wenzhou Hospital in order to expand its children dental department	2.2	3.0%	2.2	2.2	–	N/A
Total	74.9	100%	74.9	9.5	65.4	

Notes:

1. *The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.*

2. *Due to the market uncertainties, the Group needs more time to look for suitable target dental hospitals.*

3. *There is a delay in approval of the Medical Institution Practising License for Wenzhou Children Hospital. The Group is expected to obtain the license and utilise the net proceeds by September 2024.*

4. *The establishment of Lucheng Children Hospital has experienced a delay due to the Group's contemplation to establish such hospital on different premises in view of the expected enhanced strategic advantages of such premises to be brought to the Group and the current market demand for children dental services. While the new premises have been identified, the Group is currently under negotiation with the local government of Wenzhou for the leasing of such premises and such plan is still subject to changes. Based on the Directors' current estimate taking into account of the negotiation progress with the local government and the latest market conditions, the net proceeds intended for the funding of the establishment of Lucheng Children Hospital is expected to be utilised by December 2024, and the Company will make further announcement should the plan to lease such new premises be confirmed to proceed.*

Annual General Meeting

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

Closure of Register of Members for Annual General Meeting

In order to determine the entitlement to attend and vote at the 2024 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 branch 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, not later than 4:30 p.m. on Wednesday, 12 June 2024.

Corporate Governance Practise

The Company is committed to maintaining a high level of corporate governance practices.

The Company's corporate governance report is set out on pages 19 to 34 in this annual report. Details of each of the Audit Committee, the Remuneration Committee and the Nomination Committee are given in the same report. The Audit Committee has reviewed and discussed with management the annual results and the consolidated financial statements for the year ended 31 December 2023.

Public Float

As at the date of this report and based on the information publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the public float as required under the Listing Rules.

Audit Committee

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

The Audit Committee has, together with the management of the Company, reviewed the 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 report is in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

Auditor

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Ernst & Young, Certified Public Accountants, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. There was no change in auditor of the Company in the preceding three years.

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

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of Meihao Medical Group Co., Ltd
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Meihao Medical Group Co., Ltd (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 161, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Measurement of revenue from the rendering of orthodontics and cosmetic dentistry services	
Revenue from the rendering of orthodontics and cosmetic dentistry services for the year ended 31 December 2023 amounted to RMB14,447,000, representing 19.7% of the Group's total revenue. 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 costs of inventories, consumables and customised products expended relative to the total expected costs to complete the service. Significant judgements and estimation from management were required in determining the accuracy of the progress towards complete satisfaction of the performance obligation of each contract at the reporting date. This measurement of revenue was significant to our audit because the process was complex and involved significant judgements and estimates. The Group's disclosure about the measurement of revenue from the rendering of orthodontics and cosmetic dentistry services is included in notes 2.4 and 3 to the consolidated financial statements.	We obtained an understanding of and evaluated the Group's key internal controls in relation to the estimation of the total expected costs to complete the orthodontics and cosmetic dentistry services. We assessed the appropriateness of the methodology used by management to estimate the progress towards complete satisfaction of the orthodontics and cosmetic dentistry services. We assessed the reasonableness of the assumptions used by management when estimating the total expected costs to complete the orthodontics and cosmetic dentistry services by comparing estimated future costs with the Group's historical data, including the staff costs and costs of inventories, consumables and customised products, and the historical data were tested to the supporting documents on a sampling basis. In order to assess the historical effectiveness of management's estimation process, we compared the outcome of the prior year's estimations of the total expected costs to complete the orthodontics and cosmetic dentistry services made by management to the actual cost incurred to complete the services on a sampling basis. We checked the mathematical accuracy of the calculation of the progress towards complete satisfaction of the performance obligation and the measurement of revenue from the rendering of orthodontics and cosmetic dentistry services.

Other Information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the Management Discussion and Analysis of the Annual Report (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Chairman's Statement, the Directors' Report and the Corporate Governance Report, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman's Statement, the Directors' Report and the Corporate Governance Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's Responsibilities for The Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for The Audit of the Consolidated Financial Statements (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Chee Kong.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2024

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	*10*	**(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

	Note	2023 RMB'000	2022 RMB'000
(Loss)/profit attributable to:			
Owners of the parent		**(13,594)**	28,456
Non-controlling interests		**(12)**	114
		(13,606)	28,570
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	*12*	**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	*13*	**27,799**	28,076
Right-of-use assets	*14(a)*	**33,857**	36,358
Intangible assets	*15*	**373**	528
Deferred tax assets	*23*	**694**	5,205
Prepayments, other receivables and other assets	*18*	**17,394**	6,044
Total non-current assets		**80,117**	76,211
CURRENT ASSETS			
Inventories	*16*	**2,506**	2,497
Trade receivables	*17*	**789**	523
Prepayments, other receivables and other assets	*18*	**7,044**	83,958
Time deposits with original maturity over three months	*19*	**55,144**	–
Cash and cash equivalents	*19*	**86,827**	89,529
Total current assets		**152,310**	176,507
CURRENT LIABILITIES			
Trade payables	*20*	**6,640**	5,475
Lease liabilities	*14(b)*	**8,803**	6,898
Other payables and accruals	*21*	**17,724**	15,787
Contract liabilities	*22*	**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	*14(b)*	**24,918**	29,718
Contract liabilities	*22*	**4,005**	4,021
Total non-current liabilities		**28,923**	33,739
Net assets		**165,545**	177,751

	Notes	2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*24*	**5,365**	5,365
Reserves	*25*	**159,813**	172,007
		165,178	177,372
Non-controlling interests		**367**	379
Total equity		**165,545**	177,751

Mr. Wang Xiaomin
Director

Ms. Zheng Man
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital RMB'000 (note 24)	Share premium* RMB'000 (note 25)	Merger reserve* RMB'000 (note 25)	Capital reserve* RMB'000 (note 25)	Statutory surplus reserve* RMB'000 (note 25)	Exchange fluctuation reserve* RMB'000 (note 25)	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 for the year	–	–	–	–	–	–	28,456	28,456	114	28,570
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations	–	–	–	–	–	(81)	–	(81)	–	(81)
Total comprehensive income for the year	–	–	–	–	–	(81)	28,456	28,375	114	28,489
Capitalisation issue	4,024	(4,024)	–	–	–	–	–	–	–	–
Issue of shares for the initial public offering	1,341	111,314	–	–	–	–	–	112,655	–	112,655
Share issue expenses	–	(13,936)	–	–	–	–	–	(13,936)	–	(13,936)
Transfer to statutory surplus reserve	–	–	–	–	1,871	–	(1,871)	–	–	–
At 31 December 2022	5,365	93,354	12,016	8,450	10,715	(77)	47,549	177,372	379	177,751

	Attributable to owners of the parent									
	Share capital RMB'000 *(note 24)*	**Share premium* RMB'000 *(note 25)***	**Merger reserve* RMB'000 *(note 25)***	**Capital reserve* RMB'000 *(note 25)***	**Statutory surplus reserve* RMB'000 *(note 25)***	**Exchange fluctuation reserve* RMB'000 *(note 25)***	**Retained profits* RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2023	**5,365**	**93,354**	**12,016**	**8,450**	**10,715**	**(77)**	**47,549**	**177,372**	**379**	**177,751**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(13,594)**	**(13,594)**	**(12)**	**(13,606)**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**1,400**	**-**	**1,400**	**-**	**1,400**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**1,400**	**(13,594)**	**(12,798)**	**(12)**	**(12,206)**
At 31 December 2023	**5,365**	**93,354**	**12,016**	**8,450**	**10,715**	**1,323**	**33,955**	**165,178**	**367**	**165,545**

* *These reserve accounts comprise the consolidated reserves of RMB159,813,000 (2022: RMB172,007,000) in the consolidated statement of financial position.*

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(7,158)**	40,202
Adjustments for:			
Finance costs	*7*	**1,633**	1,886
Bank interest income		**(3,993)**	(1,651)
Loss on disposal of items of property, plant and equipment	*6*	**165**	58
Depreciation of property, plant and equipment	*13*	**7,287**	6,128
Depreciation of right-of-use assets	*14(a)*	**6,738**	6,972
Amortisation of intangible assets	*15*	**155**	208
Impairment of trade receivables, net	*17*	**5**	(27)
Covid-19-related rent concessions from lessors	*14(c)*	**–**	(564)
Gain on termination of leases	*14(c)*	**(321)**	–
Exchange differences, net		**(57)**	(753)
		4,454	52,459
Increase in inventories		**(9)**	(134)
(Increase)/decrease in trade receivables		**(271)**	104
Decrease/(increase) in prepayments, other receivables and other assets		**3,922**	(7,562)
Increase/(decrease) in trade payables		**1,165**	(242)
(Decrease)/increase in contract liabilities		**(917)**	29
Increase/(decrease) in other payables and accruals		**2,608**	(1,165)
Cash generated from operations		**10,952**	43,489
Bank interest received		**3,993**	1,651
Income tax paid		**(9,312)**	(13,328)
Net cash flows from operating activities		**5,633**	31,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(5,582)**	(7,645)
Proceeds from disposal of items of property, plant and equipment		**–**	20
Purchases of intangible assets		**–**	(95)
Lease payments made before the commencement date of a lease	*26(c)*	**–**	(892)
Prepayment for acquisitions of equity investments		**(14,506)**	–
Advances of loans to employees		**(17,680)**	–
Repayments of advances of loans to employees		**17,680**	–
Increase in time deposits with original maturity of over three months		**(55,144)**	–
Net cash flows used in investing activities		**(75,232)**	(8,612)

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares for the initial public offering		**76,417**	33,797
Share issue expenses		**(5,867)**	(426)
Principal portion of lease payments	*26(b)*	**(5,919)**	(7,111)
Interest paid	*26(b)*	**(1,633)**	(1,886)
Net cash flows from financing activities		**62,998**	24,374
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,601)**	47,574
Cash and cash equivalents at beginning of year		**89,529**	41,283
Effect of foreign exchange rate changes, net		**3,899**	672
CASH AND CASH EQUIVALENTS AT END OF YEAR		**86,827**	89,529
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**39,768**	89,529
Non-pledged time deposits with original maturity of less than three months when acquired		**47,059**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position	*19*	**86,827**	89,529

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.

In the opinion of the directors, the controlling shareholders of the Company are Mr. Wang Xiaomin, Ms. Zheng Man, JTC (China) Co., LTD, Ricon (China) Co., LTD and Meihao (China) Co., LTD.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

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	The British Virgin Islands ("BVI") 20 November 2019	United States dollars ("US$") 1	100% (direct)	Investment holding
Health Dental Services Limited	Hong Kong 24 October 2019	Hong Kong dollars ("HK$") 10,000	100% (direct)	Investment holding
Dehong (China) Co., Limited ("Dehong HK")	Hong Kong 18 November 2019	HK$1	100% (indirect)	Investment holding
Wenzhou Meihao Business Management Co., Ltd.* *(Note (a))*	PRC/Chinese Mainland 20 December 2019	US$1,560,000	100% (indirect)	Investment holding
Wenzhou Dehong Medical Management Co., Ltd. ("Dehong Medical")* *(Notes (b) and (d))*	PRC/Chinese Mainland 2 August 2019	RMB10,000,000	100% (indirect)	Investment holding
Wenzhou Tianrui Medical Management Co., Ltd. ("Tianrui Medical")* *(Notes (c) and (d))*	PRC/Chinese Mainland 2 August 2019	RMB10,000,000	100% (indirect)	Investment holding

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

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 Dental Hospital Co., Ltd. ("Wenzhou Hospital")* *(Notes (c) and (d))*	PRC/Chinese Mainland 8 March 2011	RMB20,000,000	100% (indirect)	Provision of dental services
Wenzhou Lucheng Stomatological Hospital Co., Ltd. ("Lucheng Hospital")* *(Notes (c) and (d))*	PRC/Chinese Mainland 7 June 2016	RMB50,000,000	100% (indirect)	Provision of dental services
Longgang Stomatological Hospital Co., Ltd. ("Longgang Hospital")* *(Notes (c) and (d))*	PRC/Chinese Mainland 24 August 2015	RMB5,000,000	95% (indirect)	Provision of dental services
Wenzhou Stomatological Hospital Co., Ltd. ("Wenzhou Oral Care")* *(Notes (c) and (d))*	PRC/Chinese Mainland 21 December 2015	RMB2,300,000	100% (indirect)	Provision of dental services

Notes:

(a) *This entity is a wholly-foreign-owned company established under PRC law.*

(b) *This entity is a Sino-foreign joint venture company established under PRC law.*

(c) *These entities are limited liability enterprises established under PRC law.*

(d) *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. 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 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 year 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. Accounting Policies

2.1 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. Accounting Policies (Continued)

2.2 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.

2. Accounting Policies (Continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 *Effective for annual periods beginning on or after 1 January 2024*

2 *Effective for annual periods beginning on or after 1 January 2025*

3 *No mandatory effective date yet determined but available for adoption*

4 *As a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion*

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2. Accounting Policies (Continued)

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Material accounting policies

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 reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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

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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for use.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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 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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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. 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. For the lease transaction with a director, the lease liability is measured based on the contractual amount.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

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 the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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).

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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 and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables)

After initial recognition, trade and other payables 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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in 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 the reporting period, 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 the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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 costs 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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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 Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Chinese Mainland 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.

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

These financial statements are presented in RMB as the major operations of the Group are within Chinese Mainland. 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 the reporting period. 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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period 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, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in 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 are translated into RMB at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Contractual arrangements

The Consolidated Affiliated Entities are engaged in the medical business. According to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021), 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 1, 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.

3. Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Contractual arrangements (Continued)

The Group does not hold 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 in 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 consolidated financial statements for the reporting period with the 5% equity interest in Longgang Hospital being recognised as a 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 Chinese Mainland.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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 from the customers.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast of 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 consolidated financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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 value of deferred tax assets relating to recognised tax losses at 31 December 2023 was RMB262,000 (2022: RMB2,514,000). Further details are included in note 23 to the consolidated financial statements.

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023 RMB'000	2022 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

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

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.

5. Revenue, Other Income and Gains (Continued)

Revenue from contracts with customers (Continued)

	2023 RMB'000	2022 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):

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories, consumables and customised products		**10,478**	15,204
Depreciation of property, plant and equipment*	*13*	**7,287**	6,128
Depreciation of right-of-use assets	*14(a)*	**6,738**	6,972
Amortisation of intangible assets**	*15*	**155**	208
Impairment of trade receivables, net	*17*	**5**	(27)
Lease payments not included in the measurement of lease liabilities	*14(c)*	**523**	178
Government grants	*5*	**(94)**	(8,210)
Bank interest income	*5*	**(4,971)**	(1,651)
Auditor's remuneration		**2,080**	1,686
Listing expenses		**–**	9,494
Loss on disposal of items of property, plant and equipment, net		**165**	58
Gain on termination of leases	*14(c)*	**(321)**	–
Covid-19-related rent concessions from lessors	*14(c)*	**–**	(564)
Foreign exchange differences, net		**(57)**	753
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**27,795**	32,056
Pension scheme contributions***		**4,279**	4,917
		32,074	36,973

* *The depreciation of property, plant and equipment for the year is included in "Cost of sales" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.*

** *The amortisation of intangible assets for the year is included in "Selling expenses" and "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.*

*** *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:

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

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**396**	32
Other emoluments:		
Salaries, allowances and benefits in kind	**1,248**	745
Pension scheme contributions	**78**	74
Subtotal	**1,326**	819
Total	**1,722**	851

(a) Independent non-executive directors

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

	2023 RMB'000	2022 RMB'000
Mr. Ng Ming Chee*	**162**	13
Ms. Tam Hon Shan Celia*	**162**	13
Dr. Zhou Jian*	**72**	6
Total	**396**	32

* *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.*

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

8. Directors' and Chief Executive's Remuneration (Continued)

(b) Executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023				
Mr. Wang Xiaomin*	**–**	**630**	**39**	**669**
Ms. Zheng Man	**–**	**618**	**39**	**657**
Total	**–**	**1,248**	**78**	**1,326**
2022				
Mr. Wang Xiaomin*	–	379	37	416
Ms. Zheng Man	–	366	37	403
Total	–	745	74	819

* *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 year.

9. Five Highest Paid Employees

The five highest paid employees during the year included two directors (2022: No director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2022: Five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	**2,175**	2,874
Pension scheme contributions	**213**	312
Total	**2,388**	3,186

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	
	2023	2022
Nil to HK$1,000,000	**2**	5
HK$1,000,001 to HK$1,500,000	**1**	–
Total	**3**	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 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.

10. Income Tax (Continued)

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

	2023 RMB'000	2022 RMB'000
Current – Chinese Mainland		
Charge for the year	**1,937**	13,280
Deferred *(note 23)*	**4,511**	(1,648)
Total	**6,448**	11,632

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory tax rate to the tax expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
(Loss)/profit before tax	**(7,158)**	40,202
Tax at the statutory tax rate	**(1,790)**	10,051
Preferential tax rates enacted by local authority	**684**	(468)
Expenses not deductible for tax	**179**	1,955
Adjustments in respect of current tax of previous periods	**(39)**	–
Effect on opening deferred tax of decrease in rate	**157**	–
Temporary differences and tax losses not recognised	**7,257**	94
Tax charge at the Group's effective rate	**6,448**	11,632

11. 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. The final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. (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 RMB'000	2022 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

13. Property, Plant and Equipment

	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 2023						
At 1 January 2023:						
Cost	17,774	7,538	961	28,516	745	55,534
Accumulated depreciation	(8,216)	(3,522)	(878)	(14,842)	–	(27,458)
Net carrying amount	9,558	4,016	83	13,674	745	28,076
At 1 January 2023, net of accumulated depreciation	9,558	4,016	83	13,674	745	28,076
Additions	1,023	603	1,149	148	4,252	7,175
Depreciation provided during the year *(note 6)*	(1,823)	(659)	(127)	(4,678)	–	(7,287)
Disposals	(158)	(7)	–	–	–	(165)
Transfers	–	–	–	745	(745)	–
At 31 December 2023, net of accumulated depreciation	8,600	3,953	1,105	9,889	4,252	27,799
At 31 December 2023:						
Cost	17,892	8,030	2,110	29,409	4,252	61,693
Accumulated depreciation	(9,292)	(4,077)	(1,005)	(19,520)	–	(33,894)
Net carrying amount	8,600	3,953	1,105	9,889	4,252	27,799

13. Property, Plant and Equipment (continued)

	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 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	2,117	1,676	–	2,175	745	6,713
Depreciation provided during the year *(note 6)*	(1,786)	(663)	(23)	(3,656)	–	(6,128)
Disposals	(78)	–	–	–	–	(78)
Transfers	–	–	–	665	(775)	(110)
At 31 December 2022, net of accumulated depreciation	9,558	4,016	83	13,674	745	28,076
At 31 December 2022:						
Cost	17,774	7,538	961	28,516	745	55,534
Accumulated depreciation	(8,216)	(3,522)	(878)	(14,842)	–	(27,458)
Net carrying amount	9,558	4,016	83	13,674	745	28,076

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 year are as follows:

	Office premises RMB'000
As at 1 January 2022	43,578
Depreciation charge *(note 6)*	(6,972)
Reassessment of lease liabilities *(note 14(d))*	(248)
As at 31 December 2022 and 1 January 2023	36,358
Additions	5,840
Depreciation charge *(note 6)*	(6,738)
Reductions as a result of terminations of leases	(1,603)
As at 31 December 2023	33,857

14. Leases (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2023 RMB'000	2022 RMB'000
Carrying amount at 1 January	**36,616**	44,539
New leases	**5,840**	–
Accretion of interest recognised during the year	**1,633**	1,886
Covid-19-related rent concessions from lessors	**–**	(564)
Reassessment of lease liabilities *(note 14(d))*	**–**	(248)
Reductions as a result of termination of leases	**(1,924)**	–
Payments	**(8,444)**	(8,997)
Carrying amount at 31 December	**33,721**	36,616
Analysed into:		
Current portion	**8,803**	6,898
Non-current portion	**24,918**	29,718

The maturity analysis of lease liabilities is disclosed in note 31 to the consolidated financial statements.

The Group applied the practical expedient to all eligible Covid-19-related rent concessions granted by the lessors during the year ended 31 December 2022.

As at 31 December 2023, included in the Group's current lease liabilities was an amount of RMB1,799,000 (2022: RMB53,000) due to a director.

14. Leases (Continued)

The Group as a lessee (Continued)

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

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**1,633**	1,886
Depreciation charge of right-of-use assets	**6,738**	6,972
Expense relating to short-term leases (included in selling expenses, administrative expenses and cost of sales) *(note 6)*	**523**	178
Covid-19-related rent concessions from lessors *(note 6)*	**–**	(564)
Gain on termination of leases *(note 6)*	**(321)**	–
Total amount recognised in profit or loss	**8,573**	8,472

(d) **Reassessment of lease liabilities**

According to the lease contract, the lessor engaged a third-party evaluation agency to re-evaluate the seventh-year rent of Lucheng Hospital during the year ended 31 December 2022. The seventh-year rent was reduced from RMB1,787,000 to RMB1,701,000, after which it will increase 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.

(e) The total cash outflow for leases is disclosed in note 26(c) to the consolidated financial statements.

15. Intangible Assets

	Software RMB'000
31 December 2023	
Cost at 1 January 2023, net of accumulated amortization	**528**
Amortisation provided during the year *(note 6)*	**(155)**
At 31 December 2023	**373**
At 31 December 2023:	
Cost	**1,107**
Accumulated amortization	**(734)**
Net carrying amount	**373**
31 December 2022	
Cost at 1 January 2022, net of accumulated amortisation	531
Additions	95
Amortisation provided during the year *(note 6)*	(208)
Transfers	110
At 31 December 2022	528
At 31 December 2022:	
Cost	1,107
Accumulated amortisation	(579)
Net carrying amount	528

16. Inventories

	2023 RMB'000	2022 RMB'000
Pharmaceuticals	**45**	68
Medical consumables	**2,461**	2,429
Total	**2,506**	2,497

17. Trade Receivables

	2023 RMB'000	2022 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 RMB'000	2022 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

17. Trade Receivables (Continued)

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

	2023 RMB'000	2022 RMB'000
At beginning of year	**3**	30
Impairment losses, net *(note 6)*	**5**	(27)
At end of year	**8**	3

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the ageing of receivables from the customer. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Less than 1 year	**1 to 2 years**	**Over 2 years**	**Total**
As at 31 December 2023				
Trade receivables (RMB'000)	**777**	**7**	**13**	**797**
Expected credit loss rate	**0.64%**	**4.89%**	**23.08%**	**1.00%**
Expected credit losses (RMB'000)	**5**	**–**	**3**	**8**
As at 31 December 2022				
Trade receivables (RMB'000)	508	16	2	526
Expected credit loss rate	0.59%	0.82%	17.46%	0.57%
Expected credit losses (RMB'000)	3	–	–	3

18. Prepayments, Other Receivables and Other Assets

	2023 RMB'000	2022 RMB'000
Non-current:		
Prepayments for acquisitions of equity investments	**14,506**	–
Prepayments for long-term assets	**1,618**	4,774
Rental deposits	**1,270**	1,270
Subtotal	**17,394**	6,044
Current:		
Other receivables	**4,230**	81,967
Prepayments	**2,814**	1,991
Subtotal	**7,044**	83,958
Total	**24,438**	90,002

As at 31 December 2022, included in the non-current portion of prepayments, other receivables and other assets are lease prepayments of RMB892,000 made before the commencement date of a lease to the Group's related party. No such lease prepayments were included in the non-current portion of prepayments, other receivables and other assets as at 31 December 2023.

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 31 December 2023 and 2022, the loss allowance was assessed to be minimal.

19. Cash and Cash Equivalents

	2023 RMB'000	2022 RMB'000
Cash and bank balances	**39,768**	89,529
Time deposits	**102,203**	–
Subtotal	**141,971**	89,529
Less:		
Time deposits with original maturity over three months	**(55,144)**	–
Cash and cash equivalents	**86,827**	89,529
Denominated in HK$	**49,025**	33,609
Denominated in RMB	**37,109**	55,920
Denominated in US$	**693**	–
Cash and cash equivalents	**86,827**	89,529

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one month and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. 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 RMB'000	2022 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.

21. Other Payables and Accruals

	2023 RMB'000	2022 RMB'000
Payroll payable	**5,918**	6,335
Other payables	**5,873**	8,583
Advances from customers	**5,056**	–
Taxes payable other than corporate income tax	**877**	869
Total	**17,724**	15,787

Other payables are non-interest-bearing and repayable on demand.

22. Contract Liabilities

Details of contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
Advances received from customers		
Dental services		
Current	**3,302**	4,203
Non-current	**4,005**	4,021
Total	**7,307**	8,224

Contract liabilities include advances received to render dental services.

23. Deferred Tax

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

Deferred tax liabilities

	Right-of-use assets RMB'000
At 1 January 2022	8,821
Deferred tax credited to profit or loss during the year *(note 10)*	(645)
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	8,176
Deferred tax credited to profit or loss during the year *(note 10)*	(998)
Gross deferred tax liabilities at 31 December 2023	7,178

23. Deferred Tax (Continued)

The movements in deferred tax liabilities and assets during the year are as follows: (Continued)

Deferred tax assets

	Accrued employee benefits RMB'000	Accrued expenses RMB'000	Impairment of financial assets RMB'000	Tax losses RMB'000	Lease liabilities RMB'000	Others RMB'000	Total deferred tax assets RMB'000
At 1 January 2022	895	1,020	7	1,103	9,353	–	12,378
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(58)	60	(6)	1,411	(404)	–	1,003
Gross deferred tax assets at 31 December 2022 and 1 January 2023	837	1,080	1	2,514	8,949	–	13,381
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(565)	(1,080)	1	(2,252)	(1,626)	13	(5,509)
Gross deferred tax assets at 31 December 2023	272	–	2	262	7,323	13	7,872

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

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**694**	5,205
Net deferred tax liabilities recognised in the consolidated statement of financial position	**–**	–

23. Deferred Tax (Continued)

Deferred tax assets (Continued)

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

	2023 RMB'000	2022 RMB'000
Tax losses	**30,395**	4,876
Deductible temporary differences	**4,511**	933
	34,906	5,809

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.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, 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 Chinese Mainland. 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 Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB36,435,000 (2022: RMB50,038,000).

24. Share Capital

Shares

	2023 HK$'000	2022 HK$'000
Authorised:		
1,500,000,000 ordinary shares of HK$0.01 each	**15,000**	15,000
Issued and fully paid:		
600,000,000 (2022: 600,000,000) ordinary shares of HK$0.01 each	**6,000**	6,000
Equivalent to RMB'000	**5,365**	5,365

A summary of movements in the Company's share capital is as follows:

	Notes	**Number of shares in issue**	**Share capital** RMB'000
At 1 January 2022		10,000	–
Capitalisation issue	*(a)*	449,990,000	4,024
New issues on 14 December 2022	*(b)*	150,000,000	1,341
At 31 December 2022, 1 January 2023 and 31 December 2023		600,000,000	5,365

Notes:

(a) *Pursuant to the board resolutions passed on 8 November 2022, 449,990,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par, by way of capitalisation from the share premium account to the holders of shares whose names appeared on the register of members of the Company at the close of business on 8 November 2022 in proportion to their respective shareholdings. The allotment and capitalisation issue were conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (b) below.*

(b) *In connection with the Company's initial public offering, 150,000,000 ordinary shares of HK$0.01 each were issued at a price of HK$0.84 per share for a total cash consideration, before expenses, of approximately HK$126,000,000 (equivalent to RMB112,655,000). Dealings in these shares on the Stock Exchange commenced on 14 December 2022.*

25. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity on page 102 of the consolidated financial statements.

Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the constitutional documents and the Companies Law of the Cayman Islands, the share premium is distributable as dividend on the condition that the Company is able to pay its debts when they fall due in the ordinary course of business at the time the proposed dividend is to be paid.

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.

Capital reserve

The capital reserve of the Group represents a waived interest-free shareholder's loan from the controlling shareholder.

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.

26. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

(i) The Group had non-cash additions to right-of-use assets and lease liabilities of RMB5,840,000 and RMB5,840,000 during the year ended 31 December 2023, respectively, in respect of lease arrangements for office premises. No such non-cash additions occurred during the year ended 31 December 2022.

(ii) The Group had non-cash reductions to right-of-use assets and lease liabilities of RMB248,000 and RMB248,000, respectively, during the year ended 31 December 2022 in respect of reassessment of lease liabilities. No such non-cash reductions occurred during the year ended 31 December 2023. Further details are included in note 14(d).

(iii) During the year ended 31 December 2023, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB1,603,000 and RMB1,924,000, respectively, in respect of termination of leases for certain office premises. No such non-cash reductions occurred during the year ended 31 December 2022.

(b) Changes in liabilities arising from financing activities

2023

	Lease liabilities RMB'000
At 1 January 2023	**36,616**
Changes from financing cash flows	
– Principal portion of lease payments	**(6,811)**
– Interest paid	**(1,633)**
New leases	**5,840**
Interest expense	**1,633**
Reductions as a result of termination of leases	**(1,924)**
At 31 December 2023	**33,721**

26. Notes to the Consolidated Statement of Cash Flows (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

2022

	Lease liabilities RMB'000
At 1 January 2022	44,539
Changes from financing cash flows	
– Principal portion of lease payments	(7,111)
– Interest paid	(1,886)
Interest expense	1,886
Covid-19-related rent concessions from lessors	(564)
Reassessment of lease liabilities	(248)
At 31 December 2022	36,616

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 RMB'000	2022 RMB'000
Within operating activities	**523**	178
Within investing activities	**–**	892
Within financing activities	**8,444**	8,997
Total	**8,967**	10,067

27. Commitments

(a) The Group had the following contractual commitments at the end of the reporting period:

	2023 RMB'000	2022 RMB'000
Leasehold improvements	**2,581**	1,763
Medical equipment	**664**	301
Total	**3,245**	2,064

(b) The Group has a lease contract entered as a lessee that has not yet commenced as at 31 December 2022. The future lease payments for this non-cancellable lease contract are RMB1,783,000 due in the second to third years, inclusive.

28. Related Party Transactions

Details of the Group's principal related party is as follows:

Name	**Relationship with the Group**
Ms. Zheng Man	Executive director

(a) In addition to the transactions detailed in note 8 to the consolidated financial statements, the Group had the following other transaction with a related party during the year:

During the year ended 31 December 2022, a subsidiary of the Group entered into an agreement to rent office premises from a director, Ms. Zheng Man, for a period of three years commencing from 1 January 2023 with an annual rental fee of RMB892,000.

(b) Outstanding balance with a related party:

	2023 RMB'000	2022 RMB'000
Prepayments, other receivables and other assets		
Ms. Zheng Man	**–**	892

(i) Details of the Group's prepayments to a director are included in note 18 to the consolidated financial statements.

(ii) Details of the Group's lease liabilities to a director as at the end of the reporting period are included in note 14(b) to the consolidated financial statements.

(iii) The balance with a director was unsecured, interest-free and trade in nature.

28. Related Party Transactions (Continued)

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

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**2,650**	1,901
Pension scheme contributions	**295**	247
Total compensation paid to key management personnel	**2,945**	2,148

Further details of directors' and the chief executive's emoluments are included in note 8 to the consolidated financial statements.

29. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2023 RMB'000	2022 RMB'000
Trade receivables	**789**	523
Financial assets included in prepayments, other receivables and other assets	**5,500**	83,237
Time deposits with original maturity over three months	**55,144**	–
Cash and cash equivalents	**86,827**	89,529
Total	**148,260**	173,289

Financial liabilities

	Financial liabilities at amortised cost	
	2023 RMB'000	2022 RMB'000
Trade payables	**6,640**	5,475
Financial liabilities included in other payables and accruals	**5,873**	8,583
Total	**12,513**	14,058

30. 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, time deposits with original maturity over three months, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables and financial liabilities included in other payables and accruals 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 each reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the 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 Group did not have any financial assets and financial liabilities measured at fair value as at 31 December 2023 and 2022.

During the year, 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 (2022: Nil).

31. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise 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 foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

31. Financial Risk Management Objectives and Policies (Continued)

Foreign currency risk (Continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's loss/profit before tax (arising from foreign currency denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2023			
If the RMB weakens against the HK$	**5**	**5,186**	**5,252**
If the RMB strengthens against the HK$	**(5)**	**(5,186)**	**(5,252)**
If the RMB weakens against the US$	**5**	**35**	**35**
If the RMB strengthens against the US$	**(5)**	**(35)**	**(35)**
2022			
If the RMB weakens against the HK$	5	4,931	4,935
If the RMB strengthens against the HK$	(5)	(4,931)	(4,935)

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 31 December.

The amounts presented are gross carrying amounts for financial assets.

31. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	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*	–	–	–	797	797
Financial assets included in prepayments, other receivables and other assets					
– Normal**	5,500	–	–	–	5,500
Time deposits with original maturity over three months					
– Not yet past due	55,144	–	–	–	55,144
Cash and cash equivalents					
– Not yet past due	86,827	–	–	–	86,827
Total	147,471	–	–	797	148,268

As at 31 December 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*	–	–	–	526	526
Financial assets included in prepayments, other receivables and other assets					
– Normal**	83,237	–	–	–	83,237
Cash and cash equivalents					
– Not yet past due	89,529	–	–	–	89,529
Total	172,766	–	–	526	173,292

* *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 consolidated financial statements.*

** *The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".*

31. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the consolidated financial statements.

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 the reporting period, based on the contractual undiscounted payments, is as follows:

2023

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 10 years RMB'000	Total RMB'000
Lease liabilities	**1,151**	**18**	**8,590**	**28,901**	**38,660**
Trade payables	**6,640**	**–**	**–**	**–**	**6,640**
Financial liabilities included in other payables and accruals	**5,873**	**–**	**–**	**–**	**5,873**
Total	**13,664**	**18**	**8,590**	**28,901**	**51,173**

2022

	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 10 years RMB'000	Total RMB'000
Lease liabilities	469	600	6,834	34,981	42,884
Trade payables	5,475	–	–	–	5,475
Financial liabilities included in other payables and accruals	8,583	–	–	–	8,583
Total	14,527	600	6,834	34,981	56,942

31. Financial Risk Management Objectives and Policies (Continued)

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 years ended 31 December 2023 and 31 December 2022.

32. Events After the Reporting Period

(a) On 19 December 2023, Wenzhou Oral Care, a wholly-owned subsidiary of the Group, entered into a share purchase agreement in relation to the acquisition of 51% equity interests in Wenzhou Ouhai Jielaiya Oral Clinic Co., Ltd, a private dental service provider, by way of acquisition of equity interests from its shareholder, Wang Liangzhong. As at the date of this report, the acquisition is completed and Wenzhou Ouhai Jielaiya Oral Clinic Co., Ltd has become an indirect owned subsidiary of the Company.

On 19 December 2023, Dehong Medical and Tianrui Medical, wholly-owned subsidiaries of the Group, entered into share purchase agreements in relation to the acquisition of 98.5% equity interests in Yueqing Stomatological Hospital Co., Ltd, a private dental service provider, by way of acquisition of equity interests from its shareholders, Lin Chengyin and Wang Lianghua. As at the date of this report, the acquisition is not completed.

(b) On 16 January 2024, the board of the Company ("Board") has resolved to adopt 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. On the same day, the Board resolved to grant a total of 24,000,000 shares to four employees of the Group under the share award scheme at nil consideration and shall be 100% vested on the first anniversary of the date of grant.

On 16 January 2024, the Board also resolved to grant a total of 60,000,000 share options to ten employees of the Group under the share option scheme adopted by the Company on 8 November 2022. These share options have an exercise price of HK$0.45 per share, and shall vest according to different vesting schedules.

For the details of the share award and share option information, please refer to the Company's announcements dated 16 January 2024.

33. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**9**	9
Total non-current assets	**9**	9
CURRENT ASSETS		
Prepayments, other receivables and other assets	**452**	67,225
Due from a subsidiary	**709**	–
Time deposits with original maturity over three months	**55,144**	–
Cash and cash equivalents	**47,627**	33,601
Total current assets	**103,932**	100,826
CURRENT LIABILITIES		
Other payables and accruals	**509**	2,078
Due to a subsidiary	**4,380**	1,101
Total current liabilities	**4,889**	3,179
NET CURRENT ASSETS	**99,043**	97,647
TOTAL ASSETS LESS CURRENT LIABILITIES	**99,052**	97,656
Net assets	**99,052**	97,656
EQUITY		
Share capital	**5,365**	5,365
Reserves *(note)*	**93,687**	92,291
Total equity	**99,052**	97,656

33. Statement of Financial Position of the Company (Continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (Continued)

Note:

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

	Share premium	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2022	–	–	–	–
Total comprehensive loss for the year	–	(81)	(982)	(1,063)
Capitalisation issue	(4,024)	–	–	(4,024)
Issue of shares for the initial public offering	111,314	–	–	111,314
Share issue expenses	(13,936)	–	–	(13,936)
At 31 December 2022 and 1 January 2023	93,354	(81)	(982)	92,291
Total comprehensive income for the year	–	1,400	(4)	1,396
At 31 December 2023	93,354	1,319	(986)	93,687

34. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2024.

FINANCIAL SUMMARY

A summary of selected items of the results and of the assets, liabilities and equity of the Group for the last five financial years is set out below:

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**73,513**	127,408	105,315	84,556	83,159
Gross profit	**32,655**	78,248	66,930	50,617	45,271
(Loss)/profit before tax	**(7,158)**	40,202	43,667	24,192	23,082
(Loss)/profit for the year	**(13,606)**	28,570	32,177	14,980	15,463

	As at 31 December				
	2023	2022	2021	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL POSITION					
Total assets	**232,427**	252,718	133,866	98,365	99,111
Total liabilities	**66,882**	74,967	83,323	79,999	79,241
Total equity	**165,545**	177,751	50,543	18,366	19,870
Non-controlling interests	**367**	379	265	157	80
Equity attributable to owners of the Company	**165,178**	177,372	50,278	18,209	19,790

"2024 AGM"	the forthcoming annual general meeting of the Company to be held on 18 June 2024
"Articles" or "Articles of Association"	the articles of association of the Company as amended or supplemented from time to time
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report only and except where the context requires otherwise, references in this annual report to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Meihao Medical Group Co., Ltd (美皓醫療集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 18 November 2019, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1947)
"Director(s)"	the director(s) of the Company
"Final Dividend"	the final dividend proposed to be paid out of the share premium account of the Company of HK$0.01 per Share for the year ended 31 December 2023
"Global Offering"	the offer of the Shares for subscription as described in the section headed "Structure of the Global Offering" in the Prospectus
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	19 April 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	14 December 2022, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macau"	the Macau Special Administrative Region of the PRC

"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 30 November 2022 in connection with the Global Offering
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period" or "Year"	the year ended 31 December 2023
"RMB"	the lawful currency of PRC
"Scrip Dividend Scheme"	the scrip dividend scheme proposed by the Board which offers the Shareholders a scrip alternative whereby Shareholders may elect to receive the Final Dividend wholly by the allotment of new Share(s) credited as fully paid to be issued under the Scrip Dividend Scheme in lieu of cash
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Award Scheme"	the share award scheme adopted by the Company on 16 January 2024
"Share Option Scheme"	the share option scheme adopted by the Company then Shareholders on 8 November 2022
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of HK$0.01 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent