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

2024
ANNUAL
REPORT

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Wang Xiaomin *(Chairman, Chief Executive Officer)*
Ms. Zheng Man *(General Manager)*
Dr. Zhou Jian[Note 1]
(re-designated with effect from 29 November 2024)

Independent Non-executive Directors

Mr. Ng Ming Chee
Ms. Tam Hon Shan Celia
Mr. Zhang Yongcun[Note 2]
(appointed with effect from 29 November 2024)

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
(resigned with effect from 29 November 2024)
Ms. Tam Hon Shan Celia
Mr. Zhang Yongcun
(appointed with effect from 29 November 2024)

Remuneration Committee

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

Nomination Committee

Mr. Wang Xiaomin *(Chairman)*
Dr. Zhou Jian
(resigned with effect from 29 November 2024)
Ms. Tam Hon Shan Celia
Mr. Zhang Yongcun
(appointed with effect from 29 November 2024)

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
Central, Hong Kong

Principal Share Registrar

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

Auditor

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

Registered Office

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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

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Bedford Factory Building
No. 51 Bedford Road
Tai Kwok Tsui
Kowloon, Hong Kong

Stock Code

1947

Website

www.meihaomedical.com

Notes:

1. *Dr. Zhou Jian was re-designated from an independent non-executive Director to an executive Director and ceased to be a member of each of the audit committee of the Company (the "**Audit Committee**") and of the nomination committee of the Company (the "**Nomination Committee**") with effect from 29 November 2024.*

2. *Mr. Zhang Yongcun ("**Mr. Zhang**") was appointed as an independent non-executive director of the Company with effect from 29 November 2024. Meanwhile, Mr. Zhang was appointed as a member of the Audit Committee and a member of the Nomination Committee, with effect from 29 November 2024.*

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Director(s)**") of Meihao Medical Group Co., Ltd. (the "**Company**") and its subsidiaries (collectively the "**Group**"), I am pleased to present the audited consolidated financial results of the Company and the Group for the year ended 31 December 2024.

In 2024, the Group developed sustainable and stable momentum as a leading private dental service provider in Wenzhou. According to the relevant industry report, the proportion of patients received by private dental service institutions in Wenzhou reached 68%, while the national comparison value was 52%. In such a highly competitive environment, the Group proactively addressed challenges posed by macroeconomic conditions, industry policies, and market competition, remaining committed to our customer-centric philosophy and service quality enhancement as core priorities and achieving relatively satisfactory financial performance.

Notably, last year, while Wenzhou's per capita disposable income grew by 5.1% – 0.2 percentage points below the national average – the region's Consumer Price Index (CPI) registered a 0.3% increase, exceeding the national level by 0.1 percentage points. The decline in purchasing power of Wenzhou residents was due to the fact that 41% of consumers in Wenzhou paid more attention to price in their dental spending behaviour, which is 9 percentage points higher than the national average.

Under these tough market condition last year, we persisted in enhancing operational capabilities and service quality, coupled with proactive adaptation to market dynamics. Through our effort on optimizing internal management, enhancing operational efficiency, expanding business areas, and investing in advertising costs, the Group's revenue had slightly increased compared to 2023, from RMB73.5 million to RMB74.7 million. While maintaining relatively stable financial conditions, liquidity slightly deteriorated. As of 31 December 2024, cash and cash equivalents amounted to RMB78.5 million, a 9.6% decline from 2023. Total net assets decreased from RMB165.5 million in 2023 to RMB120.4 million in 2024. During the year, leveraging our experienced team and expertise, the number of active dental patients increased from 50,324 cases to 61,777 cases.

Since the National Healthcare Security Administration (NHSA) clearly stated at the press conference held on 23 November 2024 that it will comprehensively promote the special reform of price and fee charging for all dental projects within the next two years, the Group has taken relevant measures to adapt to the upcoming new environment, including continuously improve its own medical technology level and service quality, actively introduce advanced medical equipment and technologies, strengthen the training and management of medical staff to provide patients with more professional, efficient and attentive services, and actively expanding business areas by establishment of overseas companies and strategic cooperation upstream and downstream. Therefore, to enhance company's market competitiveness further.

Looking forward to 2025, we will focus on exploring the accurate diagnosis of lesions and the design of personalized treatment plans, relieve patients' preoperative anxiety, and effectively enhance mutual trust between doctors and patients; build an intelligent training platform to accelerate the promotion of professional talents. At the same time, through deep data mining, we help companies gain insight into industry trends, formulate precise marketing strategies, and comprehensively promote the intelligent upgrading and innovative development of the oral industry.

Moving forward, we will deepen collaborations with international medical institutions to consolidate local operations while expanding overseas markets. By adopting advanced technologies and exploring new business models, we aim to inject fresh vitality into the Company's sustainable growth and reinforce our leadership in the dental healthcare sector.

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 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

The Group is an established private dental service provider in Wenzhou City (溫州市), Zhejiang Province, PRC ("**Wenzhou**"). The Group generates its revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors namely, general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科) and orthodontics and cosmetic dentistry (牙齒正畸科). As at 31 December 2024, the Group owned and operated a network of six private dental hospitals and one clinic in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital, Wenzhou Oral Care, Ouhai Jielaiya Oral Clinic, Rui'an Branch Hospital in Rui'an City, Longgang Hospital in Longgang City and Yueqing Hospital in Yueqing City.

During the Reporting Period, with the implementation of the Collective Procurement Policy (種植牙集採政策), the Group continued to imposed restrictions on the pricing of services. Meanwhile, other private dental service institutions, initiated price reduction competition. The group had to join in to maintain its market position, which also led to an increase in the group's sales costs. For the year ended 31 December 2024, the Group has resulted in revenue of approximately RMB74.7 million (2023: RMB73.5 million). A net loss of approximately RMB32.6 million had recorded for the year ended 31 December 2024, representing a greater loss compared to the net loss of RMB13.6 million for the year ended 31 December 2023. The increase in net loss was mainly attributable to the increase in (i) cost of sales and (ii) administrative expenses as a result of the increase of staff cost and share rewards.

Further, the press conference held by NHSA on 23 November 2024 about Comprehensive CPR, where the charging standards extend to new oral medical projects including comprehensive, periodontal, orthodontic, restoration, endodontic, and surgical, will take effect in two years. This new regulation attempts to control the overall cost of medical service price items through the "separation of skills and consumables", and is undoubtedly the key to making a far-reaching impact on patients and dental service providers. The increased reimbursement ratio would lead price-sensitive patients flowing into low price service provider. In this case, the Group need to optimize the cost structure and set reasonable prices as much as possible while ensuring service quality.

In response to this trend and to promote the healthy development, the Group also controls costs through refined management and supply chain optimization, such as establishing long-term partnerships with dental material suppliers to obtain more favorable purchasing prices, or improving internal management efficiency and reducing unnecessary operating expenses to attract price-sensitive patients and enhance market competitiveness.

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 or 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 Seven Private Dental Hospitals

The number of the Group's total active patients increased from 50,324 for the year ended 31 December 2023 to 61,777 for the year ended 31 December 2024, representing an increase of 22.8%. The following table sets forth the breakdown of the number of active patients by the Group's six private hospitals and one clinic:

	For the year ended 31 December	
	2024 No. of active patients	2023 No. of active patients
Wenzhou Hospital	**28,366**	27,958
Longgang Hospital	**3,771**	3,187
Lucheng Hospital	**12,352**	10,105
Rui'an Branch Hospital	**2,817**	2,805
Wenzhou Oral Care	**8,638**	6,269
Ouhai Jielaiya Oral Clinic	**3,130**	–
Yueqing Hospital	**2,703**	–
Total	**61,777**	50,324

Revenue by Seven Private Dental Hospitals

	For the year ended 31 December			
	2024		2023	
	Revenue RMB'000	**Approx. % of the total revenue %**	Revenue RMB'000	Approx. % of the total revenue %
Wenzhou Hospital	**35,218**	**47.2**	45,820	62.4
Longgang Hospital	**3,861**	**5.2**	4,043	5.5
Lucheng Hospital	**11,699**	**15.7**	10,819	14.7
Rui'an Branch Hospital	**3,094**	**4.1**	3,332	4.5
Wenzhou Oral Care	**15,448**	**20.7**	9,499	12.9
Ouhai Jielaiya Oral Clinic	**3,450**	**4.6**	–	–
Yueqing Hospital	**1,910**	**2.5**	–	–
Total	**74,680**	**100.0**	73,513	100.0

Wenzhou Hospital, which commenced operations in March 2011, contributed the largest share of our revenue during the Reporting Period, representing approximately 47.2% of our total revenue for the year ended 31 December 2024.

Prospects

In response to China's nationwide implementation of the dental collective procurement policy, which now extends to orthodontics, pediatric dentistry, and cosmetic dentistry, the Group is proactively aligning its operations to adapt to this transformative landscape. While the policy introduces short-term challenges in pricing dynamics, it also presents an opportunity to enhance accessibility and affordability of dental care, particularly in underserved regions. By optimizing service portfolios and strengthening collaborations with upstream suppliers, the Group aims to maintain service quality while achieving cost efficiencies. Strategic investments in scalable technologies and standardized processes will further solidify our ability to deliver value-driven solutions across diverse market segments, ensuring resilience in an evolving regulatory environment.

Elevating Corporate Citizenship and Social Impact

The Group remains deeply committed to fostering trust and societal well-being. In 2025, we will amplify our focus on community-centric initiatives, including expanded oral health education programs and partnerships with local governments to support vulnerable populations. Our ESG (Environmental, Social, and Governance) framework will guide efforts to adopt sustainable practices, such as reducing waste in clinical operations and promoting digital patient engagement tools. By transparently communicating our price adjustments under the collective procurement policy, we aim to reinforce our reputation as a socially responsible leader in healthcare, dedicated to balancing affordability with excellence.

Advancing Service Excellence and Technological Innovation

To meet the rising expectations of a price-sensitive yet quality-conscious market, the Group will continue to innovate across its service offerings. This includes integrating advanced technologies, such as AI-driven diagnostics and minimally invasive treatment protocols, to enhance precision and patient comfort. Our proprietary operational systems will undergo further enhancements to streamline multi-hospital management and improve service coherence. The children's dental department will see targeted upgrades through interactive, child-friendly technologies, ensuring a seamless and engaging experience for younger patients. Additionally, the expansion of telehealth capabilities will broaden access to our services, particularly in remote areas, aligning with our mission to deliver inclusive, high-quality care.

Strengthening Industry Chain Synergies

Building on our upstream and downstream integration efforts, the Group will continue to explore synergies across the dental value chain. Strategic partnerships with medical device innovators and material suppliers will enhance supply chain stability and technological agility, while downstream ventures in adjacent sectors will create complementary growth avenues. These initiatives not only diversify revenue streams but also reinforce our ability to deliver comprehensive, end-to-end solutions, positioning the Group as a holistic healthcare provider in a competitive market.

Cultivating a Global Talent Ecosystem

Recognizing that skilled professionals are pivotal to our success, the Group will deepen investments in talent development and international collaboration. The establishment of dental training center is on the top agenda, and it will serve as a hub for continuous learning, offering advanced certification programs in partnership with leading global institutions. We will further expand campus recruitment initiatives and strengthen alliances with international medical bureaus to attract diverse expertise. By fostering a culture of innovation through incentive programs and cross-border knowledge exchange, the Group aims to build a world-class team capable of driving breakthroughs in dental science and patient care.

Financial Review

Revenue

During the Reporting Period, our revenue amounted to approximately RMB74.7 million, representing an increase of approximately 1.6% as compared to the year ended 31 December 2023. The revenue growth was mainly due to the contribution of two new branches brought about by the Group's expansion, and our revenue is still affected by the collective purchasing policy and local market competition.

Revenue by types of dental services

General Dentistry

Our revenue for general dentistry for the year ended 31 December 2024 was approximately RMB30.5 million (FY2023: RMB31.2 million), representing a decrease of approximately 2.2% as compared to the corresponding period in 2023. The decrease was mainly due to the decrease in pricing for general dentistry, though the number of visitors increased. Such decrease in pricing of average order value mainly due to consumption downgrade and pricing competition. Revenue generated from general dentistry accounted for approximately 40.8% of our total revenue for the Reporting Period as compared to approximately 42.5% for the year ended 31 December 2023.

Orthodontics and Cosmetic Dentistry

Our revenue for orthodontics and cosmetic dentistry for the year ended 31 December 2024 was approximately RMB14.1 million (FY2023: RMB14.4 million), representing a decrease of approximately 2.1% as compared to the corresponding period in 2023. The decrease was mainly due to the decrease in pricing for orthodontics and cosmetic dentistry, though the number of visitors increased. Such decrease in pricing of average order value mainly due to consumption downgrade and pricing competition. Revenue generated from orthodontics and cosmetic dentistry accounted for approximately 18.9% of our total revenue, as compared to approximately 19.7% for the year ended 31 December 2023.

Reparative Dentistry

Our revenue for reparative dentistry for the year ended 31 December 2024 was approximately RMB16.3 million (FY2023: RMB14.9 million), representing an increase of RMB1.4 million. It accounted for approximately 21.8% of our total revenue for the Reporting Period, similar to approximately 20.2% of the year ended 31 December 2023.

Implant Dentistry

Our revenue for implant dentistry for the year ended 31 December 2024 was approximately RMB8.9 million (FY2023: RMB8.0 million), indicating an increase of approximately 11.3% compare to the corresponding period in 2023. The recovery of our revenue of implant dentistry was implementing a more competitive price to the local market than before to mitigate impact 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 increased by approximately 16.6% to approximately RMB47.7 million (FY2023: approximately RMB40.9 million). The increase in our cost of sales was due to increased staff costs and issuance stock awards, such as hiring international talents and team incentives.

Gross Profit and Gross Profit Margin

During the Reporting Period, our gross profit decreased by approximately 17.4% as compared to the corresponding period in 2023 to approximately RMB27.0 million (FY2023: approximately RMB32.7 million), mainly driven by the increase in our cost of sales of approximately 16.6%. As part of our costs within our cost of sales category are fixed costs, our gross profit margin decreased to approximately 36.1% (FY2023: 44.4%).

Other Income and Gains

During the Reporting Period, the other income and gains decreased by approximately 27.1% as compared to the corresponding period in 2023 to approximately RMB4.3 million (FY2023: approximately RMB5.9 million), mainly due to the decrease in banking interest income compared to the previous year, as banks generally lower interest rates.

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 10.1% as compared to the corresponding period in 2023 to approximately RMB22.8 million (FY2023: approximately RMB20.7 million), mainly driven by the increase in marketing and promotion expenses.

Administrative Expenses

Our administrative expenses increased by approximately 60.3% or approximately RMB36.7 million as compared to the corresponding period in 2023 (FY2023: approximately RMB22.9 million). The increase in our administrative expenses was mainly due to a combined effect of (i) an increase in staff costs due to the grant of share awards to retain senior management; and (ii) an increase in staff costs due to two acquired subsidiaries and global talent hiring.

Income Tax

During the Reporting Period, we recorded an income tax expense of approximately RMB2.5 million as compared to an income tax expense of approximately RMB6.4 million for the year ended 31 December 2023, mainly due to the decrease in 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 RMB32.4 million as compared to a loss attributable to owners of the Company of approximately RMB13.6 million for the year ended 31 December 2023.

Prepayments, Other Receivables and Other Assets

The current portion of our prepayments, other receivables and other assets increased by approximately RMB9.7 million, from approximately RMB7.0 million as at 31 December 2023 to approximately RMB16.7 million as at 31 December 2024. The increase was mainly due to the prepayment of income tax. While the non-current prepayment decreased by RMB6.2 million to RMB11.2 million as at 31 December 2024 (RMB17.4 million as at 31 December 2023), such decrease is due to the completion for two acquisitions related to Yueqing Hospital and Ouhai Jielaiya Oral Clinic.

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 2024, the Group's net current assets amounted to approximately RMB58.2 million (as at 31 December 2023: approximately RMB114.4 million), and its liquidity as represented by current ratio (total current assets/total current liabilities) was 2.4 times (as at 31 December 2023: 4.0 times). The Group's bank balances amounted to approximately RMB78.5 million (as at 31 December 2023: approximately RMB86.8 million). As at 31 December 2024, the Group had no bank loans (as at 31 December 2023: Nil), and therefore the gearing ratio was not applicable (2023: 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 2024, the Group did not have any pledged assets (as at 31 December 2023: Nil).

Foreign Currency Exposure

The majority of the Group's revenue is denominated in Renminbi and the Group's accounts are prepared in Renminbi. However, the Group is exposed to foreign exchange risk arising mainly from bank balances denominated in the U.S. dollars. During the Period, the Group did not use any financial instrument for hedging purpose.

Capital Commitments

As at 31 December 2024, the Group had capital commitments of approximately RMB2.7 million for leasehold improvements and addition of medical equipment (as at 31 December 2023: approximately RMB3.2 million).

Contingent Liabilities and Guarantees

As at 31 December 2024, the Group had no material contingent liabilities or guarantees (as at 31 December 2023: Nil).

Employees and Remuneration Policies

As at 31 December 2024, the Group employed 372 staff (including executive Directors), all of which were located in the PRC (as at 31 December 2023: 286). 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 inhouse 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 share-based payment expenses as well as pension scheme contribution. Employee benefits expenses was approximately RMB52.2 million during the Reporting Period (FY2023: approximately RMB33.4 million), representing an increase of RMB18.8 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 and the annual report for the year ended 31 December 2023. Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 31 December 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

During the Year, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures of the Group.

Significant Events After the Reporting Period

The Directors are not aware of other significant events affecting the Company and its subsidiaries which have occurred since the end of the financial year to the date of this report.

Final Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2024 (2023: HK$0.01 per ordinary share).

Executive Directors

Mr. Wang Xiaomin (王曉敏), aged 51, 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 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. 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.

Dr. Zhou Jian (周健), aged 70, was appointed as an independent non-executive Director on 8 November 2022 and was re-designated as an executive Director on 29 November 2024. Besides, Dr. Zhou had ceased to act as a member of the Audit Committee and a member of the Nomination Committee. Dr. Zhou is responsible overseeing the hospital management development, providing advice and monitoring to the stomatology and dentistry services and supervising clinical research on dentist services.

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.

Independent Non-executive Directors

Mr. Ng Ming Chee (黃晞華), aged 59, 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 (英恒科技控股有限公司) (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 52, 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.

Mr. Zhang Yongcun (張永存), aged 40, was appointed as an independent non-executive Director of the Company on 29 November 2024. He is also a member of the Audit Committee and a member of the Nomination Committee, with effect from 29 November 2024. Mr. Zhang is responsible for overseeing the corporate governance and legal issues to the Group and proactively exploring capital markets in hospital industry.

Mr. Zhang has over 13 years of experience in capital markets and corporate legal advising. From July 2011 to June 2022, he served as a lawyer at Beijing Dacheng Law Offices (Zhengzhou Office)* (北京大成(鄭州)律師事務所). Since August 2022, he has joined Blossom & Credit Law Firm* (北京市邦盛律師事務所) as a lawyer, and subsequently become a partner and the director of Blossom & Credit Law Firm (Zhengzhou Office)* (北京邦盛(鄭州)律師事務所).

Mr. Zhang graduated with a master's degree in law from the Northwest University of Political Science and Law* (西北政法大學) in the PRC in July 2011. He acquired the Lawyer's Practicing Certificate in February 2013. He further obtained a master's degree in executive business administration from Peking University* (北京大學) in the PRC in July 2024. Furthermore, he was selected as an expert of Henan Province's Share Reform Expert Service Team* (河南省規改股專家服務團隊專家) in July 2023. He was further recognized as a member of the "Top Ten Strategies" Lawyer Expert Database of Zhengzhou Law Association* (鄭州市律師協會服務「十大戰略」律師專家庫) in December 2023.

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 (鄭巒). Please refer to the paragraphs headed "Directors – Executive Directors" above in this section for details of biography of Ms. Zheng Man.

Dr. Zhou Jian (周健). Please refer to the paragraphs headed "Directors – Executive Directors" above in this section for details of biography of Dr. Zhou Jian.

Dr. Chen Haibing (陳海兵), aged 48, 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.

* *For identification purposes only*

Dr. Zheng Xiaofeng (鄭曉峰), aged 60, 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 has full confidence in Mr. Wang Xiaomin, and believes that both these two roles occupied by him is beneficial to the business prospects of the Company enabling the Company to continuously focus on realising its long-term interests. 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 build up 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 makes decisions objectively with an aim to maximize in the best interests of the Company and its shareholders as a whole.

The Board regularly reviews whether the contributions delivered by the directors are commensurate with their role and board responsibilities to the Company, and whether the Director is devoting sufficient time performing them.

The Board currently comprises six Directors, including three executive Directors and three independent non-executive Directors. Members of the Board are listed as 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
Dr. Zhou Jian	Executive Director	29 November 2024
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
Mr. Zhang Yongcun	Independent Non-executive Director	29 November 2024

Notes:

*(1) The biographies of the Directors are set out in the section headed "**Directors and Senior Management**" from pages 13 to 18 of this annual report.*

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

(3) The Board appointed Mr. Zhang Yongcun as an independent non-executive Director with effect from 29 November 2024 upon the re-designation of Dr. Zhou Jian as an executive Director.

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 an initial term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

In compliance with the code provision B.2.2 of the CG Code, every Director of the Company shall be subject to retirement by rotation at least once every three years. Further, according to Article 108 under the Articles of Association, 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. According to Article 108, Ms. Zheng Man and Mr. Ng Ming Chee shall retire by rotation, and being eligible, offer themselves for re-election as an executive Director and independent non-executive Director at the 2025 AGM, respectively.

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.

At the forthcoming annual general meeting of the Company (the "**2025 AGM**"), Ms. Zheng Man and Mr. Ng Ming Chee shall retire by rotation on the 2025 AGM, pursuant to Article 108 in Articles of Association. All of the said retiring Directors are eligible for re-election and are willing to be re-elected at the 2025 AGM. Moreover, any Director appointed by the Board as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election, pursuant to Article 112. Mr. Zhang Yongcun will retire at the 2025 AGM and, being eligible and willing to, offer himself for reelection at the 2025 AGM. The duties of the Nomination Committee are to review the structure, size and composition of the Board, and to recommend individuals suitably qualified to become members of the Board to the shareholders at the 2025 AGM for the election. The Board and the Nomination Committee recommended the reappointment of these retiring Directors. The circular of 2025 AGM of the Company containing the detailed information of the above retiring Directors as required by the Listing Rules will be sent in accordance with articles of association of the Company and the Listing Rules.

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.

CHANGES OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules on the Stock Exchange, the change in information of the Directors for the year ended 31 December 2024 is set out as below:

Dr. Zhou Jian has been re-designated from an independent non-executive Director to an executive Director and ceased to be a member of each of the Audit Committee and the Nomination Committee of the Company with effect from 29 November 2024.

Mr. Zhang Yongcun has been appointed as an independent non-executive director of the Company, and has been served as a member of the Audit Committee and the Nomination Committee respectively, with effect from 29 November 2024.

The relevant resolutions have been considered and approved by all Directors and the relevant disclosures have been disclosed in the announcements dated 29 November 2024. The relevant disclosure about the changes in the information of Directors are in compliance with the requirements of the Listing Rules. For details, please refer to the announcement of the company published on 29 November 2024.

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/she 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 2024 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 2024
Executive Directors	
Mr. Wang Xiaomin	✔
Ms. Zheng Man	✔
Dr. Zhou Jian*	✔
Independent Non-executive Directors	
Mr. Ng Ming Chee	✔
Ms. Tam Hon Shan Celia	✔
Mr. Zhang Yongcun*	✔

* *Mr. Zhang Yongcun was appointed as an independent non-executive Director with effect from 29 November 2024 upon the re-designation of Dr. Zhou Jian as an executive Director.*

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. 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 six Directors, including three 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 50 to 70 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 2024, the Group's total number of workforce was 372, among which 280 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.

Independent Advice

The Directors and their committees shall have access to independent professional advisers' advices if considered necessary. The Directors may also seek independent professional advice on matters related to the Company to fulfill their responsibilities at the Company's expense after obtaining the approval of the Board.

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, Five 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	5/5	1/1
Ms. Zheng Man	5/5	1/1
Dr. Zhou Jian (re-designated on 29 November 2024)	5/5	1/1
Independent Non-executive Directors		
Mr. Ng Ming Chee	5/5	1/1
Ms. Tam Hon Shan Celia	5/5	1/1
Mr. Zhang Yongcun (appointed on 29 November 2024)	N/A	N/A

In addition to Board Meetings, the chairman of the board held one meeting with independent non-executive Directors annually without the presence of executive Directors.

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), Mr. Zhang Yongcun 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
Mr. Zhang Yongcun*	N/A

* *Dr. Zhou Jian ceased to act as a member of Audit Committee with effect from 29 November 2024. Mr. Zhang Yongcun was appointed as a member of Audit Committee with effect from 29 November 2024.*

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;
- made recommendations to the Board on the remuneration packages of the executive Directors and senior management; and
- reviewing and approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, two meetings were 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)*	2/2
Mr. Ng Ming Chee	2/2
Mr. Wang Xiaomin	2/2

The Remuneration Committee discussed and reviewed on the Group's remuneration 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	0

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 Mr. Zhang Yongcun.

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, two meetings 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. Also, at the recommendation of the Nomination Committee, the Board appointed Mr. Zhang Yongcun as independent non-executive Director with effect from 29 November 2024 upon the re-designation of Dr. Zhou Jian as an executive Director.

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
Mr. Zhang Yongcun*	N/A

* *Dr. Zhou Jian ceased to act as a member of Nomination Committee with effect from 29 November 2024. Mr. Zhang Yongcun was appointed as a member of Nomination Committee with effect from 29 November 2024.*

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 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 RMB2,320,000 in respect of audit services and non-audit services for the year ended 31 December 2024 is set out below:

Categories of the services	**Fee paid/ Payable** RMB
Audit Services	2,320,000
Non-audit Services	–
Total	2,320,000

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 for the financial year ended 31 December 2024.

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 100 to 101 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 2024, 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 2024.

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.

Shareholder's Inquires

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.

Investor Relations and Communications

The Company has set up an effective communication channel with investors. It carries out investor relationship maintenance work under the principles of openness and fairness and with a proactive attitude while conforming to the rules. During the Reporting Period, the Company disclosed information truly, accurately, completely and timely according to the laws, regulations and regulatory requirements to ensure that investors would know the important matters of the Company in a timely manner, thus protecting the investors' interests to the greatest extent.

To promote effective communication, up-to-date information and updates on the Company's business operations and developments, financial information, corporate governance practices and other information are available in the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.meihaomedical.com) for public access.

The general meetings of the Company provide a forum and an important channel for communication between the Board and the Shareholders. The chairman of the Board as well as chairman of the Nomination Committee, chairperson of the Remuneration Committee and chairman of the Audit Committee or, in their absence, other members of the respective committees and, where applicable, are available normally at the annual general meetings and other relevant shareholder meetings to answer questions. Shareholders are also encouraged to attend general meetings held by the Company and are invited to express their views and raise questions thereat.

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 2024 and is of the view that both investors relations and the Shareholders communication implemented are effective and adequate.

Changes in Constitutional Documents

Adopted by a special resolution passed on 18 June 2024, the second amended and restated Memorandum and Articles of Association became effective on 18 June 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2024. 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 2024 to 31 December 2024 (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 27 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.

In order to comply with the disclosure obligations under the "comply or explain" provisions, this ESG Report has outlined the overall Group's performance in environmental protection, human resources, operating practice and community engagement during the financial year from 1 January 2024 to 31 December 2024 (the "**Reporting Period**").

This ESG Report was approved by the Board on 28 March 2025. For detailed information on the Group's corporate governance, please refer to the "Corporate Governance Report" on pages 19 to 37 of the Group's Annual Report.

Reporting Principles

This Report is prepared in accordance with the ESG Reporting Guide set out in Appendix 27 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 ESG performance of the Group, for the purpose of avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the reader.
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 2023 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 2024. 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.

Governance Philosophy

As a leading private dental healthcare service provider in the southern Zhejiang region, Meihao Medical Group recognises the importance of the critical role that the ESG practices play in our long-term development. We are committed to pursuing the outstanding ESG performance by deeply integrating the ESG principles into the Group's entire business and management processes. In terms of employee cultivation and care, we actively recruit talented professionals and implement our employee care policy, striving to achieve an organic unity of group development and employee self-actualization, while building a positive and harmonious business environment where all parties will advance forward. On the environmental front, we resolutely persist in the concept of green development, by fully implementing energy-efficient measures, while meticulously creating green and low-carbon workplace and medical facilities, with a view to effectively minimizing our environmental impacts. As for medical technology, we are in active pursuit of cutting-edge technologies, and drive industry progress through technological innovation, thereby providing patients with premium and efficient dental healthcare services. In addition, we enthusiastically engage in diversified charity and public welfare activities to promote our commercial benevolence value, and work hand in hand with stakeholders to explore new paths for sustainable development. While achieving our business objectives, we strive to promote the coordinated and harmonious development and coexistence of the economy, society, and the environment.

Governance Strategies

The Group implements the concept of sustainable development through the following core strategies:

- Technology and Service Upgrade: advanced equipment will be introduced to enhance the quality and competitiveness of medical services.

- Green and Sustainable Operations: to uphold the principles of environmental protection, energy-efficient and carbon emission reduction measures shall be in place to minimise the environmental footprint.

- Human Resource and Supply Chain Management: we appreciate the value of employee development and strive to build a high-calibre team, while seeking collaboration with suppliers to promote sustainable development across the supply chain.

- Fulfilment of Social Responsibility: Our active engagement in public welfare activities, as part of the efforts to give back to society, and establish a positive corporate image.

Communication with Stakeholders

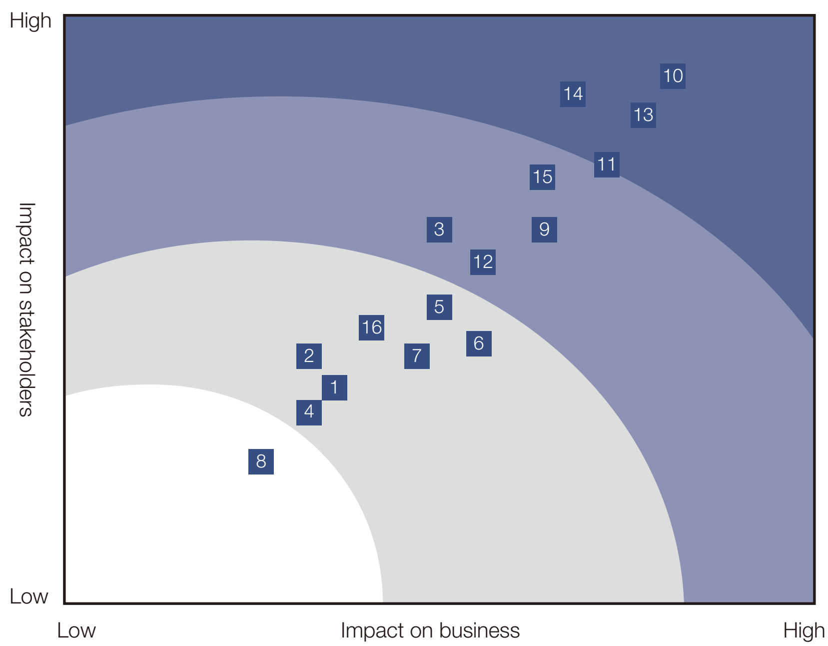
The Group strongly believes that its stakeholders play a crucial role in sustaining the success of its business. The Group is actively searching for every opportunity to understand and engage its stakeholders to ensure that improvement can be implemented to its products and services.

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

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

Environment

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

Over the ordinary course of business, the Group maintains a fleet of six vehicles, which is intended for our business operations, as well as transportation of management team members, visitors, and clients. The use of vehicles is the primary source of air pollutants generated by the Group, including nitrogen oxides (NO_x), sulphur oxides (SO_x), and particulate matter (PM). During the Reporting Period, the exhaust gas emission data is as follows:

Indicators	Year ended 31 December 2024
Air pollutant emissions (in grams)	
NO_x emission	**59,564.37**
SO_x emission	**98.99**
PM emission	**5,707.41**

During the Reporting Period, the Group generated 59,564.37 grams of NO_x emissions, 98.99 grams of SO_x emissions, and 5,707.41 grams of PM emissions. To uphold the principles of sustainable development, the Group committed to reducing or maintaining exhaust gas emissions at 90% to 120% of the level of the baseline year ended 31 December 2022 over the next three reporting years ending 31 December 2025. As of 31 December 2024, emissions during the second reporting year remained largely within the established target range. In terms of vehicle management, all vehicles undergo regular maintenance checks to improve fuel consumption efficiency, ensure road safety, and keep emissions at the lowest level.

GHG Emissions

The Group strictly adheres to the "Air 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)", and actively fulfils its social responsibilities by striving to reduce GHG emissions as a contributor to mitigating global warming. We place great emphasis on GHG emissions resulting from our operations. As mentioned in the preceding paragraph, the combustion of vehicle fuel is the primary source of direct emissions from our operations. In addition, indirect GHG emissions mainly derive from electricity purchase and paper consumption within the Group. The Group's GHG emissions are as follows:

Indicators	Year ended 31 December 2024
Greenhouse Gas ("GHG") Emissions (tonnes CO_2-e)	
Scope 1 – Direct Emissions from Mobile Combustion Sources	**17.90**
Scope 2 – Energy Indirect Emissions (Electricity consumption)	**710.96**
Scope 3 – Other Indirect Emissions (Paper consumption)	**2.36**
Total Amount of GHG Produced during the Reporting Period (tonnes CO_2-e)	**731.21**
Intensity of GHG Produced during the Reporting Period (tonnes CO_2-e/employee)	**2.22**

During the Reporting Period, the GHG emissions intensity of the Group is 2.22 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. As of 31 December 2024, the GHG emissions intensity of the Group remained broadly within the established target range for the second reporting year.

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, 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; and
- Maintain indoor temperature at 24 degrees Celsius or above to reduce unnecessary use of energy.

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:

Indicators	Year ended 31 December 2024
Total Hazardous Waste Generated (in tonnes)	**20.31**
Total Non-Hazardous Waste Generated (in tonnes)	**1.21**
Intensity of Hazardous Waste Generated (tonnes/employee)	**0.062**
Intensity of Non-Hazardous Waste Generated (tonnes/employee)	**0.004**

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 2025. As of 31 December 2024, the hazardous waste and non-hazardous waste generated the Group remained broadly within the established target range for the second reporting year.

Packaging

As the Group does not use packaging materials for its core business activities, no relevant data or measures are available in this regard.

Energy Efficiency

The Group places great emphasis on energy use. As mentioned in the preceding paragraph, the Group implemented a series of measures to reduce energy consumption. For further details on these energy-efficient measures, please refer to the section headed "GHG Emissions" in this ESG Report.

Indicators	Year ended 31 December 2024
Petrol (in kWh)	**65,380**
Electricity Consumption (in kWh)	**1,379,676**
Total Electricity Consumption (kWh)	**1,445,056**
Electricity Consumption Intensity (kWh/employee)	**4,392.27**

During the Reporting Period, the Group's energy consumption intensity was 4,392.27 kWh/employee. To uphold principles of the sustainable development, the Group is committed to reducing or maintaining energy consumption intensity at 90% to 120% of the level of the baseline year ended 31 December 2022 over the next three Reporting Periods ending 31 December 2025. As of 31 December 2024, during the second reporting year, the Group's energy consumption intensity remained largely within the established target range.

Water Management

The Group has complied with the "Prevention and Control of Water Pollution Law of the People's Republic of China (中華人民共和國水污染防治法)" 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 is committed to achieving water conservation and has adopted various measures to lessen the use of water under the principal of saving and recycling:

- Prohibiting any wasteful use of water;
- Installing water-saving fixtures;
- Conducting regular inspections of taps and pipelines to prevent unnecessary leaks;
- Routinely checking meter readings to identify any potential leaks;
- 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:

Indicators	Year ended 31 December 2024
Water Consumption (in m^3)	**11,066**
Water Consumption Intensity (m^3/employee)	**33.69**

During the Reporting Period, the Group's water consumption was 33.69 m^3 per employee. To uphold the sustainable development principles, the Group committed to reducing or maintaining total water consumption intensity at 90% to 120% of the level of the baseline year ended 31 December 2022 over the next three Reporting Periods ending 31 December 2025. As of 31 December 2024, during the second reporting year, the Group's water consumption remained largely within the established target range.

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.

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.

The Group has considered the potential climate-related risks and opportunities in respect of the recommendations of the Task Force on Climate-related Financial Disclosures, in which potential physical risks and transition risks from climate change may pose adverse financial impacts on the Group's businesses. Acute physical risk can arise from extreme weather conditions such as flooding and storms and chronic physical risk can arise from sustained high temperature, while transition risk may result from a change in environmental-related regulations or change in customer preferences.

The potential climate-related risks in respect of the recommendations of the Task Force on Climate-related Financial Disclosures are summarised below:

Risk Type	Risks	Potential Financial Impact	Short (current Reporting Period)	Medium (one to three years)	Long (four to ten years)	Mitigation Strategy
Physical Risks	Extreme weather conditions such as flooding and typhoon	Reduced revenue from business due to business and supply chain disruptions	√	√	√	• Establish adverse weather condition policy • Maintain or expand the supplier base to avoid disruption
	Sustained elevated temperature	Increased in business operating costs			√	• Adopt energy conservation measures to avoid overconsumption of natural resources
	Deteriorated air quality	An increase in respiratory diseases among patients, which leads to a decrease in the number of medical consultations and a short-term impact on business revenue		√	√	• Install high-performance air purification devices in the clinic to ensure the air quality of the medical treatment environment • Provide patients with advice and protective measures related to air quality for medical consultations through the clinics' official website, social media and other channels
Transition Risks	Changes in environmental-related regulations	Higher operating costs to adopt new practices or technologies		√	√	• Adopt energy conservation measures to reduce emissions • Continue to monitor the regulatory environment to ensure that the Group complied with the environmental-related law and regulation
	Shift in consumer preference to products and services incorporating more environmentally-friendly concept	Reduced demand for dental services and other products, decreased competitiveness and create adverse impact on revenues			√	• Adhere to the Group's sustainable development concept, strictly control the dental services and commit to produce high-quality services and related products to meet the expectations of consumers and the market
	Transformation of green supply chain	Suppliers of medical devices, pharmaceuticals, and consumables may increase their product prices due to climate-related regulations or their own business transformation requirements			√	• Expand supply chain channels and establish partnerships with suppliers across various regions to minimise supply risks associated with transformation issues caused by a single supplier • Prioritise cooperation with suppliers that have demonstrated good performance in climate risk management

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 has 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. 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 acknowledges the value of diversity and will ensure gender equality in our Board composition by having at least one female Board member. The Group is 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.

Labor Standards

During the Reporting Period, 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.

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. In 2024, the Group attracted more outstanding international talents to join the Group, providing assurance for the sustainable development of the Group.

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.

As at 31 December 2024, the Group had a total of 372 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		As at 31 December 2024
Total number of employees and percentage breakdown by employment category	Entry	**320**
	Middle	**34**
	Management	**18**
Total number of employees and percentage breakdown by gender	Male	**92**
	Female	**280**
Total number of employees and percentage breakdown by age group	25 or below	**129**
	26–35	**118**
	36–45	**73**
	46–55	**27**
	56 or above	**25**
Total number of employees and percentage breakdown by region	Mainland	**368**
	Oversea	**3**
	Hong Kong	**1**

During the Reporting Period, the employee turnover of the Group was 62%, which was at a little higher level in the industry. The details are as follows:

KPI B1.2		Year ended 31 December 2024
Employee turnover rate		
Overall turnover rate		**62**
Total number of employees and percentage breakdown by gender	Male	**51**
	Female	**147**
Total number of employees and percentage breakdown by age group	25 or below	**83**
	26–35	**64**
	36–45	**35**
	46–55	**9**
	56 or above	**7**
Total number of employees and percentage breakdown by region	Mainland	**198**
	Oversea	**0**
	Hong Kong	**0**

* *The overall turnover rate is disclosed in accordance with "Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange and is calculated by dividing the total number of employees who left the Company as at 31 December 2024 by the total number of employees.*

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:

- Implementing risk management to identify, evaluate and control factors within the workplace, which may cause or potentially cause hazards and health issues;
- Providing equipment and procedures, including safe equipment and systems, with written procedures and instructions;
- Adopting comprehensive compliance measures to ensure compliance with legislative requirements and industry standards;
- Conducting safety training and supervision, providing information, instruction, training and supervision for staff, contractors and visitors;

- Managing compliant fire safety facilities, including regular inspections of fire extinguishing systems, clear identification of fire extinguishers and system information, and placement in visible and unobstructed locations;

- Conducting regular employee safety training, including organising employees to participate in safety training, familiarising them with evacuation routes, locations of fire extinguishers, and usage, as well as other safety regulations and procedures;

- Implementing proper dress code requirements, including wearing appropriate work shoes according to the nature of work and environment; staff must wear protective clothing such as masks, goggles or gloves when they contact with patients' blood or body fluid;

- Conducting strict chemical management, requiring chemicals, disinfectants and bactericides to be properly labelled and stored in designated areas;

- Ensuring proper hygiene and cleanliness, requiring employees to wash their hands immediately with hand sanitisers after removing relevant clothing; and

- Compliant medical waste disposal, placing used syringes 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. We attach great importance to the construction of talent reserve for the Company. We are committed to providing employees with a diverse career development platform and a comprehensive training system. By establishing dual career tracks for management and professional development, we aim to achieve mutual growth for both individuals and the Company. To this end, we have established clear promotion standards and processes to ensure that employee promotions are fair, just, and transparent. Meanwhile, we regularly conduct performance evaluations and career development planning to help employees clarify their development directions. The Group believes that investing in employees through training will help enhance job satisfaction and loyalty of employees.

The Group places great emphasis on the importance of employee training for sustainable development. We provide targeted employee training sessions to expedite the enhancement of their position-specific skills, which significantly boosts their work efficiency and output quality, lays a foundation for their career development, and strengthens their industry competitiveness. Besides deepening employees' identification with our corporate culture, such training enhances their sense of belonging and loyalty, consolidating the talent pool. Meanwhile, our training sessions promotes cross-departmental communication, and strengthens team cohesion and collaboration capabilities. The employees' enhanced abilities directly drive the optimisation of business and services, empowering the Company to stand out in market competition, and achieving a dual victory of economic and social values, which in return will lay a solid foundation for long-term sustainable development.

The Group recognises that learning and professional development are key components of employment. To enhance employees' knowledge and abilities based on the different position-specific requirements, we provide diversified training sessions (including but not limited to the following):

Training Category	Description	Target Audience
New Employee Induction Training	Familiarise with the Company's service standards, policies, and procedures; understand the relevant and latest medical standards, procedures, and operational techniques adopted by dental hospitals.	New nurses and other medical support staff
Professional Skills Training	Medical device operation technique training; as well as specialty professional training (which covers the relevant and latest medical standards, procedures, and techniques adopted by dental hospitals)	Specific professional employees (such as dentists, technicians, etc.); and employees using medical devices
Regular Work Safety Training	Safety training, including fire safety and other related topics	All employees
Regular Customer Services Handling Training	Regular customer service quality improvement training	Employees involved in customer services
Specialised Session Training	Specialised training sessions organized to address specific issues identified during clinical practice	Employees or departments encountering similar diagnostic issues
Team Building Training	Team-building activities to strengthen team cohesion and improve employee communication and collaboration	All employees or specific teams
Management Training	Management and leadership skills development training	Employees in management positions or those with managerial potential

During the Reporting Period, the employees of the Group received 10249.5 hours of training in total. The training details of the Group during the Reporting Period are as follows:

KPI B3.1		Year ended 31 December 2024
Development and Training Indicators		
By Gender	Male	**24.7%**
	Female	**75.3%**
By Employee Category	Entry	**86.8%**
	Middle	**8.7%**
	Management	**4.5%**
	Total	**100%**

KPI B3.2		Year ended 31 December 2024
Development and Training Indicators	Average hours of training that employees participated in	**27.6**
Average hours of training per employee by gender	Male	**27.6**
	Female	**27.6**
Average hours of training per employee by employment category	Entry	**27.8**
	Middle	**26.2**
	Management	**26.0**

Supply Chain Management

The Group 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 Group conducts qualitative and quantitative multi-level evaluation of suppliers, continuously optimises supplier management and maintains an exclusive sustainable supply chain.

The sustainable supply chain management represents a cornerstone of the Group's business continuity and long-term development. We are committed to promoting compliance, stability, and sustainable operations across our supply chain to ensure that the Group will achieve its commitments in ESG aspects. In this regard, we consider sustainable development a core factor in the supplier selection and management, and ensure that our supply chain partners align with our values and goals under our stringent evaluation system.

During the supplier selection, we conduct a comprehensive assessment based on multiple dimensions, including product quality, sourcing transparency, industry reputation, price competitiveness, delivery schedule, and suppliers' occupational health and safety awareness. In addition, suppliers must hold the necessary licenses and permits required to conduct their business and comply with the requirements of national and local environmental laws and regulations. As for all suppliers under the same conditions, we pay attention to whether they have obtained relevant certifications in environmental and quality management systems, in which case we specifically prefer those suppliers that excel in environmental practices and high-quality standards and encourage them to adopt internationally recognised management systems, including the ISO quality management system, environmental management system (ISO 14001), and occupational health and safety management system (ISO 45001).

In the supplier qualification assessments, we place environmental qualifications and sustainable initiatives as key scoring items and increase their weight. For instance, suppliers must demonstrate that their upstream enterprises are also in compliance with environmental requirements and have comprehensive processes for wastewater, exhaust gas emissions, and solid waste treatment. As for suppliers involved in the high environmental impacts, we require them to provide innocuous treatment technologies and techniques and related certifications. In addition, we focus on the suppliers' sustainability at the product design stage, such as the renewability and ease of disassembly of materials, and post-disposal recycling mechanisms. Furthermore, our suppliers are encouraged to establish reverse logistics systems to ensure that effective recycle and reuse of products at the end of their lifecycle.

During our collaboration with suppliers, we focus on more than their current performance. We also ensure their continuing compliance with our standards through regular assessments and audits. Where suppliers fail to meet the standards, we provide improvement recommendations and clarify an improvement schedule. As for those that consistently fail to meet requirements, we terminate such collaboration. At the same time, we build long-term partnership with outstanding suppliers and provide additional support in business operations, as our joint efforts to drive the sustainable development along the supply chain. 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.

We fully recognise that the conduct and integrity of supply chain partners will cause direct impacts on the quality of the Group's products, the life of community residents, and our business reputation. Therefore, we require all suppliers to adhere to the Group's principles of ethical business conduct, respect human rights, and support sustainable development goals. We only pursue partnership with suppliers that align with our values, and ensure the consistently high quality in the products and services provided to customers through close collaboration.

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.

The Group has established a stringent quality defence through process management. We have established a comprehensive quality risk assessment, control, communication and audit systems, and adopted a forward-looking strategy that covers in all aspects of our quality management system, procurement, receipt, acceptance, storage, sales, transportation and after-sales service. Through the systematic risk identification, assessment, control and communication mechanism, we accurately evaluate the potential risks in our operations, and take preventive measures in advance to effectively eliminate hidden dangers and defects, and effectively control quality risks in the pharmaceutical business processes.

The Group adheres strictly to the quality and safety standards to ensure drug safety. During the procurement of drugs and devices, we strictly implement acceptance check procedures and conduct meticulous 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 to ensure that all products meet the required standards before they are stored. We resolutely prevent the entry of substandard products. During the drug storage, regular inspections and inventory checks are conducted, while measures such as refrigeration, antifreeze, moisture-proof, insect and rodent prevention should be taken to ensure the stability of drug quality. The Group strictly 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 products, we ensure that Chinese instructions and labels are provided. Dental anesthesia drugs and emergency drugs are managed by dedicated personnel in dedicated areas, used strictly according to prescriptions and regularly counted to fully ensure medication safety.

The Group prioritises staff training to strengthen the foundation for quality assurance. We have formulated an annual training plan and systematically implemented in accordance with the quality education and training assessment management system. For employees in various positions, we provided pre-job education and continuing education closely related to their responsibilities and work. The training content includes laws and regulations, professional ethics, quality management systems, department responsibilities, operating procedures, professional knowledge and skills, etc. Through rigorous evaluations and maintained training records, we ensure tangible training outcomes, enabling employees to comprehensively understand and fulfil their duties.

Comprehensive supplier management is implemented to ensure controllable quality from the source. We strictly review and evaluate the quality management systems of suppliers and purchasers and conducted in-depth on-site inspections on key partners to evaluate their quality management systems. Dynamic management is implemented for all suppliers and qualification and certification documents are regularly updated to ensure their legitimacy and validity, thereby ensuring compliance with product source and distribution channels .

In order to implement national health policies and regulations, improve medical quality, and ensure medical safety, our quality control specialist team 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 and recognises that they are a key factor for the success of its business. Adhering to the "customer first" service tenet, we are dedicated to providing customers with efficient and high-quality services and creating higher customer value. We continue to pay close attention to market development while continuously improving relevant systems and operating 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 feedback with care. We take the initiative to understand needs and expectations by collecting their feedbacks through the WeChat group, customer communication system, corporate hotline, customer service email and other channels. Customers can also express their feedback and concerns directly through our customer service hotline or 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. We keep track of all the complaints to ensure that timely corrective actions are taken and customer concerns are properly addressed. To continuously improve service quality, we regularly organise meetings on customer satisfaction analysis, service quality inspection and analysis to summarise complaints and suggestions of customers. Accordingly, we promptly improve our services and continuously optimise our complaint management mechanism, to improve our customer satisfaction and trust. In addition to proactively collecting customer feedback, we also arrange dedicated follow-up personnel to regularly communicate with customers, review service quality, and ensure continuous improvement and enhanced service assurance processes.

To enhance the service awareness and professional standards of customer service staff, the Group regularly conducts business training tailored to the characteristics of the healthcare industry. In view of the medical industry's wide range of service targets, heavy workload and rapid knowledge evolution, we continuously strengthen the professional skills of employees and establish growth plans for new employees to help them integrate quickly into the team, ensuring the provision of high-quality customer service.

During the Reporting Period, the Group did not receive any product and service-related complaints.

Data Privacy

In order to ensure information security and reinforce customer trust, the Group has implemented several measures to reduce the risk of employees leaking confidential information. By establishing a sound security management system, couple with regular training and skills enhancement, we ensure that sufficient resources are invested in information security management, thereby improving the professional level of personnel and building a responsible and reliable consumption environment. The Group has established a dedicated information security and data security management organisation which is responsible for the implementation, monitoring and improvement of the information security. We have established strict data security management system covering the entire process of data collection, storage, use, processing, transmission, disclosure and deletion, ensuring that each step is strictly controlled. At the same time, we proactively anticipate system changes and promptly correct any potential risks that may lead to customer privacy leaks.

The Group's "Confidentiality Policies" strictly adheres to 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)", ensuring compliance with the latest legal and regulatory requirements when handling personal information. All business activities involving personal information undergo thorough reviews and are operated by designated personnel. The Company takes reasonable steps to protect the security of personal data, to ensure that data is accurate, complete and updated. Employees must clearly inform customers of the purpose of collecting personal data and their right to access such data, ensuring that the data is used solely for specific purposes. If any employee is found to have used personal data in violation of the law, the Company will take disciplinary actions in accordance with the disciplinary provisions and pursue legal responsibility.

The Group's strict data storage and management measures safeguard the secure storage and access of personal information. All sensitive data is encrypted, pseudonymised, and stored separately from other information, while expired data is promptly deleted or anonymised to comply with regulatory requirements and reduce potential risks. On the other hand, the Group has adopted strict access permission management to ensure that employees at different levels and in different departments can only process data within their authorised scope, and unauthorised access and operations are prohibited. The IT department conducts regular reviews over internal systems to ensure the security of computer systems, and strictly prohibits any modifications without the approval by the management. Confidentiality agreements are signed by all employees when onboard, clarifying their legal obligations for protecting the Company's confidential information. To treat and transfer personal information, the Group strictly adheres to the relevant provisions of the "Personal Information Protection Law of the People's Republic of China (中華人民共和國個人信息保護法)", and transfer or treatment of personal information must be approved to ensure that usage is limited to the authorised scope. Where there are changes in the purpose, method, or type of data treatment, the Group will renew personal consent, especially in the treatment of sensitive information, where individuals shall be clearly informed of the purpose, method, storage duration, and potential impacts, and separate consent shall be obtained. Furthermore, the Group shall encrypt and pseudonymised historical data to ensures that biometric information is stored separately from other personal information so as to comply with regulatory requirements and reduce potential risks.

Advertising

The Group places high importance on advertising management and strictly complies with relevant laws and regulations, particularly the "Measures for the Administration of Medical Advertisements (醫療廣告管理辦法)" and the "Advertisement Law of the PRC (中華人民共和國廣告法)", to ensure that advertising content complies with regulations and protects public health. We are committed to maintaining social responsibility and consumer rights by prohibiting or restricting advertisements that may mislead the public into choosing inappropriate treatments.

In managing advertising content, we adhere to the principles of fair trade, ensuring that advertisements are truthful and accurate, and safeguarding the Group's reputation. We strictly review all kinds of advertisements, such as leaflets or websites, to ensure their legality and authenticity, avoiding false descriptions or misleading consumers. At the same time, all advertising materials must be approved by the management before release to ensure they align with the brand image and protect user rights. In addition, the Group has designated employees to monitor media advertisements, news, and information in connection with tenders relating to dental services to ensure that the content of advertisements and labels complies with local regulatory requirements.

During the Reporting Period, the Group did not receive any confirmed instances of non-compliance or complaints.

Intellectual Property Protection

During the Reporting Period, the Group strictly complied with laws and regulations related to intellectual property rights in Hong Kong and the PRC, including 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 copyrights, signing R&D non-disclosure agreements and adopting other measures, the Group actively protects its own intellectual property rights and ensures that it does not infringe the rights of others. Key trademarks have been registered, and we regularly monitor whether trademarks have been infringed.

In daily operations, the Group places high importance on intellectual property protection. The Group requires its employees to respect the legitimate intellectual property rights of third parties while actively safeguarding and developing the Group's own intellectual property rights. We also sign confidentiality agreements and non-competition agreements with its employees and suppliers to prevent the leakage and infringement of intellectual property rights. If any activities suspected of violating intellectual property regulations are identified, the Group will conduct an investigation and 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: BOD@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 and Co-Development

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 human and financial 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 development 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 dental 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 dental 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.

- "Dental Care Mission": I am a little dentist on the dental mission (「小牙醫活動」我是小小牙醫，愛牙從我做起)

Childhood is a critical period for oral health, as it means the lifetime well-being. Throughout 2024, the Group actively organised more than 30 "Dental Care Mission" (我是小小牙醫) charity events focused on oral health. In collaboration with nearly 30 schools and kindergartens in the city, we attracted over 3,000 students, and received wide recognition among parents.

At the event, children embarked on a curated journey as "Little Dentists", as they visited dental hospitals gaining hands-on experience with the dental profession, which helped them overcome their fear of dental visits. After learning professional oral health information, children also applied such useful knowledge at home, including understanding how to care for their teeth and the scientific and efficient ways to maintain their oral health. This helped them develop good habits of oral hygiene. At the same time, our professional medical team provided free dental check-ups for the children, which included dental health education, examinations, and fluoride applications. During the educational sessions, our medical staff patiently imparted the knowledge of oral healthcare through PowerPoint presentation, helping the children deeply understand the importance of oral hygiene and sparking their interest in oral healthcare. At the end of each event, parents believed that these activities greatly benefited their children, who not only learnt about oral healthcare but also gained the courage and confidence to face dental issues. These engaging activities help children develop a correct understanding of oral healthcare and good dental practices, bringing positive influences on them during their healthy growth.

In the future, we will continue to organise similar events that offer more children opportunities to acquire knowledge about oral healthcare, delineating a vibrant chapter on their journey to healthy development.

- "Free Consultation on Chinese Teeth Care Day (愛牙日義診)": Our Care about Public dental Health (「愛牙日義診」關愛公衆口腔健康)

With a deep concern for public oral healthcare, the Group conducted community outreach activities in Wenzhou. Through professional oral examinations and daily care guidance, we evangelised about the knowledge about oral healthcare, raised the public awareness of oral healthcare, and cultivated scientific habits of oral healthcare. The Group's free oral examination events have consistently attracted significant participation from local residents seeking advice and care.

Faced with the increasing number of oral issues at the free check-up events, our staff patiently listened to and meticulously examined residents. During these free check-up events, medical professionals provided specifically tailored services for age demographics: for the middle-aged group, they explained the knowledge about periodontal disease prevention in a plain language and offered comprehensive advice ranging from daily care to dental implant consultations based on individual conditions. For the senior citizens, who are particularly concerned about tooth loosening, denture discomfort, and tooth repair issues, the professional team meticulously analysed the solutions to oral function recovery, especially providing implant treatment guidance for chewing difficulties and tooth loosening caused by missing teeth. During the on-site events, medical staff in uniforms, who conducted oral mucosa examinations, periodontal assessments, tooth alignment analyses and blood pressure measurements for residents, patiently addressed various questions based on the examination results and provided personalised health management plans covering scientific cleaning techniques, dietary adjustments, and customised treatment schemes. This helped residents systematically master the methods of maintaining oral healthcare, effectively enhancing the public awareness of the prevention and treatment of oral diseases.

The Group's free check-up events represent more than simple health check-ups, as they also serve as emotional communications and sojourns of love and care. We wish to bring a wider public attention to oral healthcare through such activities, enabling the public to have a healthy and beautiful smile and enjoy a happier and more fulfilling life.

During this Reporting Period, the Group, under the names of Wenzhou Oral Care and Wenzhou Hospital, organised a variety of community events, including free check-ups, school oral examinations, and healthcare lectures. More than 100 community activities reached government agencies, communities, enterprises, and schools, promoting medical knowledge and benefiting over 10,000 participants. The Group will continue to explore more community activities and contribute to community prosperity.

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, GHG Emissions, Water Management, Waste Management	
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).	GHG Emissions	
KPI A1.3 Total hazardous waste produced (in kilograms) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management	
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	
KPI A1.5 Description of measures to mitigate emissions and results achieved.	Emissions, GHG Emissions	
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).	Energy Efficiency	
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.	Energy Efficiency, Water Management, 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	
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, Intellectual Property Protection	
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, Intellectual Property Protection	
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 and Co-development	
KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Community Investment and Co-development	
KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Community Investment and Co-development	

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 2024.

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 2024 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 2024 are set out in the consolidated financial statement of profit or loss and other comprehensive income on pages 102 to 103 of this annual report.

Board of Directors

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

Executive Directors

Mr. Wang Xiaomin *(chairman and chief executive officer)*
Ms. Zheng Man
Dr. Zhou Jian (re-designated on 29 November 2024)

Independent Non-executive Directors

Mr. Ng Ming Chee
Ms. Tam Hon Shan Celia
Mr. Zhang Yongcun (appointed with effect from 29 November 2024)

Mr. Zhang Yongcun has obtained legal advice on 22 November 2024, from a firm of solicitors qualified to advise on Hong Kong law as regards the requirements under the Listing Rules that are applicable to him as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange, and Mr. Zhang Yongcun has confirmed he understood his obligations as a director of a listed issuer under the Listing Rules.

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 2024, the Group is subject to various environmental protection laws and regulations.

Environmental, Social and Governance Report

For the year ended 31 December 2024, 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 2024, 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 2024, 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 0.20% (2023: 0.16%) and 0.69% (2023: 0.64%) 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 2024 accounted for approximately 20.1% (2023: 20.8%) and 53.7% (2023: 57.6%) 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 2024, the Group had 57 dentists, 62 nurses and 23 other medical professionals.

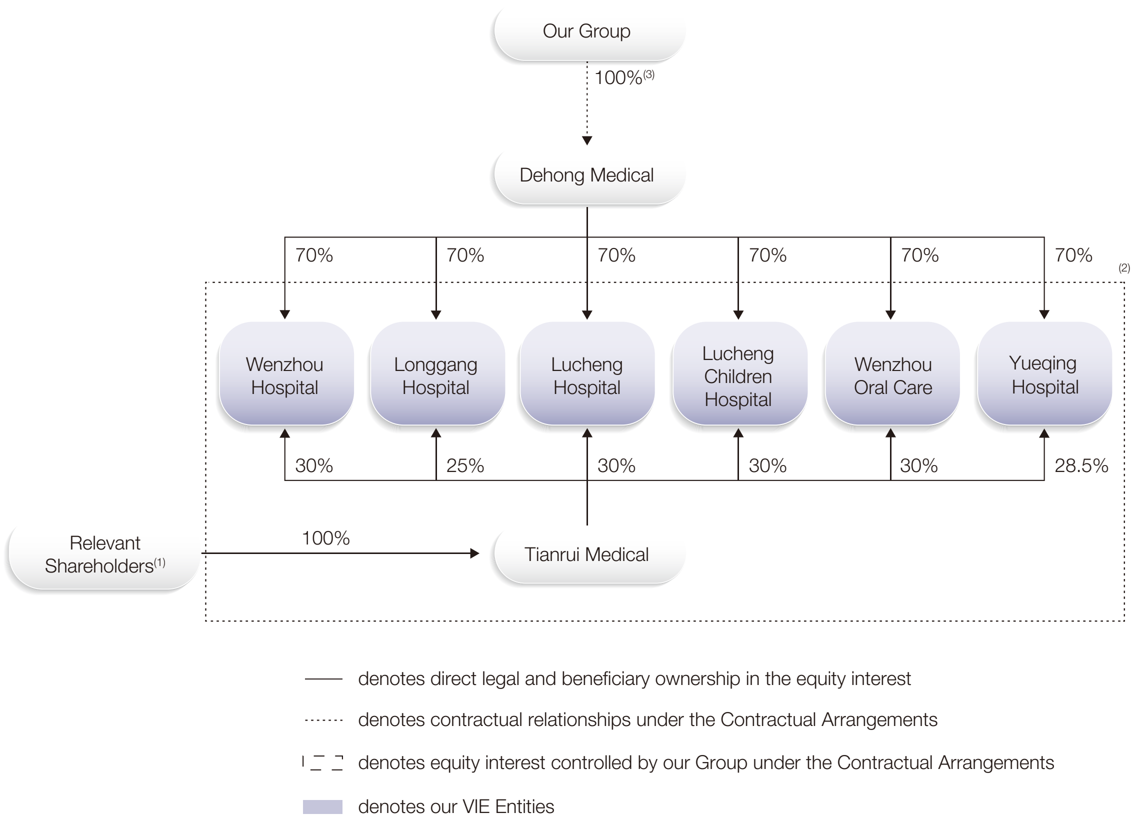
Non-Exempt Continuing Connected Transactions

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**"), Yueqing Stomatological Hospital Co., Ltd. (樂清口腔醫院有限公司, "**Yueqing Hospital**") 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 RMB74.7 million for the year ended 31 December 2024, representing approximately 100% of the total revenue of the Group. The total assets of VIE Entities amounted to RMB84.2 million as at 31 December 2024, representing approximately 44.3% 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, 95% equity interests of Longgang Hospital and 98.5% equity interests of Yueqing 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 2024. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2024.

As at 31 December 2024, 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 and 1.5% equity interest in Yueqing hospital which each 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 and Yueqing Hospital as a 98.5% 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 2024 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 2024 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.

During the Reporting Period, 60,000,000 share options were granted under the Share Option Scheme. As 30,000,000 share options had lapsed during the Reporting Period, the number of share options available for grant under the Share Option Scheme was 60,000,000 and 30,000,000 as at 1 January 2024 and as at 31 December 2024, 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 9 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 2024, the remaining term of Share Option Scheme was approximately 7 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.

From 1 January 2024 to 31 December 2024, 60,000,000 share options were granted under the Share Option Scheme, among which 30,000,000 share options had lapsed due to employees' voluntary resignation. As at 31 December 2024, there were 30,000,000 outstanding share options under the Share Option Scheme.

Details of the options granted under the Share Option Scheme, and their movement during the Reporting Period were as follows:

	Date of grant	Outstanding options as of 1 January 2024	Number of the Shares comprised in the options granted: Number of options granted	Number of options vested	Number of options exercised	Number of options cancelled	Number of options lapsed	Exercise/ Vesting period	Exercise price of the share option granted (per Share) HK$	Outstanding options as of 31 December 2024
Employees ("**Group A Grantees**")	16 January 2024	–	24,000,000	–	–	–	18,000,000	*Note 1* *Note 2*	0.45	6,000,000
Employees ("**Group B Grantees**")	16 January 2024	–	24,000,000	–	–	–	–	*Note 1* *Note 3*	0.45	24,000,000
Employees ("**Group C Grantees**")	16 January 2024	–	12,000,000	–	–	–	12,000,000	*Note 1* *Note 4*	0.45	–
			60,000,000	–	–	–	30,000,000			30,000,000

Notes:

1. *The weighted average fair value of the share options at the date of grant was 0.20HK$/option.*

2. *Subject to the vesting conditions as stated in the respective letters of grant to the Group A Grantees, the share options granted shall vest in accordance to the below schedules:*

   (i) 1,200,000 options shall be vested on the first anniversary of the Date of Grant;

   (ii) 840,000 options shall vested on the second anniversary of the Date of Grant;

   (iii) 600,000 Options shall vest on the third anniversary of the Date of Grant; and

   (iv) 480,000 Options shall vest on each of the fourth, fifth, sixth, seventh, eighth, ninth and tenth anniversary of the Date of Grant.

3. *Subject to the vesting conditions as stated in the respective letters of grant to the Group B Grantees, the share options granted shall vest in accordance to the below schedules:*

   (i) *420,000 Options shall vest on each of the first, second, third and fourth anniversary of the Date of Grant; and*

   (ii) *720,000 Options shall vest on each of the fifth, sixth, seventh, eighth, ninth and tenth anniversary of the Date of Grant.*

4. *Subject to the vesting conditions as stated in the respective letters of grant to the Group C Grantees, the share options granted shall vest in accordance to the below schedules:*

   (i) *6,000,000 Options shall vest on the first anniversary of the Date of Grant.*

The number of shares that may be issued in respect of options granted under the Share Option Scheme during the Reporting Period (being 30,000,000 shares), divided by the weighted average number of shares in issue is 5%.

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 9 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 and Lapse

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.

In the event of the following matters, all relevant Award(s) made to such Selected Participant shall automatically lapse and the relevant Awarded Shares shall not vest on the relevant vesting date but shall remain part of the trust fund:

(i) Selected Participant is found to be an Excluded Participant;

(ii) where such person has committed any act of fraud or dishonesty or serious misconduct whether or not in connection with his employment or engagement by any member of the Group or Related Entities and whether or not it has resulted in his employment or engagement being terminated by the relevant member of the Group or Related Entities;

(iii) where such person has been declared or adjudged to be bankrupt or has failed to pay his debts as they fall due or has entered into any arrangement or composition with his creditors generally or an administrator has taken possession of any of his/her assets;

(iv) where such person has been convicted of any criminal offence;

(v) where such person has engaged in any act that has had or will have a material adverse effect on the reputation or interests of any member of the Group or Related Entities;

(vi) where such person has been convicted of or is being held liable for any offence under or any breach of the securities laws or regulations in Hong Kong or any other applicable laws or regulations in force from time to time; and

(vii) where such person ceased to be an employee of the Group (other than the circumstances provided in the Scheme Rules), a Related Entity Participant or ceased to provide service as a Service Provider.

In respect of a Selected Participant who dies or retires by agreement from all members of the Group at any time prior to the vesting date, and unless the Selected Participant has been disqualified pursuant to the terms of the Scheme Rules or the grant instrument of the relevant Selected Participant, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement from all members of the Group.

Purchase Price

The purchase price shall be determined at the sole and absolute discretion of the Board, payable by a Selected Participant to the Company for acceptance of an Award.

Termination

The Share Award Scheme shall terminate on the earlier of:

1. the tenth anniversary of the Adoption Date; or

2. such date of early termination as determined by the Board by a resolution of the Board.

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

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.

Details of movements of the awards granted under the Share Award Scheme during the Reporting Period are as follows:

Grantees	Date of grant	Purchase Price HK$/share	Closing price immediately prior to the grant HK$/share	Outstanding awards as of 1 January 2024	Granted	Exercised	Cancelled	Lapsed	Outstanding awards as of 31 December 2024	Vesting period
Employee participants	16 January 2024	Nil	0.425	–	24,000,000 (Note 1)	–	–	–	24,000,000	16 January 2024 – 16 January 2025
Total					24,000,000	–	–	–	24,000,000	

Notes:

1. *The fair value of the awards at the date of grant was 0.41HK$/share.*

The number of Shares that may be issued in respect of awards granted under the Share Award Scheme during the Reporting Period (being 24,000,000 shares) divided by the weighted average number of Shares in issue is 4%.

The number of awards available for grant under the Share Award Scheme mandate as at the beginning and end of the Reporting Period were 60,000,000 and 36,000,000, respectively.

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 2024 are set out in note 32 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 2024 are set out in note 24 to the consolidated financial statements in this annual report.

As at 31 December 2024, the issued share capital of the Company was 600,154,350 shares.

Reserve

Details of movements in the reserves of the Group during the year ended 31 December 2024 are set out on page 106 in the consolidated financial statement of changes in equity in this annual report.

Distributable Reserves

As at 31 December 2024, the Company's reserve available for distribution to shareholders amounted to approximately RMB77.7 million (as at 31 December 2023: RMB92.4 million).

Bank Loans and Other Borrowings

As at 31 December 2024, the Company had no bank loans and other borrowings (as at 31 December 2023: Nil).

Property, Plant and Equipment

Details of the movements in property and equipment of the Group during the year ended 31 December 2024 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 2024.

Final Dividend

The Board has resolved that no final dividend was declared for the year ended 31 December 2024 (2023: HK$0.01 per ordinary share).

Charitable Donations

The Group did not make charitable donations during the year ended 31 December 2024 (2023: 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 2024 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 2024. 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 an initial term of three years, which will therefore until 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 2024, the total number of employees of the Group was 372 (2023: 286). 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 RMB52.2 million (2023: RMB33.4 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 2024.

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 2024.

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

As at 31 December 2024, 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	372,110,000 (L)	62%
Zheng Man[3][4]	Interests in controlled corporation Interest of spouse	372,110,000 (L)	62%

Notes:

(L) denotes long position

(1) The calculation is based on the total number of 600,154,350 issued Shares as at 31 December 2024.

*(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 2024, 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 2024, 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	282,110,000 (L)	47%
Ricon BVI[2]	Beneficial owner	45,000,000 (L)	7.5%
Meihao BVI[3]	Beneficial owner	45,000,000 (L)	7.5%
Ze Tian Sen Hong Limited[4]	Interest in a controlled corporation	41,385,000(L)	6.9%

Notes:

(L) denotes long position

(1) The calculation is based on the total number of 600,154,350 issued Shares as at 31 December 2024.

(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.

(4) The underlying shares were held by Ze Tian Sen Hong Limited (擇天森宏有限公司) as a professional 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.

Save as disclosed herein, as at 31 December 2024, 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 (including treasury shares) during the Reporting Period. As at 31 December 2024, the Company did not hold any treasury shares.

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 2024, approximately HK$13.24 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 2024:

Intended use of Net Proceeds	Allocation of Net Proceeds (HK$ million)	Approximate percentage of total Net Proceeds	Unutilised Net Proceeds as at 31 December 2023 (HK$ million)	Utilised Net Proceeds as at 31 December 2024 (HK$ million)	Unutilised Net Proceeds as at 31 December 2024 (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	12/2025 *(Note 2)*
Funding the capital expenditure and initial operating costs for the development of Wenzhou Oral Care	20.2	27.0%	19.3	1.11	19.1	06/2025 *(Note 3)*
Funding the capital expenditure and initial operating costs for establishing Lucheng Children Hospital in Wenzhou	10.6	14.1%	10.2	0.43	10.2	06/2025 *(Note 4)*
Working capital and other general corporate purposes	7.5	10.0%	2.6	7.50	0.0	N/A
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	12/2025
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	12/2025
Acquiring new dental devices and consumables to improve the quality of our dental services offered	2.5	3.3%	1.4	2.00	0.5	12/2025
Renovating our Wenzhou Hospital in order to expand its children dental department	2.2	3.0%	–	2.20	0.0	N/A
Total	74.9	100%	65.4	13.24	61.66	

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 June 2025.*

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 June 2025, and the Company will make further announcement should the plan to lease such new premises be confirmed to proceed.*

Annual General Meeting

The 2025 AGM will be scheduled on Wednesday, 18 June 2025. A notice convening the 2025 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 2025 AGM, the register of members of the Company will be closed from Friday, 13 June 2025 to Wednesday, 18 June 2025 (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 Thursday, 12 June 2025.

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 37 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 2024.

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 at least 25 % of the Company total issued share capital held by the public as required by the Listing Rules during the Reporting Period and as at the date of this annual report.

Audit Committee

The Audit Committee of the Company (the "**Audit Committee**") currently consists of three independent non-executive Directors, namely Mr. Ng Ming Chee, Mr. Zhang Yongcun 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 2024 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 2024 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 2025

Ernst & Young
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Quarry Bay, Hong Kong

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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 102 to 181, which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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") as 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 2024 amounted to RMB14,068,000, representing 18.8% 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 HKFRS Accounting Standards as 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**74,680**	73,513
Cost of sales		**(47,704)**	(40,858)
Gross profit		**26,976**	32,655
Other income and gains	5	**4,286**	5,859
Selling expenses		**(22,801)**	(20,655)
Administrative expenses		**(36,733)**	(22,940)
Other expenses		**(253)**	(439)
Impairment losses on financial assets, net		**(3)**	(5)
Finance costs	7	**(1,618)**	(1,633)
LOSS BEFORE TAX	6	**(30,146)**	(7,158)
Income tax expense	10	**(2,478)**	(6,448)
LOSS FOR THE YEAR		**(32,624)**	(13,606)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income 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		**1,478**	1,400
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**1,478**	1,400
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(31,146)**	(12,206)

	Note	2024 RMB'000	2023 RMB'000
Loss attributable to:			
Owners of the parent		**(32,424)**	(13,594)
Non-controlling interests		**(200)**	(12)
		(32,624)	(13,606)
Total comprehensive loss attributable to:			
Owners of the parent		**(30,946)**	(12,194)
Non-controlling interests		**(200)**	(12)
		(31,146)	(12,206)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*12*	**RMB(5.57) cents**	RMB(2.27) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**26,119**	27,799
Right-of-use assets	*14(a)*	**32,378**	33,857
Goodwill	*15*	**11,486**	–
Intangible assets	*16*	**494**	373
Deferred tax assets	*25*	**234**	694
Prepayments, other receivables and other assets	*19*	**11,178**	17,394
Financial assets at fair value through profit or loss	*20*	**10,000**	–
Total non-current assets		**91,889**	80,117
CURRENT ASSETS			
Inventories	*17*	**2,395**	2,506
Trade receivables	*18*	**693**	789
Prepayments, other receivables and other assets	*19*	**16,683**	7,044
Time deposits with original maturity over three months	*21*	**–**	55,144
Cash and cash equivalents	*21*	**78,494**	86,827
Total current assets		**98,265**	152,310
CURRENT LIABILITIES			
Trade payables	*22*	**6,557**	6,640
Lease liabilities	*14(b)*	**8,251**	8,803
Other payables and accruals	*23*	**19,768**	17,724
Contract liabilities	*24*	**3,976**	3,302
Tax payable		**1,557**	1,490
Total current liabilities		**40,109**	37,959
NET CURRENT ASSETS		**58,156**	114,351
TOTAL ASSETS LESS CURRENT LIABILITIES		**150,045**	194,468
NON-CURRENT LIABILITIES			
Lease liabilities	*14(b)*	**25,180**	24,918
Contract liabilities	*24*	**4,459**	4,005
Deferred tax liabilities	*25*	**8**	–
Total non-current liabilities		**29,647**	28,923
Net assets		**120,398**	165,545

	Notes	2024 RMB'000	2023 RMB'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	*26*	**5,366**	5,365
Reserves	*28*	**113,972**	159,813
		119,338	165,178
Non-controlling interests		**1,060**	367
Total equity		**120,398**	165,545

Mr. Wang Xiaomin
Director

Dr. Zhou Jian
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent								Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 *(note 26)*	Share premium* RMB'000 *(note 28)*	Merger reserve* RMB'000 *(note 28)*	Capital reserve* RMB'000 *(note 28)*	Statutory surplus reserve* RMB'000 *(note 28)*	Exchange fluctuation reserve* RMB'000 *(note 28)*	Retained profits* RMB'000	Total RMB'000		
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)	(12,194)	(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

	Attributable to owners of the parent										Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 *(note 26)*	Share premium* RMB'000 *(note 28)*	Merger reserve* RMB'000 *(note 28)*	Capital reserve* RMB'000 *(note 28)*	Shares held for share award arrangement* RMB'000 *(note 28)*	Statutory surplus reserve* RMB'000 *(note 28)*	Share option and award reserve* RMB'000 *(note 28)*	Exchange fluctuation reserve* RMB'000 *(note 28)*	Retained profits* RMB'000	Total RMB'000		
At 1 January 2024	5,365	93,354	12,016	8,450	-	10,715	-	1,323	33,955	165,178	367	165,545
Loss for the year	-	-	-	-	-	-	-	-	(32,424)	(32,424)	(200)	(32,624)
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	1,478	-	1,478	-	1,478
Total comprehensive loss for the year	-	-	-	-	-	-	-	1,478	(32,424)	(30,946)	(200)	(31,146)
Shares repurchased	-	-	-	-	(19,252)	-	-	-	-	(19,252)	-	(19,252)
Transfer to statutory surplus reserve	-	-	-	-	-	5	-	-	(5)	-	-	-
Share-based payments	-	-	-	-	-	-	9,805	-	-	9,805	-	9,805
Issue of shares in lieu of dividends	1	-	-	-	-	-	-	-	(1)	-	-	-
Final 2023 dividend paid	-	-	-	-	-	-	-	-	(5,447)	(5,447)	-	(5,447)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	893	893
At 31 December 2024	5,366	93,354	12,016	8,450	(19,252)	10,720	9,805	2,801	(3,922)	119,338	1,060	120,398

* *These reserve accounts comprise the consolidated reserves of RMB113,972,000 (2023: RMB159,813,000) in the consolidated statement of financial position.*

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(30,146)**	(7,158)
Adjustments for:			
Finance costs	*7*	**1,618**	1,633
Bank interest income		**(3,700)**	(3,993)
Loss on disposal of items of property, plant and equipment	*6*	**–**	165
Depreciation of property, plant and equipment	*13*	**6,490**	7,287
Depreciation of right-of-use assets	*14(a)*	**7,519**	6,738
Amortisation of intangible assets	*16*	**155**	155
Impairment of trade receivables, net	*18*	**3**	5
Share-based payment expenses	*27*	**9,805**	–
Gain on termination of leases	*14(c)*	**(1)**	(321)
Exchange differences, net		**(113)**	(57)
		(8,370)	4,454
Decrease/(increase) in inventories		**442**	(9)
Decrease/(increase) in trade receivables		**167**	(271)
(Increase)/decrease in prepayments, other receivables and other assets		**(2,208)**	3,922
(Decrease)/increase in trade payables		**(366)**	1,165
Increase/(decrease) in contract liabilities		**379**	(917)
Increase in other payables and accruals		**1,261**	2,608
Cash generated from operations		**(8,695)**	10,952
Bank interest received		**3,700**	3,993
Income tax paid		**(9,156)**	(9,312)
Net cash flows (used in)/from operating activities		**(14,151)**	5,633
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,900)**	(5,582)
Purchases of intangible assets		**(272)**	–
Prepayment for acquisitions of equity investments		**–**	(14,506)
Advances of loans to employees		**–**	(17,680)
Repayments of advances of loans to employees		**–**	17,680
Acquisition of subsidiaries	*29*	**(6,085)**	–
Purchases of financial assets at fair value through profit or loss		**(10,000)**	–
Decrease/(increase) in time deposits with original maturity of over three months		**55,144**	(55,144)
Net cash flows from/(used in) investing activities		**36,887**	(75,232)

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares for the initial public offering		**–**	76,417
Share issue expenses		**–**	(5,867)
Dividend paid		**(5,447)**	–
Shares repurchased		**(19,252)**	–
Principal portion of lease payments	*30(b)*	**(6,343)**	(5,919)
Interest paid	*30(b)*	**(1,618)**	(1,633)
Net cash flows (used in)/from financing activities		**(32,660)**	62,998
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(9,924)**	(6,601)
Cash and cash equivalents at beginning of year		**86,827**	89,529
Effect of foreign exchange rate changes, net		**1,591**	3,899
CASH AND CASH EQUIVALENTS AT END OF YEAR		**78,494**	86,827
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**74,787**	39,768
Non-pledged time deposits with original maturity of less than three months when acquired		**3,707**	47,059
Cash and cash equivalents as stated in the consolidated statement of cash flows and consolidated statement of financial position	*21*	**78,494**	86,827

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/Mainland China 20 December 2019	US$11,560,000	100% (indirect)	Investment holding
Wenzhou Dehong Medical Management Co., Ltd. ("Dehong Medical")* *(Notes (b) and (d))*	PRC/Mainland China 2 August 2019	RMB20,000,000	100% (indirect)	Investment holding
Wenzhou Tianrui Medical Management Co., Ltd. ("Tianrui Medical")* *(Notes (c) and (d))*	PRC/Mainland China 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/Mainland China 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/Mainland China 7 June 2016	RMB50,000,000	100% (indirect)	Provision of dental services
Longgang Stomatological Hospital Co., Ltd. ("Longgang Hospital")* *(Notes (c) and (d))*	PRC/Mainland China 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/Mainland China 21 December 2015	RMB2,300,000	100% (indirect)	Provision of dental services
Wenzhou Ouhai Jielaiya Oral Clinic Co., Ltd ("Ouhai Jielaiya Oral Clinic")* *(Note (c))*	PRC/Mainland China 1 April 2022	RMB3,100,000	51% (indirect)	Provision of dental services
Yueqing Stomatological Hospital Co., Ltd. ("Yueqing Hospital")* *(Note (c) and (d))*	PRC/Mainland China 21 October 2008	RMB5,000,000	98.5% (indirect)	Provision of dental services

1. Corporate and Group Information (Continued)

Information about subsidiaries (Continued)

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

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"), Wenzhou Oral Care and Yueqing Hospital (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, 25% equity interests in Longgang Hospital and the 28.5% equity interests in Yueqing 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 and 1.5% equity interest in Yueqing Hospital which each 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, Longgang Hospital as a 95%-owned subsidiary and Yueqing Hospital as a 98.5%-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.*

During the year, the Group acquired Ouhai Jielaiya Oral Clinic and Yueqing Hospital. Further details of this acquisition are included in note 29 to the financial statements.

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 HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) as 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, except for financial assets at fair value through profit or loss which have been measured at fair value. 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 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are 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 revised HKFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRS Accounting Standards are described below:

(a) 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. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) 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 Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. Accounting Policies (Continued)

2.3 Issued but not yet effective HKFRS accounting standards

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

HKFRS 18	*Presentation and Disclosure in Financial Statements*[3]
HKFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to HKFRS 9 and HKFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to HKFRS 9 and HKFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKAS 21	*Lack of Exchangeability*[1]
Annual Improvements to HKFRS Accounting Standards – Volume 11	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7[2]

[1] *Effective for annual periods beginning on or after 1 January 2025*
[2] *Effective for annual periods beginning on or after 1 January 2026*
[3] *Effective for annual/reporting periods beginning on or after 1 January 2027*
[4] *No mandatory effective date yet determined but available for adoption*

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

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

2. Accounting Policies (Continued)

2.3 Issued but not yet effective HKFRS accounting standards (Continued)

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19. Some of the Company's subsidiaries are considering the application of HKFRS 19 in their specified financial statements.

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

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

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

2. Accounting Policies (Continued)

2.3 Issued but not yet effective HKFRS accounting standards (Continued)

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.

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

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

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties, derivative financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

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	3 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)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

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

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Income tax (Continued)

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

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each 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.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue from the rendering of dental services is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group.

(a) Revenue from the rendering of orthodontics and cosmetic dentistry services is recognised over time using an input method to measure progress towards complete satisfaction of the service. The input method recognises revenue on the basis of the staff costs and 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).

Share-based payments

The Company operates a share option plan and a share award plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 27 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding share options and share awards is reflected as additional share dilution in the computation of earnings per share.

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Events after the reporting period

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

Dividends

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

Foreign currencies

These financial statements are presented in RMB as the major operations of the Group are within Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of 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).

2. Accounting Policies (Continued)

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of 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.

3. Significant Accounting Judgements and Estimates (Continued)

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 (2024), 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.

The Group does not hold the 30% equity interests in Wenzhou Hospital, Lucheng Hospital, Lucheng Children Hospital and Wenzhou Oral Care, the 25% equity interests in Longgang Hospital and the 28.5% equity interests in Yueqing 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 and 1.5% equity interest in Yueqing Hospital which each 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, Longgang Hospital as a 95%-owned subsidiary and Yueqing Hospital as a 98.5%-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 and the 1.5% equity interest in Yueqing Hospital being recognised as non-controlling interests.

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.

3. Significant Accounting Judgements and Estimates (Continued)

Judgements (Continued)

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue deferred tax liabilities in respect of withholding taxes arising from the distributions of dividends by certain PRC subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends. Such judgement is made with reference to the Group's business plan and future cash requirements outside Mainland China.

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 Group has tax losses of RMB55,368,000 (2023: RMB30,395,000) carried forward. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB12,542,000. Further details on deferred taxes are disclosed in note 25 to the financial statements.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB11,486,000 (2023: Nil). Further details are given in note 15.

3. Significant Accounting Judgements and Estimates (Continued)

Estimation uncertainty (Continued)

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 18 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

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

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 2024 and 2023 was attributable to customers in Mainland China, the place of domicile of the Group's operating entities.

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

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the year (2023: Nil).

5. Revenue, Other Income and Gains

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**74,680**	73,513

Revenue from contracts with customers

(i) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Type of service		
Dental services	**74,680**	73,513
Geographical market		
Mainland China	**74,680**	73,513
Timing of revenue recognition		
Services transferred over time	**74,680**	73,513

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:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Rendering of dental services	**2,790**	3,816

(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:

	2024 RMB'000	2023 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**5,747**	5,782
After one year	**4,853**	4,388
Total	**10,600**	10,170

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)

	2024 RMB'000	2023 RMB'000
Other income		
Bank interest income	**3,703**	4,971
Government grants*	**142**	94
Others	**327**	416
Total other income	**4,172**	5,481
Gains		
Gain on termination of leases	**1**	321
Foreign exchange gains, net	**113**	57
Total gains	**114**	378
Total other income and gains	**4,286**	5,859

* *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 Before Tax

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

	Notes	2024 RMB'000	2023 RMB'000
Cost of inventories, consumables and customised products		**11,777**	10,478
Depreciation of property, plant and equipment*	*13*	**6,490**	7,287
Depreciation of right-of-use assets	*14(a)*	**7,519**	6,738
Amortisation of intangible assets**	*16*	**155**	155
Impairment of trade receivables, net	*18*	**3**	5
Lease payments not included in the measurement of lease liabilities	*14(c)*	**599**	523
Government grants	*5*	**(142)**	(94)
Bank interest income	*5*	**(3,703)**	(4,971)
Auditor's remuneration		**2,320**	2,080
Loss on disposal of items of property, plant and equipment, net		**–**	165
Gain on termination of leases	*14(c)*	**(1)**	(321)
Foreign exchange differences, net		**(113)**	(57)
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages and salaries		**33,439**	27,795
Share-based payment expenses	*27*	**9,805**	–
Pension scheme contributions***		**6,036**	4,279
Total		**49,280**	32,074

* *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:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**1,618**	1,633

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:

	2024 RMB'000	2023 RMB'000
Fees	**412**	396
Other emoluments:		
Salaries, allowances and benefits in kind	**2,881**	1,248
Pension scheme contributions	**86**	78
Subtotal	**2,967**	1,326
Total	**3,379**	1,722

(a) Independent non-executive directors

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

	2024 RMB'000	2023 RMB'000
Mr. Ng Ming Chee	**164**	162
Ms. Tam Hon Shan Celia	**164**	162
Dr. Zhou Jian*	**78**	72
Mr. Zhang Yongcun*	**6**	–
Total	**412**	396

* *Dr. Zhou Jian resigned as an independent non-executive director and was appointed as an executive director on 29 November 2024, and Mr. Zhang Yongcun was appointed as an independent non-executive director on 29 November 2024.*

There were no other emoluments payable to the independent non-executive directors during the year (2023: 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
2024				
Mr. Wang Xiaomin*	**–**	**1,438**	**43**	**1,481**
Ms. Zheng Man	**–**	**1,431**	**43**	**1,474**
Dr. Zhou Jian**	**–**	**12**	**–**	**12**
Total	**–**	**2,881**	**86**	**2,967**
2023				
Mr. Wang Xiaomin*	–	630	39	669
Ms. Zheng Man	–	618	39	657
Total	–	1,248	78	1,326

* *Mr. Wang Xiaomin is the chief executive of the Company.*

** *Dr. Zhou Jian was appointed as an executive director of the Company on 29 November 2024.*

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 (2023: two directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2023: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**1,218**	2,175
Share-based payment expenses	**273**	–
Pension scheme contributions	**254**	213
Total	**1,745**	2,388

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	
	2024	2023
Nil to HK$1,000,000	**3**	2
HK$1,000,001 to HK$1,500,000	**–**	1
Total	**3**	3

During the year, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 27 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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 (2023: 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 Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries in Mainland China as determined in accordance with the Corporate Income Tax Law.

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

	2024 RMB'000	2023 RMB'000
Current – Mainland China		
Charge for the year	**2,019**	1,937
Deferred *(note 25)*	**459**	4,511
Total	**2,478**	6,448

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

	2024 RMB'000	2023 RMB'000
Loss before tax	**(30,146)**	(7,158)
Tax at the statutory tax rate	**(7,537)**	(1,790)
Preferential tax rates enacted by local authority	**1,335**	684
Expenses not deductible for tax	**2,610**	179
Adjustments in respect of current tax of previous periods	**(1)**	(39)
Effect on opening deferred tax of decrease in rate	**–**	157
Temporary differences and tax losses not recognised	**6,071**	7,257
Tax charge at the Group's effective rate	**2,478**	6,448

11. Dividends

On 18 June 2024, the final dividend of HK$0.01 per ordinary share was approved by the Company's shareholders at the annual general meeting. Approximately HK$5.9 million (equivalent to approximately RMB5.4 million) of the dividend was paid in cash and the rest was paid by issuing scrip shares on 31 August 2024.

The board of the Company has resolved not to recommend the payment of a final dividend for the year ended 31 December 2024 (2023: HK$0.01 per ordinary share).

12. Loss per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic loss (2023: loss) per share amount is based on the loss (2023: loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 581,964,330 (2023: 600,000,000) in issue during the year, as adjusted to reflect the shares repurchased for share option and share award schemes in 2024.

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2024 in respect of a dilution as the impact of the share option and share award schemes had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

	2024 RMB'000	2023 RMB'000
Loss		
Loss attributable to ordinary equity holders of the parent	**(32,424)**	(13,594)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**581,964,330**	600,000,000

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 2024						
At 1 January 2024:						
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
At 1 January 2024, net of accumulated depreciation	8,600	3,953	1,105	9,889	4,252	27,799
Additions	495	183	4	79	1,025	1,786
Acquisition of subsidiaries	1,296	209	479	1,040	–	3,024
Depreciation provided during the year *(note 6)*	(1,784)	(807)	(226)	(3,673)	–	(6,490)
Transfers	–	130	–	4,038	(4,168)	–
At 31 December 2024, net of accumulated depreciation	8,607	3,668	1,362	11,373	1,109	26,119
At 31 December 2024:						
Cost	20,989	9,066	2,766	34,758	1,109	68,688
Accumulated depreciation	(12,382)	(5,398)	(1,404)	(23,385)	–	(42,569)
Net carrying amount	8,607	3,668	1,362	11,373	1,109	26,119

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 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

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 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 and 1 January 2024	33,857
Additions	318
Acquisition of subsidiaries	5,739
Depreciation charge *(note 6)*	(7,519)
Reductions as a result of terminations of leases	(17)
As at 31 December 2024	32,378

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:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	**33,721**	36,616
New leases	**318**	5,840
Acquisition of subsidiaries	**5,753**	–
Accretion of interest recognised during the year	**1,618**	1,633
Reductions as a result of termination of leases	**(18)**	(1,924)
Payments	**(7,961)**	(8,444)
Carrying amount at 31 December	**33,431**	33,721
Analysed into:		
Current portion	**8,251**	8,803
Non-current portion	**25,180**	24,918

The maturity analysis of lease liabilities is disclosed in note 35 to the consolidated financial statements.

As at 31 December 2024, included in the Group's current lease liabilities was an amount of RMB891,600 (2023: RMB1,799,000) 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:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**1,618**	1,633
Depreciation charge of right-of-use assets	**7,519**	6,738
Expense relating to short-term leases (included in selling expenses, administrative expenses and cost of sales) *(note 6)*	**599**	523
Gain on termination of leases *(note 6)*	**(1)**	(321)
Total amount recognised in profit or loss	**9,735**	8,573

(d) The total cash outflow for leases is disclosed in note 30(c) to the consolidated financial statements.

15. Goodwill

	RMB'000
Cost as at 1 January 2024 and 31 December 2023	–
Acquisition of subsidiaries (note 29)	11,486
Net carrying amount as at 31 December 2024	11,486

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating units for impairment testing:

- Ouhai Jielaiya Oral Clinic cash-generating unit; and
- Yueqing Hospital cash-generating unit.

The carrying amounts of goodwill allocated to the cash-generating units are as follows:

	2024 RMB'000
Ouhai Jielaiya Oral Clinic	**3,674**
Yueqing Hospital	**7,812**
Total	**11,486**

15. Goodwill (Continued)

Impairment testing of goodwill (Continued)

The recoverable amount of the Ouhai Jielaiya Oral Clinic and Yueqing Hospital cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Key assumptions used in the calculation are as follows:

	Ouhai Jielaiya Oral Clinic	**Yueqing Hospital**
Budgeted gross margin	40%–44%	50%
Discount rate	12%	12%
Terminal growth rate	2%	2%

Assumptions were used in the value in use calculation of the Ouhai Jielaiya Oral Clinic and Yueqing Hospital cash-generating units for 31 December 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margin – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved expected to achieve, increased for expected efficiency improvements and expected market development.

Discount rate – The discount rate used is after tax and reflects specific risks relating to the relevant unit.

Terminal growth rate – The long-term average growth rate of dental services industry.

The values assigned to the key assumptions on budgeted gross margin and discount rates are consistent with external information sources.

With regards to the assessment of the value in use of the above cash-generating units, the directors of the Company believe that reasonable possible changes in above key assumptions would not lead to the carrying value of each cash-generating unit to exceed the recoverable amount as at 31 December 2024.

16. Intangible Assets

	Software RMB'000
31 December 2024	
Cost at 1 January 2024, net of accumulated amortization	**373**
Acquisition of subsidiaries	**4**
Additions	**272**
Amortisation provided during the year *(note 6)*	**(155)**
At 31 December 2024	**494**
At 31 December 2024:	
Cost	**1,383**
Accumulated amortization	**(889)**
Net carrying amount	**494**
31 December 2023	
Cost at 1 January 2023, net of accumulated amortisation	528
Additions	–
Amortisation provided during the year *(note 6)*	(155)
At 31 December 2023	373
At 31 December 2023:	
Cost	1,107
Accumulated amortisation	(734)
Net carrying amount	373

17. Inventories

	2024 RMB'000	2023 RMB'000
Pharmaceuticals	**65**	45
Medical consumables	**2,330**	2,461
Total	**2,395**	2,506

18. Trade Receivables

	2024 RMB'000	2023 RMB'000
Trade receivables	**704**	797
Impairment	**(11)**	(8)
Net carrying amount	**693**	789

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:

	2024 RMB'000	2023 RMB'000
Within 3 months	**662**	759
3 and 6 months	**9**	11
6 and 12 months	**2**	2
1 and 2 years	**9**	7
Over 2 years	**11**	10
Total	**693**	789

18. Trade Receivables (Continued)

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**8**	3
Impairment losses, net *(note 6)*	**3**	5
At end of year	**11**	8

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 RMB'000	**1 to 2 years** RMB'000	**Over 2 years** RMB'000	**Total** RMB'000
As at 31 December 2024				
Trade receivables (RMB'000)	**676**	**14**	**14**	**704**
Expected credit loss rate	**0.44%**	**35.71%**	**21.43%**	**1.56%**
Expected credit losses (RMB'000)	**3**	**5**	**3**	**11**
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

19. Prepayments, Other Receivables and Other Assets

	2024 RMB'000	2023 RMB'000
Non-current:		
Prepayments for acquisitions of equity investments	**8,000**	14,506
Prepayments for long-term assets	**1,732**	1,618
Rental deposits	**1,446**	1,270
Subtotal	**11,178**	17,394
Current:		
Other receivables	**4,989**	4,230
Tax recoverable	**7,211**	–
Prepayments	**4,483**	2,814
Subtotal	**16,683**	7,044
Total	**27,861**	24,438

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 2024 and 2023, the loss allowance was assessed to be minimal.

20. Financial Assets at Fair Value Through Profit or Loss

	2024 RMB'000	2023 RMB'000
Unlisted investment, at fair value	**10,000**	–

The above unlisted investment was 4.76% equity interest in Zhejiang Trustyou Medical Equipment Co., Ltd. It was classified as financial assets at fair value through profit or loss as it was mandatorily designated as such.

21. Cash and Cash Equivalents

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**74,787**	39,768
Time deposits	**3,707**	102,203
Subtotal	**78,494**	141,971
Less:		
Time deposits with original maturity over three months	**–**	(55,144)
Cash and cash equivalents	**78,494**	86,827
Denominated in HK$	**4,973**	49,025
Denominated in RMB	**5,932**	37,109
Denominated in US$	**67,589**	693
Cash and cash equivalents	**78,494**	86,827

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. 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.

22. 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:

	2024 RMB'000	2023 RMB'000
Within 3 months	**1,422**	1,161
3 to 6 months	**779**	1,212
6 to 12 months	**852**	1,373
Over 1 year	**3,504**	2,894
Total	**6,557**	6,640

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

23. Other Payables and Accruals

	2024 RMB'000	2023 RMB'000
Payroll payable	**6,877**	5,918
Other payables	**6,167**	5,873
Advances from customers	**5,832**	5,056
Taxes payable other than corporate income tax	**892**	877
Total	**19,768**	17,724

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

24. Contract Liabilities

Details of contract liabilities are as follows:

	2024 RMB'000	2023 RMB'000
Advances received from customers		
Dental services		
Current	**3,976**	3,302
Non-current	**4,459**	4,005
Total	**8,435**	7,307

Contract liabilities include advances received to render dental services.

25. 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	**Fair value adjustments arising from acquisition of a subsidiary** RMB'000	**Total deferred tax liabilities** RMB'000
At 1 January 2023	8,176	–	8,176
Deferred tax credited to profit or loss during the year *(note 10)*	(998)	–	(998)
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	7,178	–	7,178
Acquisition of a subsidiary	269	9	278
Deferred tax credited to profit or loss during the year *(note 10)*	(1,512)	(1)	(1,513)
Gross deferred tax liabilities at 31 December 2024	5,935	8	5,943

25. Deferred Tax (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 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 and 1 January 2024	272	–	2	262	7,323	13	7,872
Acquisition of a subsidiary	–	–	–	–	269	–	269
Deferred tax credited/(charged) to profit or loss during the year *(note 10)*	(99)	–	–	(262)	(1,648)	37	(1,972)
Gross deferred tax assets at 31 December 2024	173	–	2	–	5,944	50	6,169

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:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**234**	694
Net deferred tax liabilities recognised in the consolidated statement of financial position	**8**	–

25. Deferred Tax (Continued)

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

	2024 RMB'000	2023 RMB'000
Tax losses	**55,368**	30,395
Deductible temporary differences	**5,970**	4,511
	61,338	34,906

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 Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB6,972,000 (2023: RMB36,435,000).

26. Share Capital

Shares

	2024 HK$'000	2023 HK$'000
Authorised:		
1,500,000,000 ordinary shares of HK$0.01 each	**15,000**	15,000
Issued and fully paid:		
600,154,350 (2023: 600,000,000) ordinary shares of HK$0.01 each	**6,002**	6,000
Equivalent to RMB'000	**5,366**	5,365

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

	Number of shares in issue	**Share capital** RMB'000
At 1 January 2023, 31 December 2023, and 1 January 2024	600,000,000	5,365
Issue of scrip dividend shares *(Note (a))*	154,350	1
Shares repurchased *(Note (b))*	(41,385,000)	–
At 31 December 2024	558,769,350	5,366

Notes:

(a) The Company distributed 2023 final dividend to its shareholders by way of scrip dividends, with a cash alternative to shareholders.

(b) During the year, the trustee Ze Tian Sen Hong Limited, which controlled by the Group, purchased 41,385,000 of the Company's shares on the Hong Kong Stock Exchange at a total cash consideration of HK$21,086,045 (equivalent to approximately RMB19,251,955). These purchased shares were classified as shares held for the share option and share award schemes.

27. Share-Based Payments

The Company adopted the share option scheme on 8 November 2022. The purpose of the share option scheme is to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group. On 16 January 2024, the board granted 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 shall vest on the first to the tenth anniversary of the date of grant.

The Company adopted the share award scheme with effect from 16 January 2024. The purpose of the share award scheme is (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. The board granted 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 and shall be 100% vested on the first anniversary of the date of grant.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these schemes. The Group accounts for the schemes as an equity-settled plan.

The schemes do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the share option scheme during the year:

	2024	
	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	–	–
Granted during the year	0.45	60,000
Forfeited during the year	0.45	(30,000)
At 31 December	0.45	30,000

27. Share-Based Payments (Continued)

The following awarded shares were outstanding under the share award scheme during the year:

	2024 Weighted average exercise price HK$ per share	2024 Number of awarded shares '000
At 1 January	–	–
Granted during the year	–	24,000
At 31 December	–	24,000

During the year, share-based payment expenses of RMB9,805,000 (2023: Nil) were charged to profit or loss.

The fair values of options and awarded shares granted during the year were estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2024
Dividend yield (%)	2.50%
Expected volatility (%)	53.32%
Risk-free interest rate (%)	3.47%
Expected life of options (year)	10
Weighted average share price (HK$ per share)	0.26

28. 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 106 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.

Shares held for share award arrangement

The shares held for share award arrangement of the Group represents the repurchased shares on the Hong Kong Stock Exchange that held for the share award scheme by the Company.

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.

Share option and award reserve

The Group's share option and award reserve represents the share-based compensation reserve, details of the movements are set out in the consolidated statement of changes in equity.

Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

29. Business Combination

Acquisition of Ouhai Jielaiya Oral Clinic

Pursuant to a share purchase agreement dated 19 December 2023, a wholly-owned subsidiary of the Group agreed to acquire a 51% interest in Ouhai Jielaiya Oral Clinic from its then shareholder at a cash consideration of RMB4,581,000. Ouhai Jielaiya Oral Clinic is engaged in the provision of dental services in the Wenzhou City and the acquisition was made as part of the Group's strategy to expand its market share of dental service in this region.

The acquisition was completed in March 2024 when the Group obtained control of the operating and financial activities of Ouhai Jielaiya Oral Clinic.

The fair values of the identifiable assets and liabilities of Ouhai Jielaiya Oral Clinic as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Non-current assets	5,049
Current assets	848
Current liabilities	(1,431)
Non-current liabilities	(2,687)
Total identifiable net assets at fair value	1,779
Non-controlling interests	(872)
Goodwill on acquisition	3,674
Satisfied by cash	4,581

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB74,000 and RMB181,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB74,000 and RMB181,000, respectively, of which the total amount is expected to be collectible.

The goodwill of RMB3,674,000 recognised above is due to the new market entered into by the Group to achieve business diversification. The above factor is neither separable nor contractual and therefore it does not meet the criteria for recognition as intangible assets under HKAS 38 Intangible Assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group has elected to measure the non-controlling interest in Ouhai Jielaiya Oral Clinic at the non-controlling interest's proportionate share of Ouhai Jielaiya Oral Clinic's identifiable net assets.

29. Business Combination (Continued)

Acquisition of Ouhai Jielaiya Oral Clinic (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during the year ended 31 December 2024*	(3,000)
Cash and bank balances acquired	302
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(2,698)

* *Cash consideration of RMB1,581,000 was paid in 2023 pursuant to the share purchase agreement and included in the non-current portion of prepayment as at 31 December 2023.*

Since the acquisition, Ouhai Jielaiya Oral Clinic contributed RMB3,450,000 to the Group's revenue and caused a loss of RMB262,000 to the consolidated loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB75,747,000 and RMB32,646,000, respectively.

The Group incurred transaction costs of HK$40,000 (equivalent to RMB36,000) for this acquisition. These transaction costs have been expensed and were included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Acquisition of Yueqing Hospital

Pursuant to share purchase agreement dated 19 December 2023, two wholly-owned subsidiaries of the Group agreed to acquire a 98.5% interest in Yueqing Hospital from its then shareholders at a cash consideration of RMB9,232,000. Yueqing Hospital is engaged in the provision of dental services in the Wenzhou City and the acquisition was made as part of the Group's strategy to expand its market share of dental service in this region.

The acquisition was completed in August 2024 when the Group obtained control of the operating and financial activities of Yueqing Hospital.

29. Business Combination (Continued)

Acquisition of Yueqing Hospital (Continued)

The fair values of the identifiable assets and liabilities of Yueqing Hospital as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Non-current assets	3,718
Current assets	1,192
Current liabilities	(809)
Non-current liabilities	(2,660)
Total identifiable net assets at fair value	1,441
Non-controlling interests	(21)
Goodwill on acquisition	7,812
Satisfied by cash	9,232

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to nil and RMB47,000, respectively. The gross contractual amounts of trade receivables and other receivables were nil and RMB47,000, respectively, of which the total amount is expected to be collectible.

The goodwill of RMB7,812,000 recognised above is due to the new market entered into by the Group to achieve business diversification. The above factor is neither separable nor contractual and therefore it does not meet the criteria for recognition as intangible assets under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

The Group has elected to measure the non-controlling interest in Yueqing Hospital at the non-controlling interest's proportionate share of Yueqing Hospital's identifiable net assets.

29. Business Combination (Continued)

Acquisition of Yueqing Hospital (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration paid during the year ended 31 December 2024*	(4,307)
Cash and bank balances acquired	920
Net outflow of cash and cash equivalents included in cash flows used in investing activities	(3,387)

* *Cash consideration of RMB4,925,000 was paid in 2023 pursuant to the share purchase agreement and included in the non-current portion of prepayment as at 31 December 2023.*

Since the acquisition, Yueqing Hospital contributed RMB1,909,000 to the Group's revenue and a profit of RMB51,000 to the consolidated loss for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been RMB77,163,000 and RMB31,987,000, respectively.

The Group incurred transaction costs of HK$40,000 (equivalent to RMB36,000) for this acquisition. These transaction costs have been expensed and were included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

30. 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 RMB318,000 (2023: RMB5,840,000) and RMB318,000 (2023: RMB5,840,000) during the year ended 31 December 2024, respectively, in respect of lease arrangements for office premises.

(ii) During the year ended 31 December 2024, the Group had non-cash reductions to right-of-use assets and lease liabilities of RMB17,000 (2023: RMB1,603,000) and RMB18,000 (2023: RMB1,924,000), respectively, in respect of termination of leases for certain office premises.

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

(b) Changes in liabilities arising from financing activities

2024

	Lease liabilities RMB'000
At 1 January 2024	**33,721**
Changes from financing cash flows	
– Principal portion of lease payments	**(6,343)**
– Interest paid	**(1,618)**
New leases	**318**
Acquisition of subsidiaries	**5,753**
Interest expense	**1,618**
Reductions as a result of termination of leases	**(18)**
At 31 December 2024	**33,431**

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

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

(c) Total cash outflow for leases

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

	2024 RMB'000	2023 RMB'000
Within operating activities	**599**	523
Within financing activities	**7,961**	8,444
Total	**8,560**	8,967

31. Commitments

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

	2024 RMB'000	2023 RMB'000
Leasehold improvements	**1,997**	2,581
Medical equipment	**655**	664
Total	**2,652**	3,245

32. Related Party Transactions

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

Name	Relationship with the Group
Ms. Zheng Man	Executive director

32. Related Party Transactions (Continued)

(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) Compensation of key management personnel of the Group:

	2024 **RMB'000**	2023 RMB'000
Short-term employee benefits	**3,593**	2,650
Pension scheme contributions	**345**	295
Share-based payment expenses	**273**	–
Total compensation paid to key management personnel	**4,211**	2,945

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

33. 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:

2024

Financial assets

	Financial assets at fair value through profit or loss Mandatorily designated as such RMB'000	Financial assets at amortised cost RMB'000
Trade receivables	–	693
Financial assets included in prepayments, other receivables and other assets	–	6,435
Financial assets at fair value through profit or loss	10,000	–
Cash and cash equivalents	–	78,494
Total	10,000	85,622

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	6,557
Financial liabilities included in other payables and accruals	6,167
Total	12,724

33. Financial Instruments by Category (Continued)

2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	789
Financial assets included in prepayments, other receivables and other assets	5,500
Time deposits with original maturity over three months	55,144
Cash and cash equivalents	86,827
Total	148,260

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	6,640
Financial liabilities included in other payables and accruals	5,873
Total	12,513

34. 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 has also invested in an unlisted equity investment during the year whose fair value was determined on a investment cost method. The Group classifies the fair value of the investment as Level 2.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	–	**10,000**	–	**10,000**

34. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

Fair value hierarchy (Continued)

Assets measured at fair value (Continued)

The Group did not have any financial assets measured at fair value as at 31 December 2023.

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2023.

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 (2023: Nil).

35. 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.

35. 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 before tax (arising from foreign currency denominated financial instruments) and the Group's equity.

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
2024			
If the RMB weakens against the HK$	**5**	**(233)**	**(373)**
If the RMB strengthens against the HK$	**(5)**	**233**	**373**
If the RMB weakens against the US$	**5**	**(3,379)**	**(3,379)**
If the RMB strengthens against the US$	**(5)**	**3,379**	**3,379**
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

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.

35. Financial Risk Management Objectives and Policies (Continued)

Credit risk (Continued)

Maximum exposure and year-end staging (Continued)

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2024

	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*	–	–	–	704	704
Financial assets included in prepayments, other receivables and other assets					
– Normal**	6,435	–	–	–	6,435
Cash and cash equivalents					
– Not yet past due	78,494	–	–	–	78,494
Total	84,929	–	–	704	85,633

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

* *For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the 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".*

35. 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 18 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:

	2024				
	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**	**42**	**6,928**	**28,567**	**36,688**
Trade payables	**6,557**	**–**	**–**	**–**	**6,557**
Financial liabilities included in other payables and accruals	**6,167**	**–**	**–**	**–**	**6,167**
Total	**13,875**	**42**	**6,928**	**28,567**	**49,412**

	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

35. 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 2024 and 31 December 2023.

36. Event After the Reporting Period

There were no other significant events that required additional disclosure or adjustments occurred after the end of the reporting period.

37. 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:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**9,814**	9
Total non-current assets	**9,814**	9
CURRENT ASSETS		
Prepayments, other receivables and other assets	**517**	452
Due from a subsidiary	**72,910**	709
Time deposits with original maturity over three months	**–**	55,144
Cash and cash equivalents	**4,978**	47,627
Total current assets	**78,405**	103,932
CURRENT LIABILITIES		
Other payables and accruals	**621**	509
Due to a subsidiary	**4,566**	4,380
Total current liabilities	**5,187**	4,889
NET CURRENT ASSETS	**73,218**	99,043
TOTAL ASSETS LESS CURRENT LIABILITIES	**83,032**	99,052
Net assets	**83,032**	99,052
EQUITY		
Share capital	**5,366**	5,365
Reserves *(note)*	**77,666**	93,687
Total equity	**83,032**	99,052

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

Note:

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

	Share premium HK$'000	Share Option and award reserve HK$'000	Retained profits HK$'000	Shares held for share award arrangement HK$'000	Exchange fluctuation reserve HK$'000	Total equity HK$'000
Balance at 1 January 2023	93,354	–	(982)	–	(81)	92,291
Total comprehensive income for the year	–	–	(4)	–	1,400	1,396
At 31 December 2023 and 1 January 2024	93,354	–	(986)	–	1,319	93,687
Total comprehensive income for the year	–	–	(2,922)	–	1,796	(1,126)
Shares repurchased	–	–	–	(19,252)	–	(19,252)
Share-based payments	–	9,805	–	–	–	9.805
Issue of shares in lieu of dividends	–	–	(1)	–	–	(1)
Final 2023 dividends paid	–	–	(5,447)	–	–	(5,447)
At 31 December 2024	93,354	9,805	(9,356)	(19,252)	3,115	77,666

38. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2025.

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				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**74,680**	73,513	127,408	105,315	84,556
Gross profit	**26,976**	32,655	78,248	66,930	50,617
(Loss)/profit before tax	**(30,146)**	(7,158)	40,202	43,667	24,192
(Loss)/profit for the year	**(32,624)**	(13,606)	28,570	32,177	14,980

	As at 31 December				
	2024	2023	2022	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
FINANCIAL POSITION					
Total assets	**190,154**	232,427	252,718	133,866	98,365
Total liabilities	**69,756**	66,882	74,967	83,323	79,999
Total equity	**120,398**	165,545	177,751	50,543	18,366
Non-controlling interests	**1,060**	367	379	265	157
Equity attributable to owners of the Company	**119,338**	165,178	177,372	50,278	18,209

"2025 AGM" or "AGM"	the forthcoming annual general meeting of the Company to be held on 18 June 2025
"Articles" or "Articles of Association"	the articles of association of the Company as amended or supplemented from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Awarded Shares"	in respect of a Selected Participant, such number of Shares as award to him by the Board
"Board"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"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 liabilities on 18 November 2019, the shares of which is listed on the Main Board of the Stock Exchange (Stock Code: 1947), and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinances on 17 January 2019
"Contractual Arrangements"	a series of contractual arrangements entered into by Dehong Medical, Tianrui Medical, the VIE Entities, and the Relevant Shareholders, details of which are described in the section headed "Contractual Arrangements" in this report
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context otherwise requires, refers to Mr. Wang, Ms. Zheng, JTC BVI, Ricon BVI and Meihao BVI
"Director(s)"	the director(s) of the Company
"Eligible Participant"	any individual being an employee participant, related entity participant or service provider, provided such person is not a connected person of the Group
"Global Offering"	the offer of the Shares for subscription as described in the section headed "Structure of the Global Offering" in the Prospectus
"Grantee(s)"	certain employees of the Group to subscribe for a total 60,000,000 ordinary shares of HK$0.01 each of the Company under the Share Option Scheme or a Selected Participant who received and agrees to accept an award of shares under the Share Award Scheme

DEFINITIONS

"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
"JTC BVI"	JTC (China) Co., LTD (健齒康(中國)有限公司), a business company incorporated in the BVI with limited liability on 8 November 2019, which is directly wholly owned by Mr. Wang, and one of our Controlling Shareholders
"Latest Practicable Date"	22 April 2025, 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
"Longgang Hospital"	Longgang Stomatological Hospital Co., Ltd. (龍港口腔醫院有限公司) (formerly known as Cangnan Dental Hospital Co., Ltd. (蒼南牙科醫院有限公司)), a limited liability company established in the PRC on 24 August 2015, our indirect non wholly-owned subsidiary, which is a private dental hospital
"Lucheng Children Hospital"	Wenzhou Lucheng Children Stomatological Hospital Co., Ltd. (溫州鹿城兒童口腔醫院有限公司), a limited liability company established in the PRC on 29 October 2019 and our indirect wholly-owned subsidiary
"Lucheng Hospital"	Wenzhou Lucheng Stomatological Hospital Co., Ltd. (溫州鹿城口腔醫院有限公司), a limited liability company established in the PRC on 7 June 2016, our indirect wholly-owned subsidiary, which is a private dental hospital
"Macau"	the Macau Special Administrative Region of the PRC
"Meihao BVI"	Meihao (China) Co., LTD (美皓(中國)有限公司), a business company incorporated in the BVI with limited liability on 8 November 2019, which is directly wholly owned by Ms. Zheng, and one of our Controlling Shareholders
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules

"Mr. Wang"	Mr. Wang Xiaomin (王曉敏), an executive Director, the spouse of Ms. Zheng, one of the Controlling Shareholders, and one of the Relevant Shareholders
"Ms. Zheng"	Ms. Zheng Man (鄭蠻), an executive Director, the spouse of Mr. Wang, one of the Controlling Shareholders, and one of the Relevant Shareholders
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated 30 November 2022 in connection with the Global Offering
"Relevant Shareholder(s)"	Mr. Wang and Ms. Zheng, being the registered shareholders of Tianrui Medical
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period" or "Year"	the year ended 31 December 2024
"Ricon BVI"	Ricon (China) Co., LTD (瑞康(中國)有限公司), a business company incorporated in the BVI with limited liability on 8 November 2019, which is directly wholly owned by Mr. Wang, and one of our Controlling Shareholders
"RMB"	the lawful currency of PRC
"Rui'an Branch Hospital"	Wenzhou Dental Hospital Co., Ltd. Rui'an Branch Company (溫州牙科醫院有限公司瑞安分公司), a branch company established in the PRC on 9 November 2017, and the operating branch (院區) (not an independent established medical institution) of Wenzhou Hospital in Rui'an City
"Scheme Rules"	the rule of the Share Award Scheme, as may amend from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the Company
"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 on 8 November 2022
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules

"Tianrui Medical"	Wenzhou Tianrui Medical Management Co., Ltd. (溫州天睿醫療管理有限公司), a limited liability company established in the PRC on 2 August 2019 which is owned as to 90% by Mr. Wang and 10% by Ms. Zheng
"treasury shares"	has the meaning ascribed to it under the Listing Rules, as amended and supplemented from time to time
"Trust"	the trust constituted by the Trust Deed
"Trust Deed"	a trust deed to be entered into between the Company as settlor and the Trustee as trustee of the Trust (as restated, supplemented and amended from time to time)
"Trustee"	the trustee as appointed under the Trust Deed to act as trustee of the Trust, and any additional or replacement trustees, being the trustee or trustees for the time being of the trusts declared in the Trust Deed