爱尚大众

武漢大眾口腔醫療股份有限公司

Wuhan Dazhong Dental Medical Co., Ltd.

(A joint stock company with limited liability incorporated in the People's Republic of China)

Stock Code: 2651

GLOBAL OFFERING

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

海通國際 HAITONG

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

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(A joint stock company with limited liability incorporated in the People's Republic of China)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**10,861,800 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**1,086,200 H Shares (subject to reallocation)**
Number of International Offer Shares	:	**9,775,600 H Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$21.4 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	:	**RMB1.00 per H Share**
Stock Code	:	**2651**

Sole Sponsor, Sole Overall Coordinator, Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager

海通國際 HAITONG

Joint Lead Manager

利弗莫尔证券
LIVERMORE HOLDINGS LIMITED

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

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

The Offer Price is expected to be determined by agreement between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or about Monday, July 7, 2025 and, in any event, not later than 12:00 noon on Monday, July 7, 2025. The Offer Price will be not more than HK$21.4 per Offer Share and is currently expected to be not less than HK$20.0 per Offer Share, unless otherwise announced. If, for any reason, the Offer Price is not agreed between us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) by 12:00 noon on Monday, July 7, 2025, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK$21.4 per Offer Share for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price as finally determined is less than HK$21.4 per Offer Share.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.chinadzyl.com** not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. See sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus for more details.

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

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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S.

ATTENTION

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

This prospectus is available at the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.chinadzyl.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

June 30, 2025

IMPORTANT NOTICE TO INVESTORS:
FULLY ELECTRONIC APPLICATION PROCESS

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

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

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

(1) apply online via the **HK eIPO White Form** service at **www.hkeipo.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your **broker** or **custodian** who is an HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

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

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

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

Your application through the **HK eIPO White Form** service or the **HKSCC EIPO** channel must be for a minimum of 100 Hong Kong Offer Shares and in one of the numbers set out in the table. If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of H Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares. If you are applying through the **HKSCC EIPO** channel, you are required to prefund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
100	2,161.58	2,000	43,231.64	10,000	216,158.19	200,000	4,323,163.80
200	4,323.17	2,500	54,039.54	20,000	432,316.38	250,000	5,403,954.76
300	6,484.74	3,000	64,847.46	30,000	648,474.56	300,000	6,484,745.70
400	8,646.32	3,500	75,655.36	40,000	864,632.75	350,000	7,565,536.66
500	10,807.91	4,000	86,463.28	50,000	1,080,790.96	400,000	8,646,327.60
600	12,969.50	4,500	97,271.18	60,000	1,296,949.15	450,000	9,727,118.56
700	15,131.07	5,000	108,079.10	70,000	1,513,107.34	500,000	10,807,909.50
800	17,292.66	6,000	129,694.91	80,000	1,729,265.52	543,100(1)	11,739,551.29
900	19,454.24	7,000	151,310.72	90,000	1,945,423.71		
1,000	21,615.82	8,000	172,926.55	100,000	2,161,581.90		
1,500	32,423.73	9,000	194,542.37	150,000	3,242,372.86		

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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

*If there is any change in the following expected timetable of the Global Offering, we will issue an announcement on the website of our Company at **www.chinadzyl.com** and the website of the Stock Exchange at **www.hkexnews.hk**.*

Hong Kong Public Offering commences . . . . 9:00 a.m. on Monday, June 30, 2025

Latest time for completing electronic applications via the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk**[2] . . . . 11:30 a.m. on Friday, July 4, 2025

Application lists of the Hong Kong Public Offering open[3] . . . . 11:45 a.m. on Friday, July 4, 2025

Latest time for (a) completing full payment of application monies via the **HK eIPO White Form** service, or;(b) giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Friday, July 4, 2025

If you are instructing your **broker** or **custodian** who is a HKSCC Participant to submit **HKSCC EIPO** applications on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists of the Hong Kong Public Offering close[3] . . . . 12:00 noon on Friday, July 4, 2025

Expected Price Determination Date[5] . . . . on or before 12:00 noon Monday, July 7, 2025

Announcement of:

- the final Offer Price;
- the level of indications of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocations of the Hong Kong Offer Shares

to be published on the website of our Company at **www.chinadzyl.com**[6] and the website of the Stock Exchange at **www.hkexnews.hk** . . . . no later than 11:00 p.m. on Tuesday, July 8, 2025

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

- from "Allotment Results" page in the designated results of allocations website at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result** with a "search by ID" function from[7] . . . . 11:00 p.m. on Tuesday, July 8, 2025 to 12:00 midnight on Monday, July 14, 2025

- The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.chinadzyl.com**[6] which will provide links to the above mentioned websites of the H Share Registrar . . . . no later than 11:00 p.m. on Tuesday, July 8, 2025

- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from . . . . Wednesday, July 9, 2025 to Monday, July 14, 2025 (excluding Saturday, Sunday and public holidays in Hong Kong)

- For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from . . . . 6:00 p.m. on Monday, July 7, 2025

H Share certificates in respect of wholly or partially successful applications applied through **HKSCC EIPO** channel pursuant to Hong Kong Public Offering to be deposited into CCASS[8][9] . . . . on or before Tuesday, July 8, 2025

H Share certificates in respect of wholly or partially successful applications applied through the **HK eIPO White Form** service pursuant to Hong Kong Public Offering to be dispatched[8][9] . . . . on or before Tuesday, July 8, 2025

HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications if the final Offer Price is less than the maximum Offer Price per Offer Share initially paid on application (if applicable), or wholly/partially unsuccessful applications to be dispatched/collected on or before[10] . . . . .on or before Wednesday, July 9, 2025

Dealings in the H Shares on the Stock Exchange expected to commence at[9] . . . . .9:00 a.m. on Wednesday, July 9, 2025

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

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

(3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above and/or Extreme Conditions (collectively, **"Bad Weather Signal"**) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 4, 2025, the application lists will not open or close on that day. For further details, see "How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements."

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via HKSCC's FINI system should refer to "How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels" in this prospectus.

(5) The Price Determination Date is expected to be on or about Monday, July 7, 2025. If, for any reason, the Offer Price is not agreed between the Sole Overall Coordinator (for itself and on behalf of the other Underwriters) and us by 12:00 noon on Monday, July 7, 2025, the Global Offering will not proceed and will lapse.

(6) Neither of the websites nor any of the information contained on the websites forms part of this prospectus.

(7) The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.

(8) H Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

(9) If a Bad Weather Signal in force is hoisted on Tuesday, July 8, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the HKSCC Depository's service counter so that they would be available for trading on Wednesday, July 9, 2025.

(10) Refund mechanism for surplus application monies paid by application via **HKSCC EIPO** channel is subject to the arrangement between applicants and their broker or custodian.

Applicants who have applied for Hong Kong Offer Shares through the **HKSCC EIPO** channel should refer to "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies" for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the designated bank account in the form of **HK eIPO White Form** e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques in favor of the applicant (or, in the case of joint applications, the first-named applicant) by ordinary post at their own risk.

Further information is set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of H Share Certificates and Refund of Application Monies."

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, our Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

We have issued this prospectus solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares, and it does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. We have taken no action to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, and we have taken no action to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should only rely on the information contained in this prospectus to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, advisors, officers, employees, agents or representatives, or any other person or party involved in the Global Offering.

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This summary is an overview of the information contained in this prospectus and does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a private dental services provider in Central China with a focus on Hubei and Hunan provinces, operating an expanding dental service network under the direct chain model in this thriving market. We provide reliable and accessible dental care to communities, dedicated to serving the general public. According to Frost & Sullivan, we ranked first among all private dental services providers in Central China in terms of revenue generated therefrom in 2024, occupying a market share of approximately 2.4%. Over the years, we have been focusing our dental services on addressing the mass market demands, maintaining strong presence in densely populated Central China.

Benefiting from years of efforts to expand our dental service network, the number of our dental institutions in operation increased from 77 as of January 1, 2022 to 86 as of December 31, 2024, and further to 92 as of the Latest Practicable Date, including 4 for-profit dental hospitals, 80 for-profit dental out-patient departments and 8 for-profit dental clinics covering 8 cities in Hubei and Hunan provinces. These three types of dental institutions are subject to different regulatory requirements and standards mainly in terms of dental chairs, departments, medical professionals and scale. See "Industry Overview — The Dental Services Market in China — Participants of Dental Services Market in China." Pursuing a single-brand strategy, all of our dental institutions are operated under the unified brand name "愛尚大眾口腔" together with a trademark of " **爱尚大众** ," ensuring a cohesive and robust identity across our multi-regional dental service network. Most of our dental institutions are located in or adjacent to local communities, providing dental services to residents with ease of access.

We operate a Partnership Program primarily targeting seasoned medical professionals, to underpin the expansion of our dental service network, maintain the cohesion and stability of our core talent team and facilitate our talent team development, all of which constitute our competitive advantages and make our dental service network an ideal entrepreneurial platform for dentists. As of December 31, 2022, 2023 and 2024, 24, 32 and 37 dentists were minority shareholders of our dental institutions under the Partnership Program, respectively. Upholding the principle of "direct chain and direct partnerships (直營連鎖、直接合夥)," the Partnership Program has enriched our medical professional resources and fueled the expansion and profitability of our dental service network. In addition, our professional talent team led by seasoned dental experts and supported by our Technical Committee (技術委員會) consistently delivers quality dental services with advanced medical capabilities.

We place significant importance on our dentist resources and maintain a stable and broad dentist team. There were 280 dentists in total practicing at our dental service network as of December 31, 2024. For the years ended December 31, 2022, 2023 and 2024, the retention rate of dentists practicing at our dental service network for over three years reached approximately 87%, 89% and 90%, respectively. For the years ended December 31, 2022, 2023 and 2024, staff costs for dentists amounted to RMB57.8 million, RMB65.8 million and RMB58.2 million, accounting for 22.1%, 24.1% and 22.8% of our cost of sales for the same years, respectively. We did not rely on any particular dentist during the Track Record Period. The revenue contributed by our top five dentists in each year during the Track Record Period, in terms of revenue contribution, accounted for approximately 8.0% to 10.0% of our total revenue each year.

Our dental services consist of general dentistry services, implantology services and orthodontics services, addressing oral health needs of customers of all ages. Leveraging our community-focused dental care, we have accumulated a loyal customer base during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024, we served 276,310, 296,859 and 283,640 customers and recorded 708,651, 768,809 and 748,632 customer visits, respectively, with average spending per customer visit of RMB578, RMB575 and RMB544, respectively.

Our Business Model

During the Track Record Period, we generated revenue from provision of a comprehensive range of dental services, including (i) general dentistry services, (ii) implantology services, and (iii) orthodontics services. The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
General dentistry services	212,526	51.9	237,088	53.7	217,321	53.4
Implantology services	116,728	28.5	122,984	27.8	115,647	28.4
Orthodontics services	80,190	19.6	81,769	18.5	74,115	18.2
Total	**409,444**	**100.0**	**441,841**	**100.0**	**407,083**	**100.0**

General Dentistry Services

As a customer-centric dental services provider located in densely populated areas and adjacent to communities, we focus on the daily oral health of our customers. Through regular oral health management and early intervention of dental diseases, we help customers mitigate the risks of worsening symptoms and avoid costly treatments of serious diseases. As healthy teeth and gums improve the comfort, appearance and confidence of customers, we believe regular oral health management not only tackles customers' basic and general dental problems but also enhances their overall quality of life. Our general dentistry services mainly cover (i) prosthodontics; (ii) oral medicine; (iii) oral surgery; and (iv) pedodontics. For the years ended December 31, 2022, 2023 and 2024, we recorded 520,961, 549,907 and 516,570 customer visits to general dentistry services, respectively, and the average spending per customer visit for general dentistry services was RMB408, RMB431 and RMB421, respectively, for the same years. See "Business — Our Dental Services — General Dentistry Services" for more details.

Implantology Services

Our implantology services aim to provide customers with a teeth replacement solution to replace the natural teeth with implants and achieve improved functionality and aesthetics. Through precise surgery and professional care, we can achieve successful implantation with long-term stability of the implants. Our implantology treatments utilize different types of dental equipment and consumables, mainly including cone beam computed tomography machines, implant machines, ultrasonic bone scalpels, implant membrane tacks, implant fixtures, bone grafts, abutments, drills and other dental tools for implants. For the years ended December 31, 2022, 2023 and 2024, the number of customer visits to our implantology services amounted to 59,763, 78,759 and 86,810, respectively, and the average spending per customer visit for implantology services was RMB1,953, RMB1,562 and RMB1,332, respectively, for the same years. See "Business — Our Dental Services — Implantology Services" for more details.

Orthodontics Services

As an important specialty of dentistry, orthodontics not only focuses on the aesthetic alignment of teeth but also, more importantly, aims to restore and maintain normal function of mouth, such as chewing, speaking and facial aesthetics. Our orthodontic treatments use a range of dental equipment and consumables, mainly including metal brackets, ceramic brackets, clear aligners and other appliances. For the years ended December 31, 2022, 2023 and 2024, we had 127,927, 140,143 and 145,252 customer visits to our orthodontics services, respectively, and the average spending per customer visit for orthodontics services was RMB627, RMB583 and RMB510, respectively, for the same years. See "Business — Our Dental Services — Orthodontics Services" for more details.

Our Market Opportunities

Driven by the rising public awareness of oral health and favorable policies, the dental services market in China is expected to witness continual growth in market demand and penetration. According to Frost & Sullivan, the market size of the dental services market in China was RMB147.2 billion in 2024 and is expected to grow at a CAGR of 6.4% from 2024 to 2029, reaching RMB200.4 billion in 2029. In particular, the market size of the private dental services market in China was RMB103.5 billion in 2024 and is expected to grow at a CAGR of 7.0% from 2024 to 2029, reaching RMB145.0 billion in 2029.

The private dental services market in Central China represented 16.8% of the market share of China's private dental services market in 2024, constituting an essential component of the national dental services market, with numerous untapped demands in this densely populated region. According to Frost & Sullivan, the market size of the private dental services market in Central China increased from RMB13.3 billion in 2022 to RMB17.4 billion in 2024 at a CAGR of 14.4% and is expected to grow at a CAGR of 7.8% from 2024 to 2029, reaching RMB25.3 billion in 2029. In particular, in Hubei province, the number of public and private dental institutions as of December 31, 2024 amounted to 0.7 thousand and 3.9 thousand, respectively, which is expected to reach 0.9 thousand and 5.0 thousand as of December 31, 2029, growing at a CAGR of 5.2% and 5.1% from 2024 to 2029, respectively. In Wuhan, the number of public dental institutions is expected to remain stable at 0.3 thousand from 2024 to 2029, while the number of private dental institutions is expected to increase at a CAGR of 2.9% from 1.3 thousand as of December 31, 2024 to 1.5 thousand as of December 31, 2029. In Hunan province, the number of public and private dental institutions as of December 31, 2024 amounted to 0.7 thousand and 4.0 thousand, respectively, which is expected to reach 0.8 thousand and 5.1 thousand as of December 31, 2029, growing at a CAGR of 2.7% and 5.0% from 2024 to 2029, respectively. For the years ended December 31, 2022, 2023 and 2024, our total revenue amounted to RMB409.4 million, RMB441.8 million and RMB407.1 million, respectively. Along with the market expansion of the thriving private dental services market in Central China, our total revenue grew at a slower pace from 2022 to 2023. From 2023 to 2024, we encountered challenges mainly caused by customers' consumption downgrade resulting from the slower-than-expected post-pandemic economic recovery, and fierce competition among dental services providers under the downward pricing pressure brought by centralized procurement policies. While the market size of the private dental services market in Central China slightly increased from RMB17.2 billion in 2023 to RMB17.4 billion in 2024, we did not fully capture the market growth opportunities and experienced moderate declines in revenue, gross profit and net profit for the year ended December 31, 2024.

Going forward, as a private dental services provider in Central China with a focus on Hubei and Hunan provinces, we are well positioned to enhance our competitiveness through our distinctive branding strategy, experienced medical professionals, centralized cost control measures, optimized resource allocation across our dental service network, standardized and refined operational capabilities, as well as pragmatic and balanced expansion approach.

The following table sets forth a comparison of public dental institutions and our private dental institutions.

Type of institutions	Public dental institutions *	Our private dental institutions
Pricing standards	Government-guided pricing without adjustment flexibility	Market-oriented pricing with differentiated packages
Service scopes	Comprehensive treatment for dental diseases, including complex diseases and in-patient services	Daily dental care and treatment for common dental diseases, implantology services, orthodontics services, pediatric dentistry, etc.
Service experience	Longer waiting time for registration, treatment and payment	Seamless, convenient and customized service experiences in a comfortable environment with personalized care
Comparative advantages	Experienced in handling complex cases and rich expert resources	Customer-centric services, advanced medical equipment and organized allocation of resources under direct chain model

Note:

* Including both dental departments of public general hospitals and public dental hospitals.

For details of the pricing comparison of major dental services between our dental institutions and public dental institutions in Hubei and Hunan provinces, see "Industry Overview — Dental Services Market in Central China — Overview of the Dental Services Market in Central China."

Our Key Operational Performance

During the Track Record Period, taking advantage of our growing brand influence and rich experience in operating dental institutions under a direct chain model, we maintain a thriving dental service network and relatively stable business performance.

The following table sets forth our key operational data for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Number of new customers[(1)]	**168,479**	**171,991**	**150,527**
By type of services			
– General dentistry services	165,137	167,784	146,794
– Implantology services	1,295	2,171	1,946
– Orthodontics services	2,477	2,367	1,933

	Year ended December 31,		
	2022	2023	2024
Number of customers	**276,310**	**296,859**	**283,640**
Customer visits[(1)]	**708,651**	**768,809**	**748,632**
By type of services			
– General dentistry services	520,961	549,907	516,570
– Implantology services	59,763	78,759	86,810
– Orthodontics services	127,927	140,143	145,252
By type of dental institutions			
– Dental hospitals	86,338	86,560	87,256
– Dental out-patient departments	544,032	597,519	586,202
– Dental clinics	78,281	84,730	75,174
Customer repurchase rate[(2)] **(%)**	**23.6**	**22.7**	**23.1**
By type of dental institutions			
– Dental hospitals	26.3	26.3	25.9
– Dental out-patient departments	22.1	20.8	21.3
– Dental clinics	19.3	19.7	20.1
Number of dental chairs as of the end of the year	**645**	**701**	**702**
– Dental hospitals	89	89	87
– Dental out-patient departments	505	560	561
– Dental clinics	51	52	54
Number of customer visits per dental chair	**1,099**	**1,097**	**1,066**
Average spending per dental chair (*RMB'000*)	**635**	**630**	**580**
– Dental hospitals	720	752	714
– Dental out-patient departments	642	623	573
– Dental clinics	412	496	434
Average utilization rate of dentists[(3)] **(%)**	**81.5**	**86.5**	**85.2**

Notes:

(1) New customers are customers who received dental services provided by us for the first time. The decrease of our new customers in 2024 was mainly caused by a decrease of 12.5% in new customers of our general dentistry services, as a result of (i) decreased customer flow due to the relocation of eight dental institutions and the renovation of three dental institutions in Wuhan notwithstanding our efforts to contain negative influence to the extent possible; (ii) our relatively conservative marketing strategy outside Wuhan in reaction to slower-than-expected post-pandemic economic recovery; and (iii) normalization of service demands in 2024 after experiencing a temporary demand surge during post-pandemic recovery period in 2023. Due to the same reason, we experienced a decrease of 6.1% in customer visits to general dentistry services, which resulted in the decrease of our total customer visits in 2024. According to Frost & Sullivan, such decline aligned with broader industry trends among dental services providers in Central China in the challenging market environment in 2024.

(2) Representing the number of repurchase customers during the relevant year divided by the total number of customers during the same year. Repurchase customers refer to customers who paid visits to our dental institutions at any time during the relevant year and no more than 12 months had lapsed since such customers' previous visits to our dental institutions, excluding customers' follow-up visits for the same treatment.

(3) Representing the actual number of customer visits per dentist during the relevant year as a percentage of the maximum service capacity of our dentists in the same year. The maximum service capacity of our dentists represents the theoretical maximum number of customer visits of each dentist can serve during the relevant year, which is calculated based on: (i) estimated 45 minutes per visit; (ii) the maximum number of servicing hours of dentists being approximately 7.5 hours per clinic day; and (iii) 300 working days on average per year. Accordingly, each dentist can theoretically accommodate up to 10 customer visits on each working day. According to Frost & Sullivan, such calculation method is generally in line with the industry norm, based on expert interviews and research on the prospectus and annual reports of major dental services providers to confirm that the same calculation method for such rate (i.e. formula and the assumption used therein, including the industry average (a) time spent by dentists for a single customer visit, (b) dentists' servicing hours per day and (c) dentists' working days per year) is adopted by major industry peers. The industry average utilization rate of dentists in the private dental services industry in China was approximately 60%, 65% and 65% in 2022, 2023 and 2024, respectively, according to the same source.

From 2023 to 2024, we encountered challenges mainly caused by customers' consumption downgrade resulting from the slower-than-expected post-pandemic economic recovery, and fierce competition among dental services providers. To counter these macroeconomic pressures and reinforce our industry leadership, we implemented centralized cost control measures, such as utilizing online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency and negotiating favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them. We optimized resource allocation and encouraged experience-sharing among seasoned dental experts across our service network. In particular, we established technical committees to amass multiple dental experts with rich experience in clinical practices. These experts offer training sessions and technical guidance, activating the experience-sharing and application of advanced technologies in our dental service network, strengthening our capabilities to deal with miscellaneous oral diseases or complex dental procedures while propelling the development of our dental specialties. See "Business — Medical Professionals — Our Technical Committees" for details. These efforts were supported by streamlining our centralized management structure, ensuring agility and sustained competitiveness.

In 2024, as part of our strategic initiative to maintain proximity to customers and enhance acquisition and retention, we relocated eight dental institutions in Wuhan, coinciding with the expiration of certain leases. In addition, to upgrade service capacity and elevate customer experience, we also renovated three dental institutions in Wuhan, in the same year. As the result of such relocation and renovation, our customer flow experienced temporary decline. Concurrently, in response to slower-than-expected post-pandemic economic recovery, we scaled back marketing efforts outside Wuhan to maintain relatively stable profit margins while sharpening our focus on service excellence and customer satisfaction. In addition, after experiencing a temporary demand surge during post-pandemic recovery period in 2023, dental service demands returned to normalized levels in 2024. As such, from 2023 to 2024, our total customer visits decreased from 768,809 to 748,632, and our new customers decreased from 171,991 to 150,527. In the long term, we expect to witness growth in customer visits and new customers, supported by optimized dental resource allocation, increased dentists and expanded brand awareness.

Meanwhile, in response to the region-specific policy developments, particularly the implementation of centralized procurement policies in Hubei and Hunan provinces, as well as the fierce market competition under the downward pricing pressure brought by such policies, we made pricing adjustments, reducing the fees for implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023. As a result, the average spending per customer visit for our implantology services decreased from RMB1,562 in 2023 to RMB1,332 in 2024. Simultaneously, we leveraged our centralized procurement framework to optimize supply chain efficiency, negotiating favorable terms with key suppliers for high-quality dental consumables. By enhancing cost control measures, we maintained the ability to offer dental services at competitive prices while preserving stable gross margins even amid revenue pressures. From 2023 to 2024, the average spending per customer visit for our general dentistry services decreased from RMB431 to RMB421, while the average spending per customer visit to our orthodontics services decreased from RMB583 to RMB510.

We maintained stability in our revenue stream and only recorded a slight decline in total revenue, from RMB441.8 million for the year ended December 31, 2023 to RMB407.1 million for the year ended December 31, 2024. Notably, our customer retention metrics demonstrated improvement, with the customer repurchase rate rising from the year ended December 31, 2023 to the year ended December 31, 2024. This enhancement in customer loyalty reflected our brand strength, service quality and timely adjusted pricing structure.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our continuous development and preeminent position in the dental services industry in Central China.

- As a private dental services provider operating under the direct chain model in Central China, we serve the general public with reliable and accessible dental care, capitalizing on years of development experience and deep insights into the industry.

- Centralized and refined operational capabilities of our headquarters empower our dental institutions, ensuring operational efficiency and sustained profitability.

- Strategic Partnership Program and employee stock ownership platforms motivating high-quality medical professionals and other talents, underpinning our business growth while building our dental service network into a talent entrepreneurial platform.

- Well-established scalable and replicable business model benefiting from organic growth and strategic acquisitions.

- Preeminent professional talent team led by renowned dental experts, with medical technologies as our core competitiveness.

- Unified management led by visionary and experienced management team utilizing outstanding professional and managerial expertise.

For details, see “Business — Competitive Strengths.”

OUR BUSINESS STRATEGIES

We intend to further entrench our competitive strengths and implement the following strategies in pursuit of our vision.

- Reinforce our dominant position in Central China, consistently increase our market share, and expand our dental service network through establishments and acquisitions.

- Persistently improve our dental service capabilities, cultivate advantageous specialties and develop our Technical Committee to optimize dental technologies and empower the professional growth of dentists.

- Strengthen our brand building and boost our brand influence by enhancing customers' service experience and satisfaction.

- Strive to accelerate our digitalization and informatization to empower our business development.

For details, see "Business — Business Strategies."

OUR SUPPLIERS AND CUSTOMERS

Our Suppliers

Our dental service network requires various products for its business operations, mainly covering dental devices and pharmaceuticals. Our suppliers primarily comprise (i) suppliers of the above products; (ii) marketing and promotion services providers as well as consulting services providers; and (iii) software, hardware and services providers of informatization. We mainly purchase from suppliers located in China, including domestic distributors that are licensed to import dental tools and equipment manufactured by foreign manufacturers.

Our purchases from the five largest suppliers in each year of the Track Record Period accounted for 49.9%, 44.9% and 42.4% of our total purchases during the same years, respectively, and our purchases from the largest supplier accounted for 20.8%, 16.2% and 14.6% of our total purchases, respectively.

All of our five largest suppliers in each year of the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers in each year of the Track Record Period.

Our Customers

Our customers during the Track Record Period were individuals in the PRC who received dental services at our dental institutions. Our comprehensive dental services cover a broad range of customers in all age groups. Given the dispersed base of our customers, we do not have any customer concentration risk. Our business and profitability are not materially dependent on any single individual customer. None of our individual customers accounted for more than 0.1% of our total revenue for each year during the Track Record Period.

All of our five largest customers in each year of the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers in each year of the Track Record Period.

PRICING

To the extent allowed by the applicable regulatory requirements in China, as a private dental services provider, we are generally entitled to set the prices of dental services of our dental institutions at our own discretion. We price dental services based on certain factors, including the complexity of the treatments, operating costs, local market conditions and the pricing of both private and public dental institutions in the same region on similar dental services. During our daily operations, we from time to time review our pricing to avoid malicious competition caused by their unreasonable pricing or promotion.

Our dental institutions that are qualified as Medical Insurance Designated Medical Institutions are required to charge medical fees in accordance with the pricing guidelines and price ceilings set by the relevant government authorities for dental services eligible to be paid through the public medical insurance programs. We regularly inspect the pricing of our Medical Insurance Designated Medical Institutions to ensure compliance with local medical insurance policies. The following table sets forth the number of Medical Insurance Designated Medical Institutions by type of dental institutions as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Dental hospitals	4	4	4	4
Dental out-patient departments	53	58	56	52
Dental clinics	4	5	5	6
Total	**61**	**67**	**65**	**62**

For details of our dental institutions, see "Business — Our Dental Service Network — Development Stage of Our Dental Institutions."

In recent years, the PRC government has been propelling the centralized procurement to promote the transparency in the pricing of dental implantology consumables and services, making the implantology service more affordable and accessible for the general public. In response to such polices as well as the fierce competition under the downward pricing pressure brought by such policies, we made timely pricing adjustments on our implantology services and witnessed more customers access affordable dental services. For further details of centralized procurement policies and pricing supervision, see "Regulatory Overview — Regulations on the Reform of Medical Institutions."

Please see "Business — Pricing" for details.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors." As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our Offer Shares. Some of the major risks that we face include:

- We operate in a highly competitive industry and such industry experienced dampened growth and fluctuation in recent years. If we do not compete successfully against existing or new competitors, our business, financial condition and results of operations may be materially and adversely affected.

- We operate in a strictly regulated industry with strict compliance requirements in health, safety and environmental laws and regulations, and are subject to on-going compliance costs.

- Centralized procurement policies may further affect the pricing of our implantology services, which may in turn affect our financial condition and results of operations.

- Regulatory pricing controls under the public medical insurance programs may further affect the pricing of dental services provided by our Medical Insurance Designated Medical Institutions, which may in turn affect our financial condition and results of operations.

- If our dental institutions are unable to retain, attract and motivate sufficient qualified dentists and other medical professionals, or if we fail to properly manage the employment and service of the dentists and other medical professionals of our dental institutions, our business and results of operations could be materially and adversely affected.

- If our dental institutions are unable to continue to attract and retain customers, foster superior customer experience and maintain customer trust, our business, financial condition and results of operations may be materially and adversely affected.

- The success of our business depends on our reputation and brand image. Any negative publicity about us, any of our dental institutions, dentists or other medical professionals practicing at our dental service network, the dental services industry or the general healthcare industry could harm our reputation and brand image, which could materially and adversely affect our business and prospects.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately 1.24% by Mr. Yao, 1.17% by Ms. Shen and 81.32% by Zhongshan Medical Investment, which was in turn held by Mr. Yao and Ms. Shen as to approximately 44.11% and 31.38%, respectively. Pursuant to an acting-in-concert agreement entered into between Mr. Yao and Ms. Shen on June 3, 2014, Mr. Yao and Ms. Shen agreed to act in concert in respect of their voting rights in Zhongshan Medical Investment and our Company. See "History, Development and Corporate Structure — Our Major Corporate Development — Early Development" for details. Immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option), Mr. Yao and Ms. Shen, directly and indirectly through Zhongshan Medical Investment, will together be entitled to exercise the voting rights attaching to approximately 65.31% of our enlarged total issued share capital. Therefore, Mr. Yao, Ms. Shen and Zhongshan Medical Investment will be considered as a group of Controlling Shareholders after the Listing for the purpose of the Listing Rules. See "Relationship with Our Controlling Shareholders" for further details.

PRE-IPO INVESTMENTS

We received the Pre-IPO Investments from our Pre-IPO Investors, including the Series A Investment from Zhongyuan Jiupai and Mr. Zhu Chao (朱超) and the Series B Investment from CITIC Securities Investment, Zhongyuan Jiupai, Zhidao Capital, Mr. Li Jiansheng (李建生), Ms. Li Zhen (李臻), Mr. Chen Wei (陳巍), Mr. Wang Hong (王宏) and Mr. Wang Qingsong (王青松). Due to divergent views of certain of our investors on the proposed listing location of our Company, we repurchased the Shares held by Zhongyuan Jiupai, Mr. Zhu Chao, CITIC Securities Investment, Zhidao Capital, Mr. Li Jiansheng and Mr. Wang Qingsong on October 8, 2024. Immediately after completion of the Global Offering (assuming no exercise of the Over-allotment Option), the current Pre-IPO Investors will hold approximately 1.05% of our enlarged total issued share capital. See "History, Development and Corporate Structure — Pre-IPO Investments" for further details.

SUMMARY OF HISTORICAL AND FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I to this prospectus.

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

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Revenue	**409,444**	**441,841**	**407,083**
Cost of sales	(260,970)	(273,615)	(254,743)
Gross profit	**148,474**	**168,226**	**152,340**
Selling and distribution expenses	(41,709)	(44,687)	(40,473)
Administrative expenses	(33,992)	(32,549)	(34,875)
Research and development expenses	(6,618)	(6,823)	(6,669)
Other expenses	(2,175)	(1,885)	(1,307)
Finance costs	(6,679)	(5,507)	(5,329)
Fair value (losses)/gains on redeemable preference shares	(1,336)	(2,331)	1,716
Other income and gains	7,541	4,464	5,414
Profit before tax	**63,506**	**78,908**	**70,817**
Income tax expense	(7,056)	(11,870)	(8,317)
Profit for the year	**56,450**	**67,038**	**62,500**
Total comprehensive income for the year	**56,450**	**67,038**	**62,500**
Attributable to:			
Owners of the parent	43,342	50,069	41,916
Non-controlling interests	13,108	16,969	20,584

Our Financial Highlights

Benefiting from our highly standardized and refined direct chain model, our profitability stands out among private dental services providers in China, according to Frost & Sullivan.

For the years ended December 31, 2022, 2023 and 2024, our gross profit margin was 36.3%, 38.1% and 37.4%, respectively. Our net profit increased by 18.8% from RMB56.5 million for the year ended December 31, 2022 to RMB67.0 million for the year ended December 31, 2023, primarily due to the increase in revenue from our general dentistry and implantology services. Our net profit margin increased from 13.8% in 2022 to 15.2% in 2023. From 2023 to 2024, despite the challenging market conditions, such as the slower-than-expected post-pandemic economic recovery and fierce competition among dental services providers, we mitigated the negative impact on our profitability through our centralized cost control measures, such as utilizing online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency and negotiating favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them. Our net profit reduced at a slower pace compared to revenue, maintaining at RMB62.5 million in 2024. Our net profit margin increased from 15.2% in 2023 to 15.4% in 2024. Our net profit attributable to owners of the parent amounted to RMB43.3 million, RMB50.1 million and RMB41.9 million for the years ended December 31, 2022, 2023 and 2024, respectively.

We believe our superior management capabilities and direct chain model would steadily contribute to our profitability performance and lay a solid foundation for our future growth.

Non-IFRS Measures

To supplement our consolidated statements of profit or loss and other comprehensive income presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure), as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of this non-IFRS measure facilitates comparison of the operating performance from year to year. We believe that this measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies.

We define adjusted net profit (non-IFRS measure), as net profit for the year adjusted by adding (i) fair value losses or gains on redeemable preference shares; (ii) share-based payment expenses; and (iii) listing expenses. Our redeemable preference shares represent shares issued by us in connection with Series A Investment and Series B Investment to Independent Third-Party investors. All special rights granted to such investors have been terminated in September 2024. We ceased to recognize any further loss on fair value changes of redeemable preference shares thereafter, because there were no more redeemable preference shares upon the termination of all special rights. See Note 26 and Note 30 to the Accountants' Report set out in Appendix I to this prospectus for details.

The following table reconciles our adjusted net profit (non-IFRS measure) for the years indicated:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Net profit for the year	**56,450**	**67,038**	**62,500**
Add:			
Fair value losses/(gains) on redeemable preference shares	1,336	2,331	(1,716)
Share-based payment expenses[1]	1,598	1,053	2,355
Listing expenses	–	–	5,207
Adjusted net profit (non-IFRS measure)	**59,384**	**70,422**	**68,346**

Note:

(1) Representing expenses arising from Restricted Shares granted to our employees and former employees under the Pre-IPO Restricted Share Scheme.

Revenue

Our revenue increased by 7.9% from RMB409.4 million for the year ended December 31, 2022 to RMB441.8 million for the year ended December 31, 2023, primarily attributable to the increase in revenue generated from our general dentistry and implantology services. Our revenue decreased by 7.9% from RMB441.8 million for the year ended December 31, 2023 to RMB407.1 million for the year ended December 31, 2024. In particular, the decline in revenue from general dentistry services was primarily caused by decreased customer visits and average spending per customer visit for such services. In addition, our revenue from orthodontics services declined along with the decrease in the average spending per customer visit for such services from 2023 to 2024, primarily due to our voluntary price reduction and the reduced customer visits by new customers. Moreover, we experienced decline in revenue from implantology services due to decrease in average spending per implant tooth following our pricing adjustment in mid-2023 mainly in response to the implementation of centralized procurement policies, being fully reflected in 2024 as compared to 2023, and decrease in implant teeth in 2024. See "Financial Information — Year to Year Comparison of Results of Operations" for details of the fluctuation of our revenue during the Track Record Period.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2022, 2023 and 2024, our gross profit amounted to RMB148.5 million, RMB168.2 million and RMB152.3 million, respectively. The increase of our gross profit in 2023 was generally in line with the growth of our revenue. The decrease of our gross profit in 2024 was mainly caused by the decrease of our revenue in the same year. For the years ended December 31, 2022, 2023 and 2024, our gross profit margin was 36.3%, 38.1% and 37.4%, respectively. See "Financial Information — Year to Year Comparison of Results of Operations" for details.

To provide more information in relation to our profitability by each business line, we also present operational profit and operational profit margin. For the years ended December 31, 2022, 2023 and 2024, our operational profit amounted to RMB272.1 million, RMB302.0 million and RMB280.2 million, respectively, generally in line with the fluctuation of our gross profit during the same years. Our operational profit margin reached 66.4%, 68.4% and 68.8% for the years ended December 31, 2022, 2023 and 2024, respectively. See "Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" for details.

Net Profit

Our net profit increased by 18.8% from RMB56.5 million in 2022 to RMB67.0 million in 2023, primarily attributable to the increase in revenue from our general dentistry and implantology services. Our net profit decreased by 6.8% from RMB67.0 million in 2023 to RMB62.5 million in 2024, primarily due to the decrease in revenue from our general dentistry services as a result of the decreased customer visits and average spending per customer visit for such services.

See "Financial Information — Year to Year Comparison of Results of Operations" for details.

Summary of Consolidated Statements of Financial Position

The following table sets forth our financial position as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Total non-current assets	257,686	243,085	256,348
Total current assets	201,808	247,926	121,644
Total current liabilities	127,645	248,208	135,096
Net current assets/(liabilities)	74,163	(282)	(13,452)
Total assets less current liabilities	331,849	242,803	242,896
Total non-current liabilities	190,000	71,651	83,887
Total liabilities	317,645	319,859	218,983
Net assets	**141,849**	**171,152**	**159,009**

We had net current liabilities of RMB0.3 million as of December 31, 2023, consisting of current assets of RMB247.9 million and current liabilities of RMB248.2 million, while we recorded net current assets of RMB74.2 million as of December 31, 2022. This was primarily due to (i) an increase of RMB112.8 million in redeemable preference shares; (ii) an increase of RMB4.6 million in other payables and accruals; and (iii) a decrease of RMB4.3 million in prepayments, other receivables and other assets. This was partially offset by an increase of RMB49.1 million in cash and cash equivalents. We had net current liabilities of RMB13.5 million as of December 31, 2024, consisting of current assets of RMB121.6 million and current liabilities of RMB135.1 million, which represented an increase of RMB13.2 million from our net current liabilities of RMB0.3 million as of December 31, 2023. This was primarily due to (i) a decrease of RMB132.0 million in cash and cash equivalents; (ii) an increase of RMB21.7 million in other payables and accruals; and (iii) a decrease of RMB2.1 million in inventories. For details, see "Financial Information — Discussion of Certain Key Items from Consolidated Statements of Financial Position."

Our net assets increased from RMB141.8 million as of December 31, 2022 to RMB171.2 million as of December 31, 2023, primarily due to total comprehensive income of RMB67.0 million in 2023, partially offset by (i) dividends declared of RMB36.6 million; and (ii) dividends paid to non-controlling shareholders of RMB9.6 million. Our net assets decreased from RMB171.2 million as of December 31, 2023 to RMB159.0 million as of December 31, 2024, primarily due to (i) dividends declared of RMB50.0 million; (ii) dividends paid to non-controlling shareholders of RMB18.3 million; and (iii) capital deduction of RMB10.8 million, partially offset by total comprehensive income of RMB62.5 million in 2024. For further details of our consolidated statements of changes in equity, see Accountants' Report as set out in Appendix I to this prospectus.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Net cash flows from operating activities	119,926	148,999	100,636
Net cash flows from/(used in) investing activities	21,539	(16,789)	(20,068)
Net cash flows used in financing activities	(98,406)	(83,097)	(212,605)
Net increase/(decrease) in cash and cash equivalents	43,059	49,113	(132,037)
Cash and cash equivalents at the beginning of the year	134,911	177,970	227,083
Cash and cash equivalents at the end of the year	**177,970**	**227,083**	**95,046**

We recorded net operating cash inflow throughout the Track Record Period. For details, see "Financial Information — Liquidity and Capital Resources — Cash Flows."

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Profitability ratios			
Gross profit margin (%)	36.3	38.1	37.4
Net profit margin (%)	13.8	15.2	15.4
Adjusted net profit margin (non-IFRS measure) *(%)*	14.5	15.9	16.8
Return on equity (%)	41.2	42.8	37.9
Return on assets (%)	11.5	14.1	14.4

	As of December 31,		
	2022	2023	2024
Liquidity ratios			
Current ratio	1.6x	1.0x	0.9x
Quick ratio	1.5x	1.0x	0.9x

For calculation and analysis of our key financial ratios, see "Financial Information — Key Financial Ratios."

COMPETITION

We operate in the highly competitive and fragmented private dental services industry in China, according to Frost & Sullivan. We generally compete with private and public dental hospitals, out-patient departments and clinics as well as dental departments in general hospitals located in the same geographic regions as our dental institutions. We typically compete on the following key factors: quality of dental services, service experience, medical resources, especially seasoned dentists, brand influence, customers' accessibility, as well as pricing.

As the largest private dental services provider in Central China with a focus on Hubei and Hunan provinces in terms of revenue generated therefrom in 2024, we believe we are well positioned to serve the general public with reliable and accessible dental care, leveraging our outstanding dentist resources, direct chain model, established brand awareness and continuous efforts. See "Industry Overview" for a more detailed discussion regarding the industries and markets where we operate.

OUTBREAK AND SPREAD OF COVID-19

During the Track Record Period, the COVID-19 pandemic caused imposition of various containment measures to reduce offline activities in regions with high infection risks. Customers with dental diseases or oral health needs reduced their visits to offline dental institutions during the outbreak and spread of the pandemic. During the Track Record Period, dental institutions in our dental service network experienced temporary operation suspension at various times as precautionary measures to mitigate infection risks. During the Track Record Period, 29 of our dental institutions in 7 cities temporarily suspended operations for 3 to 26 days, the majority of which suspended operations for less than 10 days. By the end of October 2022, all of such dental institutions resumed operations.

Our Directors consider that the negative impacts caused by the COVID-19 pandemic were immaterial to the operational and financial performance of our Group during the Track Record Period. We will continue to pay attention to any similar pandemic and take proper measures to minimize any potential negative impact on our operations going forward.

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not imposed any material administrative penalties. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any non-compliance incidents that had a material adverse effect on our business, financial condition or results of operations.

Non-compliance Incidents

Historically, some of our subsidiaries did not complete the requisite fire safety filing with the housing and urban-rural development department of local government and some of our dental institutions did not obtain the Urban Sewage Disposal Drainage Licenses. For details, see "Business — Compliance and Legal Proceedings — Non-compliance Incidents." During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any material administrative penalties by the relevant government authorities.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material and adverse effect on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings. As of the same date, we were not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

RECENT DEVELOPMENT

Recent Business and Financial Performance

Subsequent to December 31, 2024 and up to the Latest Practicable Date, we expanded our dental service network to serve more customers with reliable and accessible dental services. During such period, we established 8 dental out-patient departments in Wuhan, Hubei province, all of which are located in or adjacent to local communities. During the same period, we voluntarily terminated the operations of 2 dental institutions based on our evaluation on the market condition and future business strategies. As of the Latest Practicable Date, we had 92 dental institutions in operation in total.

In the first quarter of 2025, our operational and financial performance remained relatively stable. Our service capacity enhanced along with our dedicated efforts in expanding dental service network. Meanwhile, we refined our internal operational management through improving informatization, which further contributed to our business growth. Despite the impact brought by seasonality, particularly fewer customer visits shortly before and during the Chinese New Year holiday in late January 2025, the total number of our customer visits only recorded a slight decrease from 189,346 in the fourth quarter of 2024 to 175,141 in the first quarter of 2025, attributable to our continuous efforts to expand service network while enhancing service quality and experience. Meanwhile, the number of our new customers grew by approximately 3% from 36,564 in the fourth quarter of 2024 to 37,553 in the first quarter of 2025.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, (i) there had been no material adverse change in our business, the industry where we operate, or market or regulatory environment to which we are subject; (ii) there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this prospectus; or (iii) there has been no event since December 31, 2024 that would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

MAJOR REGULATORY DEVELOPMENT OF DENTAL SERVICES MARKET WHERE WE FOCUS ON

In recent years, the government authorities at both national and provincial levels issued a series of policies on effectively implementing centralized procurement and pricing management for dental implants, with the aim to rationalize and promote the transparency in the pricing of dental implantology consumables and services across the dental services industry. In January 2023, Hunan Healthcare Security Administration (湖南省醫療保障局), the Health Commission of Hunan Province (湖南省衛生健康委員會) and the Administration for Market Regulation of Hunan Province (湖南省市場監督管理局) jointly promulgated the *Notice on Regulating the Pricing Items of Medical Services for Dental Implants and Adjusting the Medical Service Charges* (《關於規範口腔種植醫療服務價格項目及調控醫療服務價格的通

知》) (the "**Hunan Notice**"), which became effective on January 31, 2023. In March 2023, the Healthcare Security Administration of Hubei Province (湖北省醫療保障局), the Health Commission of Hubei Province (湖北省衛生健康委員會) and the Administration for Market Regulation of Hubei Province (湖北省市場監督管理局) jointly promulgated the *Notice on Effectively Integrating the Medical Service Items and Price Regulating for Dental Implants* (《關於做好口腔種植醫療服務項目整合和價格調控的通知》) (the "**Hubei Notice**"), which became effective on April 1, 2023. See "Regulatory Overview — Regulations on the Reform of Medical Institutions — Notice on Conducting Special Governance of Medical Service Charges and Consumables Price for Dental Implants."

With the implementation of the centralized procurement policies, we made timely pricing adjustments on our implantology services and witnessed decrease in revenue from implantology services from the year ended December 31, 2023 to the year ended December 31, 2024. See "Financial Information — Year to Year Comparison of Results of Operations" for details. Leveraging our comprehensive dental specialty deployment, improving resource utilization efficiency, as well as the centralized management and economies of scale of our service network, we expect to mitigate the negative impact of these policies on our overall profitability.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$20.0 per H Share	Based on an Offer Price of HK$21.4 per H Share
Market capitalization of our Shares upon completion of the Global Offering(1)	HK$987.6 million	HK$1,056.7 million
Market capitalization of our H Shares upon completion of the Global Offering(2)	HK$340.5 million	HK$364.4 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity shareholders of the Company per Share(3)	HK$4.85	HK$5.15

Notes:

(1) The calculation of market capitalization is based on 49,379,042 Shares expected to be in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option).

(2) The calculation of market capitalization is based on 17,026,140 H Shares expected to be in issue immediately following the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming no exercise of the Over-allotment Option).

(3) The unaudited pro forma adjusted consolidated net tangible asset value per Share as of December 31, 2024 is calculated after the adjustments referred to part A of "Appendix II — Unaudited Pro Forma Financial Information" to this prospectus and on the basis of 49,379,042 Shares expected to be in issue assuming that the Global Offering had been completed on December 31, 2024.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors, the Reporting Accountants and other professional parties for their services rendered in relation to the Listing and the Global Offering.

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB36.0 million (HK$39.4 million), including (i) underwriting commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all Offer Shares of approximately HK$9.0 million; and (ii) non-underwriting related expenses of approximately HK$30.4 million, which consist of (a) fees and expenses of legal advisors and reporting accountant of approximately HK$21.1 million; and (b) sponsor fee and other fees and expenses of approximately HK$9.3 million, representing approximately 4.1% of the gross proceeds of the Global Offering based on the same assumptions. During the Track Record Period, we incurred listing expenses of RMB14.2 million (HK$15.6 million), of which (i) RMB5.2 million was recognized as administrative expenses; and (ii) RMB9.0 million was directly recognized as deduction in equity. We expect to incur additional listing expenses of approximately RMB5.0 million (HK$5.4 million) as administrative expenses and approximately RMB16.8 million (HK$18.4 million) as a deduction in equity directly upon the Listing.

Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2025.

DIVIDENDS

We are incorporated under the laws of the PRC. We do not currently have a formal dividend policy or a predetermined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

For the years ended December 31, 2022, 2023 and 2024, our dividends paid amounted to RMB39.0 million, RMB36.6 million and RMB30.6 million, respectively. We had non-trade dividends payable of RMB19.4 million under our 2023 annual profit distribution plan as of December 31, 2024, which had been fully settled in February 2025.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our Company cannot pay dividends if we are in an accumulated loss position. Our PRC companies will consider to conduct the dividend payments as such companies are in an accumulated profit position.

No dividend shall be declared or payable except out of our profits lawfully available for distribution. Our Directors have the absolute discretion to recommend any dividend subject to our constitutional documents and the relevant laws. We cannot assure you that our Company will be able to declare dividends of any amount each year or in any year.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$20.7 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK$185.5 million, after deducting the estimated underwriting commissions and other fees and expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes:

Approximately HK$ in millions	Percentage of Net Proceeds	Future Plans
64.9	35.0%	establishing new dental institutions in Central China
46.4	25.0%	acquiring dental institutions in Central China
18.6	10.0%	upgrading and renovating some of our existing dental institutions
18.6	10.0%	optimizing our information technology infrastructure and information technology systems
18.6	10.0%	developing our medical professional team to further support the sustainable growth of our dental service network
18.6	10.0%	working capital and other general corporate purposes

For details, see “Future Plans and Use of Proceeds.”

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in "Glossary of Technical Terms."

"Accountants' Report"	the accountants' report of our Company for the Track Record Period, the text of which is set out in Appendix I to this prospectus
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles of Association"	the articles of association of our Company conditionally adopted by our Shareholders on November 22, 2024 with effect from the Listing Date, as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	our board of Directors
"Board of Supervisors"	our board of Supervisors
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday, or public holiday in Hong Kong
"CAGR"	compound annual growth rate
"Capital Market Intermediary(ies)"	the capital market intermediary(ies) participating in the Global Offering and has the meaning ascribed thereto under the Listing Rules
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC

"Chenzhou Hospital"	Chenzhou Dazhong Furong Dental Hospital Co., Ltd. (郴州大眾芙蓉口腔醫院有限公司), a limited liability company established in the PRC on December 13, 2019 and a subsidiary of our Company
"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to "China" and the "PRC" do not apply to Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CITIC Securities Investment"	CITIC Securities Investment Limited (中信証券投資有限公司), a limited liability company established in the PRC on April 1, 2012 and one of our Pre-IPO Investors
"close associate(s)"	has the meaning ascribed to it under the Listing Rules
"Companies (Winding up and Miscellaneous Provisions) Ordinance"	Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	Wuhan Dazhong Dental Medical Co., Ltd. (武漢大眾口腔醫療股份有限公司), formerly known as Wuhan Dazhong Dental Clinic Co., Ltd. (武漢大眾口腔門診部股份有限公司) and Wuhan Dazhong Dental Clinic Co., Ltd. (武漢大眾口腔門診部有限公司), established as a limited liability company in the PRC on July 10, 2007 and converted into a joint stock company with limited liability on December 24, 2014
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, unless the context otherwise requires, refers to Mr. Yao, Ms. Shen and Zhongshan Medical Investment

"Conversion of Unlisted Shares into H Shares"	the conversion of 6,164,340 Unlisted Shares into H Shares on a one-for-one basis upon the completion of Global Offering. Filing of such conversion of Unlisted Shares into H shares has been completed with the CSRC on June 11, 2025 and an application for H Shares to be listed on the Stock Exchange has been made to the Stock Exchange
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Customer Service Centre"	the location specified by HKSCC from time to time at which Investor Participants may give instructions (in such form as HKSCC may require) in connection with the HKSCC services available to them to HKSCC
"Director(s)"	director(s) of our Company
"EIT"	enterprise income tax
"EIT Law"	*PRC Enterprise Income Tax Law* (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"Exchange Participant"	a person (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"FIL"	*Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》), as amended, supplemented or otherwise modified from time to time

"FINI"	"Fast Interface for New Issuance", an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report"	an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this prospectus
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "our", "we" or "us"	our Company and its subsidiaries or, where the context so requires (i) in respect of the periods before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time and (ii) where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
"Guide for New Listing Applicants"	Guide for New Listing Applicants issued by the Stock Exchange effective from January 1, 2024
"H Share(s)"	Shares of the Company which an application has been made for listing and permission to trade on the Stock Exchange with nominal value of RMB1.00 each
"H Share Registrar"	Tricor Investor Services Limited
"Hejian Baibuting"	Wuhan Dazhong Hejian Baibuting Dental Out-patient Department Co., Ltd. (武漢大眾和健百步亭口腔門診部有限公司), a limited liability company established in the PRC on August 12, 2019 and a subsidiary of our Company

"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified on the designated website at **www.hkeipo.hk**
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC EIPO"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your broker or custodian who is a HKSCC Participant to give electronic application instructions via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operation Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operation and functions of CCASS, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the 1,086,200 H Shares (subject to reallocation) being offered by our Company for subscription pursuant to the Hong Kong Public Offering

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to the reallocation as described in "Structure of the Global Offering") at the Offer Price (plus brokerage, SFC transaction levies, AFRC transaction levy and Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus as further described in "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated June 26, 2025 relating to the Hong Kong Public Offering and entered into by our Company, our Controlling Shareholders, the Sole Sponsor, the Sole Overall Coordinator, and the Hong Kong Underwriters, as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement"
"IAS"	International Accounting Standards
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards as issued by the IASB, which include IFRS Accounting standards, IAS Standards and Interpretations developed by the IFRS Interpretations Committee (IFRIC Interpretations) or its predecessor body, the Standing Interpretations Committee (SIC Interpretations)
"Independent Third Party(ies)"	a person or entity which, to the best of our Directors' knowledge, information, and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
"International Offer Shares"	the 9,775,600 H Shares initially offered by our Company for subscription under the International Offering (subject to reallocation) as described in "Structure of the Global Offering", together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option

"International Offering"	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S or any other available exemption from registration under the US Securities Act, as further described in "Structure of the Global Offering"
"International Underwriters"	the group of international underwriters expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting — The International Offering"
"Jingzhou Dazhong"	Jingzhou Dazhong Dental Medical Co., Ltd. (荊州大眾口腔醫療有限公司), a limited liability company established in the PRC on January 2, 2020 and a subsidiary of our Company
"Joint Lead Managers"	the joint lead managers as named in ''Directors, Supervisors, and Parties Involved in the Global Offering''
"Latest Practicable Date"	June 21, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of our H Shares on the main board of the Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, July 9, 2025, on which our H Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Yao"	Mr. Yao Xue (姚雪), our executive Director, chairman of the Board and one of our Controlling Shareholders
"Ms. Shen"	Ms. Shen Hongmin (沈洪敏) (formerly known as Shen Hongmin (沈宏敏)), our executive Director, vice chairman of the Board, general manager and one of our Controlling Shareholders
"Nanhu Dadao Out-patient Department"	Wuhan Dazhong Dental Medical Co., Ltd. Hongshan Nanhu Dadao Out-patient Department (武漢大眾口腔醫療股份有限公司洪山南湖大道門診部), a branch of our Company established in the PRC on October 23, 2017
"NATCM"	National Administration of Traditional Chinese Medicine (國家中醫藥管理局)
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
"NHC"	National Health Commission of the PRC (中華人民共和國國家衛生健康委員會)
"NHFPC"	National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會), the predecessor of the NHC
"Nomination Committee"	the nomination committee of the Board

"Offer Price"	the final offer price per Offer Share (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) of not more than HK$21.40 and expected to be not less than HK$20.00, at which Offer Shares are to be subscribed for and issued pursuant to the Global Offering as described in "Structure of the Global Offering"
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, collectively, and where relevant, together with any additional H Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) under the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 1,629,200 additional H Shares at the Offer Price, among other things, as further described in "Structure of the Global Offering"
"Overseas Listing Trial Measures"	*Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies* (《境內企業境外發行證券和上市管理試行辦法》) released by the CSRC on February 17, 2023 and effective on March 31, 2023
"Partnership Program"	a partnership program of our Group designed for attracting seasoned medical professionals, as well as administrative and marketing talents to join and work with us, under which we mainly invite seasoned dentists to become minority shareholders of our dental institutions, details of which are set out in "Business — Our Unified Management of Direct Chain — Systematic Talent Retainment and Incentivization — Partnership Program"
"PBOC"	People's Bank of China (中國人民銀行)

"People's Congress"	the legislative apparatus of the PRC, including the National People's Congress and all the local people's congresses (including provincial, municipal, and other regional or local people's congresses) as the context may require, or any of them
"PRC Company Law"	*Company Law of the PRC* (《中華人民共和國公司法》) as amended, supplemented or otherwise modified from time to time
"PRC GAAP"	*PRC Accounting Standards and Accounting Regulations for Business Enterprise* (《中國企業會計準則》), as amended, supplemented or otherwise modified from time to time
"PRC Legal Advisors"	Tian Yuan Law Firm, our legal advisors as to PRC laws
"PRC Legal Advisors relating to Data Compliance"	Tahota Law Firm, our legal advisors as to PRC laws relating to data compliance
"PRC Securities Law"	*Securities Law of the PRC* (《中華人民共和國證券法》) as amended, supplemented or otherwise modified from time to time
"Pre-IPO Investments"	the pre-IPO investments in our Company undertaken by the Pre-IPO Investors, details of which are set out in "History, Development and Corporate Structure"
"Pre-IPO Investor(s)"	the investor(s) of the Pre-IPO Investments
"Pre-IPO Restricted Share Scheme"	the pre-IPO restricted share scheme adopted by our Company on July 27, 2017 and amended on October 28, 2024, the principal terms of which are summarized in "Appendix VI — Statutory and General Information — D. Pre-IPO Restricted Share Scheme"
"Price Determination Agreement"	the agreement to be entered into between our Company and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around Monday, July 7, 2025, on which the Offer Price is to be determined for the purposes of the Global Offering

"Regulation S"	Regulation S under the U.S. Securities Act, as amended from time to time
"Remuneration Committee"	the remuneration committee of the Board
"Restricted Share(s)"	the Share(s) granted under the Pre-IPO Restricted Share Scheme with transfer restrictions, which are all Unlisted Shares as of the date of the Latest Practicable Date and will be converted into H Shares upon the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares
"RMB" or "Renminbi"	the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"STA"	State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"Series A Investment"	the series A investment in our Group as described in "History, Development and Corporate Structure"
"Series B Investment"	the series B investment in our Group as described in "History, Development and Corporate Structure"
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	shares in the share capital of our Company, with a nominal value of RMB1.00 each, comprising Unlisted Shares and H Shares
"Shaoyang Beita"	Shaoyang Dazhong Furong Beita Dental Out-patient Service Co., Ltd. (邵陽大眾芙蓉北塔口腔門診有限公司), a limited liability company established in the PRC on August 31, 2023 and a subsidiary of our Company

"Shaoyang Hospital"	Shaoyang Dazhong Furong Dental Hospital Co., Ltd. (邵陽大眾芙蓉口腔醫院有限公司), a limited liability company established in the PRC on December 6, 2019 and a subsidiary of our Company
"Shaoyang Shuangqing"	Shaoyang Shuangqing Dazhong Furong Dental Out-patient Service Co., Ltd. (邵陽雙清大眾芙蓉口腔門診有限公司), a limited liability company established in the PRC on September 1, 2023 and a subsidiary of our Company
"Shareholder(s)"	holder(s) of our Shares
"Sole Bookrunner"	the sole bookrunner as named in ''Directors, Supervisors, and Parties Involved in the Global Offering''
"Sole Global Coordinator"	the sole global coordinator as named in ''Directors, Supervisors, and Parties Involved in the Global Offering''
"Sole Overall Coordinator"	the sole overall coordinator as named in "Directors, Supervisors and Parties Involved in the Global Offering"
"Sole Sponsor"	Haitong International Capital Limited
"Stabilizing Manager"	Haitong International Securities Company Limited
"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buybacks, as amended, supplemented or otherwise modified from time to time

"Track Record Period"	the financial years ended December 31, 2022, 2023 and 2024
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Shares"	Shares of our Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi, and are not currently listed or traded on any stock exchange
"U.S. Securities Act"	the US Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$", "USD" or "US dollars"	United States dollars, the lawful currency of the United States
"Wuhan Dazhong Hospital"	Wuhan Dazhong Dental Hospital Co., Ltd. (武漢大眾口腔醫院有限公司), a limited liability company established in the PRC on May 22, 2014 and a wholly-owned subsidiary of our Company
"Wuhan Taolin"	Wuhan Taolin Management Consulting Partnership (Limited Partnership) (武漢桃林管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on July 7, 2017 and an employee stock ownership platform of our Company
"Wuhan Xinglin"	Wuhan Xinglin Management Consulting Partnership (Limited Partnership) (武漢杏林管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on October 17, 2014 and an employee stock ownership platform of our Company

"Wuhan Zhulin"	Wuhan Zhulin Management Consulting Partnership (Limited Partnership) (武漢竹林管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC on July 14, 2017 and an employee stock ownership platform of our Company
"Xiangyang Dazhong"	Xiangyang Dazhong Dental Medical Co., Ltd. (襄陽大眾口腔醫療有限公司), a limited liability company established in the PRC on December 24, 2019 and a subsidiary of our Company
"Xiangyang Dazhong Out-patient Department"	Xiangyang Dazhong Dental Out-patient Department Co., Ltd. (襄陽大眾口腔門診部有限公司), a limited liability company established in the PRC on September 15, 2017 and a subsidiary of our Company
"Xiangyang Fancheng"	Xiangyang Fancheng District Dazhong Dental Out-patient Department Co., Ltd. (襄陽樊城區大眾口腔門診部有限公司), a limited liability company established in the PRC on January 16, 2020 and a subsidiary of our Company
"Xiangyang Kaidi"	Xiangyang Dazhong Kaidi Dental Out-patient Service Co., Ltd. (襄陽大眾凱地口腔門診有限公司), a limited liability company established in the PRC on July 4, 2024 and a subsidiary of our Company
"Xiangyang Xiangcheng"	Xiangyang Xiangcheng District Dazhong Dental Out-patient Department Co., Ltd. (襄陽襄城區大眾口腔門診部有限公司), a limited liability company established in the PRC on January 17, 2020 and a subsidiary of our Company
"Xinshao Dazhong"	Xinshao Dazhong Furong Dental Out-patient Service Co., Ltd. (新邵大眾芙蓉口腔門診有限公司), a limited liability company established in the PRC on December 4, 2019 and a subsidiary of our Company
"Zaoyang Hospital"	Wuhan Dazhong Zaoyang Dental Hospital Co., Ltd. (武漢大眾口腔棗陽醫院有限公司), a limited liability company established in the PRC on March 25, 2019 and a subsidiary of our Company

"Zhidao Capital"	Wuhan Zhidao Technology Innovation Venture Capital Partnership (Limited Partnership) (武漢致道科創創業投資合夥企業(有限合夥)), a limited partnership established in the PRC on April 24, 2020 and one of our Pre-IPO Investors
"Zhongshan Medical Investment"	Hubei Zhongshan Medical Investment Management Co., Ltd. (湖北中山醫療投資管理有限公司), a limited liability company established in the PRC on October 10, 2004 and one of our Controlling Shareholders
"Zhongyuan Jiupai"	Hubei Zhongyuan Jiupai Industrial Investment Fund Partnership (Limited Partnership) (湖北中元九派產業投資基金合夥企業(有限合夥)), a limited partnership established in the PRC on November 23, 2016 and one of our Pre-IPO Investors
"%"	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries) have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese names shall prevail.

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"All-on-4"	an advanced dental implant technology that treats customers with a fully or partially edentulous arch, placing four implants in a single jaw to complete crown restoration and achieve immediate loading
"average spending per customer visit"	calculated based on dividing the revenue for the relevant year by the number of customer visits during the same year
"cavity"	pits and fissures formed on the chewing surfaces of molars and premolars, where food debris easily accumulates, making these areas difficult to clean and prone to cavities
"Central China"	for the purpose of this prospectus, Hubei province, Hunan province, Henan province and Jiangxi province
"cephalometric analysis"	analyzing images obtained from X-ray cephalometric radiography. Specific landmarks of the teeth, jaws and craniofacial structures are outlined, and various lines and angles are measured during the analysis. This analysis provides insights into the structure of the soft and hard tissues of the teeth, jaws and craniofacial region, allowing the examination and diagnosis to extend beyond surface morphology to the internal skeletal structure
"Class II dental hospital"	according to the *Basic Standards of Medical Institutions* (《醫療機構基本標準》) issued by the NHFPC on June 12, 2017, Class II dental hospital are specialized medical institutions that primarily provide dental services. Class II dental hospital shall comply with relevant requirements such as the number of medical professionals and dental chairs
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus-2

"dental bridge"	fixed dental prostheses, a type of prostheses used to permanently replace missing teeth by attaching artificial teeth to adjacent teeth or dental implants. The natural teeth or implants at one or both ends of the edentulous gap serve as abutments (similar to bridge supports), on which retainers are fabricated to hold the prosthesis. The retainers and artificial teeth form a single or multi-unit restoration that is secured to the abutments with dental cement. This type of prostheses cannot be removed by the customer
"dental calculus"	calcified dental plaque, primarily composed of calcium and phosphorus mineral salts, forms through the deposition of calcium phosphate mineral salts within and between the microbial remnants that once resided on the tooth surface or denture surface. Dental calculus requires professional cleaning for removal to avoid gum diseases
"dental crown"	an artificial replacement that restores missing tooth structure by surrounding the remaining coronal tooth structure, or being placed on a dental implant. It is made of metal, ceramic or polymer materials or a combination of such materials. It is retained by luting cement or mechanical means
"dental institution"	a dental service institution with a valid Medical Institution Practicing License or a valid Clinic Filing Notice (診所備案憑證) to engage in the provision of dental services
"dental plaque"	a biofilm of microorganisms, such as bacteria and fungi, which grows on surfaces within the mouth. It is a sticky colorless deposit in initial and becomes brown or pale yellow when it forms tartar
"direct chain model"	under the direct chain model, chain institutions are wholly owned or having the majority of equity interests controlled by the headquarters, operating under the unified management and direct supervision of the headquarters
"GFA"	gross floor area

"medical incident"	a claim addressed to a medical institution or medical professional, alleging violations of the applicable laws, regulations, government rules, treatment standards or protocols during the treatment that resulted in harm to the patient due to negligence
"Medical Insurance Designated Medical Institutions"	medical institutions that voluntarily enter into medical insurance agreements with the administrative authorities in regions covered by public medical insurance programs to provide designated services for insured customers participated in public medical insurance programs
"multi-site practice dentist"	licensed dentists registered with the health administrative authorities and practice at two or more medical institutions
"public medical insurance programs"	primarily include the Urban Employee Basic Medical Insurance Scheme (城鎮職工基本醫療保險制度) and the Basic Medical Insurance Systems for Urban and Rural Residents (城鄉居民基本醫療保險制度)
"sq.m."	square meters
"V-II-V technique"	an advanced dental technology that leverages vertical and angled implantology approaches, as well as trans-pterygoid approaches to provide implantology services for edentulous customers with severe maxillary bone defects

This prospectus contains certain forward-looking statements representing our goals, expectation and views of future events, and actual results or outcomes may differ materially from those expressed or implied. Such forward-looking statements are subject to certain risks, uncertainties and assumptions. Forward-looking statements typically can be identified by the use of words such as "will," "would," "estimate," "expect," "anticipate," "plan," "aim," "going forward," "believe," "may," "intend," "ought to," "continue," "project," "should," "seek," "potential" and the negative of these words and other similar expressions. Although we believe that our expectations are reasonable, we can give no assurance that these expectations will prove to have been correct, and actual results may vary materially.

These forward-looking statements include, but are not limited to, statements relating to:

- our business and operating strategies and the various measures we use to implement such strategies;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment for the industry which we operate in;
- the regulatory environment as well as the general industry outlook for the industry which we operate in;
- future developments and fluctuation in the industry which we operate in;
- general economic trends in which we operate our business;
- our ability to control costs and expenses;
- our dividend policy;
- capital market developments;
- the actions and developments of our competitors;
- change or volatility in interest rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- all other risks and uncertainties described in the section headed "Risk Factors."

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this prospectus reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. See "Risk Factors," "Business" and "Financial Information" for more details.

Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from the goals we have expressed or implied in these forward-looking statements. Except as required by applicable laws and regulations, including the Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should not place undue reliance on any forward-looking information. In this prospectus, statements of or references to our intentions or those of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

An investment in our H Shares involves various risks. You should carefully consider all the information in this prospectus and in particular the risks and uncertainties described below before making an investment in our H Shares.

The occurrence of any of the following events could materially and adversely affect our business performance, financial condition, results of operations or prospects. If any of these events occur, the trading price of our H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in a highly competitive industry and such industry experienced dampened growth and fluctuation in recent years. If we do not compete successfully against existing or new competitors, our business, financial condition and results of operations may be materially and adversely affected.

We operate in the dental services industry in China, which is highly competitive with over 107 thousand dental institutions as of December 31, 2024. We primarily compete with dental hospitals, out-patient departments and clinics as well as dental departments in general hospitals located in the same geographic regions as our dental institutions. In particular, as a private dental services provider, we also compete with public dental services providers, which have been dominating the industry with more resources and higher recognition. In terms of total revenue in 2024, we took a market share of only 0.4% in the private dental services industry in China. With the rapid development of the private dental services industry in China, we expect new market entrants to such industry will continue to increase and they will compete against us in the future. Some of our competitors may have greater medical experience, or better marketing, financial and other resources than we do. There could be significant consolidation and mergers among certain of our competitors. Our competitors may develop alliances, and these alliances may acquire significant market share with rich resources.

Dental services providers in Central China faced dampened growth and experienced fluctuation in revenue in recent years as a result of (i) the restricted offline activities during the spread of COVID-19 pandemic; (ii) customers' consumption downgrade caused by slower-than expected post-pandemic economic recovery; (iii) the normalization of dental service demands following the temporary post-pandemic surge; and (iv) fierce competition among both private and public dental services providers under the challenging market conditions. Despite a general increase at a CAGR of 11.4% from 2020 to 2024, the market size of the dental services market in Central China in terms of revenue generated by dental services providers in Central China experienced decreases in 2020 and 2022, due to the COVID-19 pandemic. In addition, as the post-pandemic economic recovery is slower than expected, the dental services market in China is estimated to experience dampened growth in its market size.

We primarily compete on the following key factors: quality of dental services, service experience, medical resources, especially seasoned dentists, brand influence, customers' accessibility, as well as pricing. For instance, in response to the downward pricing pressure brought by fierce market competition and centralized procurement policies, we made timely pricing adjustments on our implantology services, which reduced the fees for implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023, leading to a decrease in average spending per implant tooth in 2024 as compared to 2023. In addition, we made price reduction of approximately 15% to 20% to certain orthodontics services using clear aligners in response to customers' consumption downgrade during the slower-than-expected post-pandemic economic recovery, leading to decline in the average spending per customer visit for orthodontics services from 2023 to 2024. We cannot assure you that we will be able to successfully compete against existing or new competitors, and changes in the competitive landscape and macroeconomic conditions may result in downward pressure on pricing, reduced customer visits, reduced profitability or loss of market share, any of which could materially and adversely impact our results of operations and business prospects.

We operate in a strictly regulated industry with strict compliance requirements in health, safety and environmental laws and regulations, and are subject to on-going compliance costs.

The dental services industry in China is heavily regulated. Our operations are subject to various laws and regulations. These laws and regulations mainly cover (i) licensing and management of dental institutions; (ii) licensing of dentists and other medical professionals; (iii) procurement and use of dental devices and pharmaceuticals; (iv) quality and pricing of dental services; (v) collection and storage of customers' personal information and data privacy protection; (vi) anti-corruption and anti-bribery; and (vii) discharge and disposal of medical waste generated from operations and occupational health. See "Regulatory Overview" for details of laws and regulations that we are subject to. In addition, licenses or permits of our dental institutions are subject to periodic renewal requirements and inspections by the relevant government authorities. See "— If we fail to timely renew any existing licenses, permits or certificates or fail to obtain any licenses, permits or certificates for our newly commenced or acquired business, we may not be able to maintain or develop our business" for details. Furthermore, any change in applicable laws and regulations, or any change of interpretation thereof, could require us to obtain additional licenses, permits, approvals or certificates, or result in the invalidation of our existing licenses, permits, approvals or certificates, or result in us being regarded as not in compliance with the relevant laws and regulations thereby subjecting us to penalties and/or other legal consequences. Meanwhile, keeping compliant with applicable laws and regulations may force us to make adjustments on our existing operations and management measures and increase our operating costs, which may in turn reduce our profit margins.

If we cannot meet relevant requirements under the evolving laws or interpretations of the laws that regulate us, we could be subject to disciplinary warnings and administrative penalties, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects.

Centralized procurement policies may further affect the pricing of our implantology services, which may in turn affect our financial condition and results of operations.

PRC laws and regulations set pricing controls and price ceilings on certain dental services and dental consumables, which could in turn affect our profit margins and results of operations. In recent years, the PRC government has been propelling the centralized procurement of dental implants and strengthening the pricing supervision of dental institutions' implantology services, which has impacts on the pricing of dental implantology consumables and services across the dental services industry in China.

The PRC government promulgated the *Notice on Conducting Special Governance of Medical Service Charges and Consumable Prices for Dental Implants* (《關於開展口腔種植醫療服務收費和耗材價格專項治理的通知》) and the *Notice on Effectively Implementing Centralized Procurement and Price Management of Pharmaceuticals in 2023* (《關於做好2023年醫藥集中採購和價格管理工作的通知》) in September 2022 and February 2023, respectively. Such policy is mandatory for public dental institutions, while serving as the pricing guidance and encouragement for private dental institutions. Meanwhile, as public dental institutions adjust their implantology service prices in response to such policy, private dental institutions may correspondingly adjust their prices to meet policy expectations and address the downward pricing pressure to maintain market competitiveness. In the first quarter of 2023, the Hunan Notice and Hubei Notice were promulgated at the provincial level.

Following the implementation of centralized procurement policies and fierce market competition under the downward pricing pressure brought by such policies, we reduced the prices of our implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023. As a result, the average spending per implant tooth decreased from RMB8,460 for the year ended December 31, 2022 to RMB6,004 for the year ended December 31, 2023, and further to RMB5,767 for the year ended December 31, 2024. The implementation of centralized procurement policies may exert additional pressure on the pricing structure of our implantology services. For further details of centralized procurement policies, see "Regulatory Overview — Regulations on the Reform of Medical Institutions" and "Business — Pricing."

We cannot predict changes in the pricing guidelines, price ceilings and/or cost-plus ceilings in the future or if any additional dental services provided by us may become subject to centralized procurement policies, which may cause pressure on the pricing of our dental service network. Moreover, if we fail to respond to changes in the pricing guidelines, price ceilings and/or cost-plus ceilings in a timely manner by adjusting our pricing policies or service matrix, our competitiveness in the industry, our business operations and prospects may be adversely affected.

Dental services, especially implantology and orthodontics services, may not be regarded as essential treatments by the general public during the economic downturn. If our dental institutions are unable to continue to attract and retain customers, foster superior customer experience and maintain customer trust, our business, financial condition and results of operations may be materially and adversely affected.

Over years of operations, we have accumulated a broad customer base and a trustworthy reputation. However, uncertainties in macroeconomic environment could adversely affect residents' disposable income and consumption power, presenting challenges to the customer acquisition of dental services providers like us. Moreover, orthodontics and implantology services are typically non-essential disease-driven dental treatments, as such services generally focus more on enhancing personal appearance and life quality. Due to the service nature, demands for our orthodontics and implantology services are vulnerable to residents' disposable income and their willingness to pay for improving personal appearance. Variations in macroeconomic conditions could adversely impact customers' consumption power and willingness on non-essential dental services, which may reduce market demands for such services, resulting in material adverse impacts on our business, results of operations and prospects.

Apart from the macroeconomic conditions, our ability to continue to attract and retain customers is affected by the quality and service experience of our dental services and the fame and expertise of medical professionals practicing at our dental service network, which requires us to constantly understand the latest market trends and preferences, keep pace with both technological and regulatory development in local regions and attract and retain experienced medical professionals, maintain stable dental supplies, cultivate intimate service experience to customers throughout the whole course of their visits in our dental institutions and offer flexible payment options. We shall also pay attention to the management of customer relationships through both offline and online channels. Reaching these goals not only requires rich industry expertise and experience in operating dental hospitals, out-patient clinics and clinics, but also depends on numerous factors beyond our control. In particular, we generally have limited control over the operations of third-party suppliers and the practice of medical professionals practicing at our dental institutions. Their failure to ensure high-quality supplies or appropriate dental services may adversely affect our customers' willingness to purchase dental services from us, which may damage our reputation and cause us to lose trust among customers. If we cannot continue to provide high-quality dental services and maintain customers' trust in us, or fail to meet the customers' expectations on our service offerings, we may not be able to retain our existing customers or attract new customers.

Meanwhile, any perceived inadequacy or inconvenience of dental services in our dental institutions, such as longer waiting time than expected at peak times, uncomfortableness during the dental treatments or misleading or indifferent responses to customers' inquiries, customer experience would be materially and adversely affected, which may lead to customer unsatisfaction. Any negative feedback on our customer services may harm our brand image and cause loss of customers, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects. Under such circumstances, our competitiveness and market share could also be adversely affected.

Regulatory pricing controls under the public medical insurance programs may further affect the pricing of dental services provided by our Medical Insurance Designated Medical Institutions, which may in turn affect our financial condition and results of operations.

Our dental institutions which are Medical Insurance Designated Medical Institutions are required to set the prices for dental services and dental consumables covered by the public medical insurance programs in accordance with the pricing guidelines adopted under such programs. For instance, local government authorities mandate Medical Insurance Designated Medical Institutions in Wuhan to comply with centralized procurement policies under their medical insurance service agreements with local government authorities.

We cannot predict changes in the pricing guidelines under the public medical insurance programs in the future or if any dental services provided by our Medical Insurance Designated Medical Institutions may become subject to more stringent medical insurance reimbursement limits. Any of these events could lead to pressure on the pricing of our Medical Insurance Designated Medical Institutions, which may in turn affect our financial condition and results of operations.

If our dental institutions are unable to retain, attract and motivate sufficient qualified dentists and other medical professionals, or if we fail to properly manage the employment and service of the dentists and other medical professionals of our dental institutions, our business and results of operations could be materially and adversely affected.

Our future success depends on our ability to retain, attract and motivate a sufficient number of qualified and experienced medical professionals, especially dentists. Medical professionals are essential in supporting our thriving dental service network, offering high-quality dental services and cultivating stable relationships with customers. Our ability to retain, attract and motivate a high-caliber and stable team of dentists and other medical professionals will continue to have substantial influence on the operational and financial performance of our dental service network. The competition for medical professionals, especially qualified seasoned dentists, is intense in the dental services industry in China. The supply of qualified dentists is limited due to the length of training required, including academic study and clinical training, which can take up to eight years or even longer for certain dental specialties. Based on our past experience, seasoned dentists generally consider the following key factors when selecting dental institutions to practice at, including the brand influence and reputation, compensation, shareholding structure and level of participation in the management of the dental institutions, corporate culture, location, the number of customer visits, the deployment of dental devices and supporting staff, among others. Our dental institutions may not compete favorably with our competitors in respect of one or more of these factors, and our dental institutions may not be able to attract or retain a sufficient number of qualified medical professionals we desire.

Meanwhile, multi-site practice dentists practice at our dental institutions pursuant to the liberated physician registration regulation. Such dentists are entitled to provide dental services in our dental service network after completing the multi-site practice registration. If the relevant government authorities promulgate new regulations to change such practices in the future, our dental institutions may not be able to retain such multi-site practice dentists. If our dental institutions are unable to timely recruit or retain seasoned and qualified dentists at reasonable compensation level, our business, results of operations and financial condition may be adversely affected.

The success of our business depends on our reputation and brand image. Any negative publicity about us, any of our dental institutions, dentists or other medical professionals practicing at our dental service network, the dental services industry or the general healthcare industry could harm our reputation and brand image, which could materially and adversely affect our business and prospects.

Our business success depends on our reputation and brand image. In particular, we believe that the wide awareness and acceptance of our brand name in Central China, especially Hubei province, have been playing an important role in our positioning and promotion of our dental services.

We highly value our reputation and brand image in the geographic regions where we operate. Negative publicity involving us, our dental services, our dental institutions, medical professionals practicing at our dental service network, or the dental services industry could adversely harm our reputation and brand image. Such negative publicity could also deteriorate the level of market acceptance of our dental services, customers' trust in us as well as our ability to attract and recruit seasoned medical professionals among different dental specialties, thereby leading to reduced customer visits and loss of medical professionals and other staff. Such negative publicity may also result in the diversion of management's attention, and government investigations or other forms of scrutiny, which could materially and adversely impact our business, results of operations, financial condition and prospects.

We may not be able to conduct our branding and promotion activities effectively, properly or at reasonable costs. Compliance with medical advertising laws, rules and regulations may be difficult, and any non-compliance could subject us to penalties.

We continuously conduct branding and promotion activities through both offline and online channels, enhancing our brand exposure to the general public and cultivating a trustworthy brand image. However, our branding and promotion activities may not always be well received and may not result in the improvement in our operational and financial performance that we anticipated. The effectiveness of branding measures in the local communities is influenced by multiple factors beyond our control, such as the variations in the local economic and social conditions and the changes in the preferences and spending power of local residents. Meanwhile, customer acquisition measures have been evolving in the dental services industry, which may further require us to adjust our existing measures to keep up with the industry developments. Failure to identify proper customer acquisition measures accommodating to the local conditions in a timely and cost-efficient manner could adversely affect our business, results of operations and financial condition.

Additionally, we are obligated to ensure all of our advertising content complies with the applicable PRC laws and regulations. For advertisements related to certain types of services, we are required to confirm that the advertisers have completed filings with local authorities and obtained all requisite government approvals. According to the applicable PRC laws and regulations, dental institutions need to obtain a Medical Advertisement Examination Certificate (醫療廣告審查證明) before publishing a medical advertisement. Violation of these regulations may result in a variety of penalties against the non-compliant medical institution, including rectification, warnings, and in case of material violation, suspension of operations, revocation of relevant permits to engage in the provision of specific healthcare services, and the revocation of the Medical Institution Practicing License of such medical institution. In addition, if the content of the published advertisement deviates from what is approved and documented in the Medical Advertisement Examination Certificate, the competent authority may revoke the Medical Advertisement Examination Certificate and suspend any application for advertisement examination for one year.

Moreover, government actions and civil claims may be filed against us for misleading or inaccurate medical advertising. We may have to spend significant resources in defending against such actions, which may cause diversion of our management's attention and interruptions to our business operations.

Our revenue fluctuated during the Track Record Period and our revenue stream generally depends on a number of factors, many of which are beyond our control.

Our revenue fluctuated during the Track Record Period. Our revenue increased by 7.9% from RMB409.4 million in 2022 to RMB441.8 million in 2023. However, from 2023 to 2024, our revenue decreased by 7.9% from RMB441.8 million to RMB407.1 million.

Our revenue stream generally depends on a number of factors, many of which are beyond our control, including the macroeconomic environment, customers' consumption intention, changing regulatory and social conditions, public health events, as well as local competitive landscapes. Our ability to retain and attract dentists and other medical professionals, expand our customer base, and implement our business strategies are materially affected by such factors. There can be no assurance that our revenue will not fluctuate in the future. Moreover, our future development is also subject to other factors that cannot be fully predicted and may have a material adverse impact on our business, financial condition, results of operations and prospects.

In addition, our business expansion is also affected by our ability to manage dental institutions at different development stages. Dental hospitals, out-patient departments and clinics at any development stage may underperform and thus adversely impact our overall results of operations. Failure to strike a balance between our business expansion and profitability by effectively managing the number of our dental institutions at different stages, our business, financial condition and results of operation would be materially and adversely impacted.

We recorded net current liabilities as of December 31, 2023 and 2024 and we cannot assure you that we will not record the same in the future.

As of December 31, 2023 and 2024, we recorded net current liabilities of RMB0.3 million and RMB13.5 million, respectively. See "Financial Information — Discussion of Certain Key Items from Consolidated Statements of Financial Position" for details of our net current liabilities during the Track Record Period. The net current liabilities position would expose us to liquidity risk which could restrict our ability to make necessary capital expenditures or explore business opportunities, and our business, results of operations and financial condition could be materially and adversely affected.

There can be no assurance that we will not have net current liabilities in the future. We cannot assure you that we will always be able to raise necessary funding to finance our current liabilities and other debt obligations. Our ability to arrange financing and the cost of such financing are both dependent on the macroeconomic conditions, capital and debt market conditions, lending policies of banks, among other factors. In the event we are unable to obtain adequate financing to meet our working capital requirements, we may be forced to delay, adjust, reduce or even abandon our business strategies. Our business, prospects and financial condition may be materially and adversely affected if our cash flow and capital resources are insufficient to finance our debt obligations.

We have recognized a large amount of goodwill. If our goodwill was determined to be impaired, it may adversely affect our results of operations and financial position.

We measure our goodwill initially at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. The carrying value of our goodwill was RMB63.1 million as of December 31, 2022, 2023 and 2024, accounting for 13.7%, 12.8% and 16.7% of our total assets as of the same dates, respectively.

We conduct impairment reviews annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing of goodwill, we allocate goodwill to a group of cash-generating units ("**CGUs**"). Such group of CGUs represents the lowest level within our Group, for which the goodwill is monitored for internal management purpose. We determine impairment by assessing the recoverable amount of the group of CGUs to which the goodwill relates. Where the recoverable amount of the group of CGUs is less than the carrying amount, we recognize an impairment loss. During the Track Record Period, we did not record any impairment loss on our goodwill. For details of our accounting policies for goodwill and goodwill impairment, key assumptions used on impairment testing of our goodwill, see Note 2.3 and Note 15 to the Accountants' Report in Appendix I to this prospectus.

There are inherent uncertainties relating to the factors in relation to the assessment of goodwill impairment that might adversely affect our business operations, or under circumstances where we might fail to sustain growth as well as the gross profit margin we have estimated. If we were required to recognize material impairment charges due to significant adverse changes in factors in relation to the assessment of goodwill impairment, our net profit in the corresponding period might be substantially affected. In addition, goodwill impairment might also adversely affect our financial position and all types of financing activities due to its negative impact on our financial ratios.

We may not be able to identify expansion opportunities or execute our expansion plans and our expansion strategies are subject to uncertainties and risks. This may materially and adversely affect our business, financial condition, results of operations and prospects.

Going forward, we seek to further upscale our dental service network, improve our service capacity and deepen our market penetration in Central China. In particular, in the next 5 years, we plan to expand our network by establishing approximately 80 to 100 new dental institutions, each equipped with 6 to 20 dental chairs, and acquire an additional approximately 40 to 65 dental institutions, each equipped with 6 to 20 dental chairs, in Central China. See "Future Plans and Use of Proceeds" for details. We will also further improve talent cultivation system to promote the organic growth and talent introduction of experienced dentists. In addition, we expect to strengthen our influence in the industry by enhancing brand promotion and optimizing the service experience. With the development of our informatization and digitalization capabilities, we expect to further modernize the operation and management of our business in the future. See "Business — Business Strategies." There remain uncertainties on whether we could timely and properly realize our expansion as expected. Our management may spend significant time and resources in initiating and adopting specific plans to implement our future strategies.

With the expansion of our business, our operations have become increasingly complex in terms of the scale and location of business we operate. Future expansion may increase the complexity of our operations and cause strain on our managerial, operational, financial and human resources. We may have to spend extra efforts to upgrade our existing internal procedures and measures to support our future operations. In particular, the lack of familiarity with the local communities in new geographic regions covered by our dental service network and the corresponding promotion methods could make it difficult for us to anticipate customer demands and preferences. It may be difficult for us to strengthen our competitiveness and achieve profitability in the new regions and our profit margin, if any, may be lower than expected, which would adversely affect our overall profitability and results of operations.

We may not be able to replicate our success in the past to our new businesses. Moreover, we cannot assure you that we will be able to recoup our investments in introducing new services. The anticipated benefits to be generated from our expansion efforts are based on assumptions that may prove to be inaccurate. Furthermore, we may not be able to successfully complete our business growth initiatives, strategies and plans and realize all of the benefits that we expect to achieve, or it may be more costly than we anticipated. If, for any reason, the benefits we realize are less than our previous assumptions, or the implementation of these growth initiatives, strategies and plans adversely affect our operations or cost more or take longer to effectuate than we expected, or if our assumptions are proved to be inaccurate, our business, financial condition and results of operations may be materially and adversely affected.

Establishing new dental institutions involves multiple risks and could cause fluctuations in our short-term financial performance. Dental institutions newly commenced operations may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations.

Our operating results have been, and in the future may continue to be, affected by the timing of establishing and opening new dental institutions, the number of new dental institutions opened and the selection of proper geographic locations.

We generally incur substantial expenses before new dental institutions' commencement of operations, mainly in terms of construction or property leasing, renovation, medical professional recruitment and procurement of dental devices and pharmaceuticals for operations. New dental institutions generally have lower income and higher operating costs during their initial stages of operations. It typically takes newly opened dental institutions a period of time to achieve a utilization rate comparable to the existing ones, due to factors such as the time needed to integrate the operations of such dental institutions into our existing dental service network and to cultivate customer awareness in the local communities. The operating results generated at the newly opened dental institutions may not be comparable to the operating results generated at any of the existing ones. New dental institutions may even operate at a loss, which could adversely affect our results of operations. Accordingly, the number and timing of new dental institutions' establishment and commencement of operations have, and may continue to have, a significant impact on our profitability. Our results of operations may fluctuate significantly from period to period due to the offline business expansion. Year-to-year comparisons of our operating results during the Track Record Period may not be meaningful and you should not rely on them to predict the future performance of our operating results.

Moreover, if we are unable to effectively deal with the following uncertainties associated with establishing new dental institutions, we may not be able to expand our business in a timely and cost-efficient manner:

- difficulties in selecting desirable locations and determining the proper operational scale and type of dental institution (i.e. hospital, out-patient department or clinic) to be established based on the market research;

- recruiting dentists at proper level of compensation in new regions;

- providing suitable dental service offerings accommodating the local customers' preferences and remaining competitive in local communities;

- obtaining all requisite approvals, permits, licenses or certificates in a timely manner, as the establishment of dental hospitals, out-patient departments and clinics in the PRC require various government approvals, permits, licenses or certificates; and

- integrating the newly established dental institution into our existing dental service network to realize centralized and standardized management.

Inability or material delay in managing the above uncertainties or any substantial increase in costs to ramp up operations and utilization of the new dental institutions could cause an adverse impact on our financial performance and business prospects.

We may not be able to complete future acquisitions or enhance post-acquisition performance as expected, which could adversely affect our business, financial condition and prospects.

Apart from establishing new dental institutions, we also expanded our dental service network through acquisitions during the Track Record Period. In the future, we may continue to acquire suitable targets when appropriate opportunities arise. Our limited track record and experience in acquiring dental institutions make it challenging to predict the future performance of our acquisitions. We are exposed to various risks and uncertainties during and after implementing our future acquisition plans, in particular:

- failure to identify suitable acquisition targets or have to engage in intense competition for certain suitable acquisition targets, resulting in acquisitions on terms less commercially favorable to us;

- failure to obtain sufficient financing on acceptable terms to us or at all, to fund such acquisitions;

- failure to timely obtain the applicable regulatory approvals to consummate the planned acquisitions;

- failure to integrate the acquired dental institution into the existing dental service network;

- failure to establish customer awareness in the local community and timely make the acquired dental institution achieve a utilization rate comparable to the existing ones;

- failure to adapt to the local customer preferences and regulatory environment in new geographic regions; and

- failure to operate cost-effectively, generate revenue or improve profitability as anticipated from the acquired businesses. Under such circumstances, the acquired dental institutions may incur losses, which could adversely affect our results of operations.

Furthermore, the process of pursuing and implementing acquisitions as well as integrating and managing acquired businesses, whether or not successful, could divert our resources and management attention from our existing business.

In addition, there can be no assurance that due diligence before acquisitions will uncover all administrative penalties and the corresponding background information relating to our acquisition targets for activities before our acquisition. Acquisition targets may have unknown or contingent liabilities, including liabilities for failure to comply with evolving requirements or interpretations of the applicable laws, regulations and policies. If any acquired dental institution was subject to any administrative penalties due to incidents that happened prior to our acquisition, we may also suffer reputational or even financial harm. Moreover, some acquisition targets may face inferior services or perceived harm to customers that occurred prior to our acquisition. The occurrence of such actual or alleged events may also subject us to reputational and financial harm. We may have to spend extra time and efforts to respond to claims initially as dissatisfied customers will likely pursue their claims against the acquisition targets and us.

If we are unable to implement acquisitions or enhance post-acquisition performance, or if we suffer reputational or financial harm caused by unknown or contingent liabilities of the acquisition targets, our business and prospects could be adversely affected.

Changes in regulatory regime for the healthcare industry, particularly changes in policies in relation to the dental services industry, could materially affect our business operations and future expansion.

China's regulatory regime for the healthcare industry is constantly developing, which may affect the way we operate business in the industry. We expect new laws and regulations may be further released to regulate participants in the healthcare industry. The existing PRC laws and regulations applicable to the healthcare industry may be amended or replaced with the development of the regulatory environment. In addition, the laws and regulations may also be subject to further interpretation and enforcement and are evolving. Further amendments and changes or further interpretation and enforcement of laws and regulations could require us to obtain additional licenses, permits or approvals, broaden the scope of liabilities relating to medical incidents, increase our operating costs and expenses, or even result in the invalidation of our existing licenses, permits or approvals. With the development of China's regulatory regime for the healthcare industry, there may be strengthened supervision over medical institutions and more stringent requirements on the provision of healthcare services and use of medical consumables and medical devices. We will closely monitor the legislative progress to ensure our compliance. Moreover, our business operations and future expansion could be materially affected by government policies, which may be subject to further amendments and changes. If we are found to be non-compliant with any of the applicable laws, regulations or government policies, we may face penalties, including suspension of operations and even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, results of operations and financial condition.

Additionally, future regulatory developments may change the coverage, reimbursement rates or the payment processing cycle under the public medical insurance programs. Any of such events could have an adverse impact on our business, results of operations and financial condition. See "— Our dental institutions derive a portion of revenue from public medical insurance programs. Any failure to remain eligible for public medical insurance coverage, or any non-payment or delayed payment under public medical insurance programs could adversely affect our results of operations and financial position."

If we fail to timely renew any existing licenses, permits or certificates or fail to obtain any licenses, permits or certificates for our newly commenced or acquired business, we may not be able to maintain or develop our business.

Our dental institutions are required to obtain various licenses, permits and certificates for their operations, in particular, Medical Institution Practicing License (醫療機構執業許可證) or Clinic Filing Notice (診所備案憑證), as applicable. In addition, our dental institutions that operate the dental devices containing radioactive materials or emit radiation during operation are required to obtain Radiation Safety Permit (輻射安全許可證) and Radiodiagnosis and Radiotherapy Permit (放射診療許可證). Under the applicable PRC laws and regulations, licenses, permits or certificates of our dental institutions are subject to periodic renewal requirements and inspections by the relevant government authorities. See "Business — Licenses, Permits and Certificates" for more details. If our dental institutions fail to obtain or timely renew any major license, permit, certificate or approval requisite for operations, or if dentists or other medical professionals practicing at our dental institutions become unlicensed at any time during their practices, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the incidents, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, we are required to obtain a series of licenses, permits, certificates or approvals for our newly commenced or acquired business, such as those in relation to environmental protection and radiation safety, failure to comply with which may subject us to the corresponding administrative penalties, including suspension of operations under the worst-case scenario.

The demands for our dental services are affected by the disposable income of our customers and their willingness to pay for oral health and personal appearance, which are vulnerable to variations in the macroeconomic environment.

Our dental services are affected by the disposable income of residents and their willingness to pay for oral health and personal appearance, which are vulnerable to variations in the macroeconomic environment. In particular, orthodontics services are generally not covered by the public medical insurance programs. The demand for such dental services is typically affected by local residents' willingness to spend on oral health to improve personal appearance, which would depend on the disposable income of local residents, thus being more vulnerable to the variations in macroeconomic environment. For the years ended December 31, 2022, 2023 and 2024, revenue from orthodontics services amounted to RMB80.2 million, RMB81.8 million and RMB74.1 million, respectively, representing 19.6%, 18.5% and 18.2%, respectively, of our total revenue for the same years.

Any decrease in the local residents' affordability of and willingness to pay for dental services may lead to reduced customer visits to our dental institutions, which in turn could have material adverse impacts on our business, results of operations and prospects.

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

In order to keep up with the latest technological developments and market trends in the dental services industry in China and keep up with the diversifying needs and preferences of the general public on oral health management, we are required to constantly upgrade our existing services, invest in new dental devices and introduce new technologies.

During the provision of dental services, our experienced dentists and other medical professionals from time to time identify common unmet needs or challenges in clinical practices, and develop and optimize dental tools and devices. As of the Latest Practicable Date, we had 10 registered utility model patents, which were material to our business. If our competitors create or adopt technologies similar to ours and develop tools and devices to achieve capabilities that are superior to ours, our business, results of operations and financial condition may be adversely affected.

If we are unable to anticipate or adapt to the latest technological developments or market trends in the dental services industry in China, we may not be able to meet our customers' expectations and the demand for our services may decline. Meanwhile, if our competitors are more sensitive to changes in market trend and the preferences of local residents, or become more responsive to the newly introduced technologies in the industry, our dental services may become less competitive. We may lose our existing customers and be unable to efficiently attract new customers, which could adversely affect our business. Moreover, there can be no assurance that we will be able to recover the expenditures associated with the purchase of new dental devices and introduction of new technologies. Any of these circumstances may adversely affect our results of operations, financial condition and prospects.

Our business generates and possesses a large amount of personal and medical information of customers, and any improper collection, storage, use, leakage or disclosure of such information could materially and adversely affect our brand image, reputation and business.

Unless otherwise provided in laws and administrative regulations, medical institutions can only collect personal and medical information of customers with such customers' prior consents and to the extent necessary under the applicable PRC laws and regulations. PRC laws and regulations also generally require medical institutions and medical professionals to protect the privacy of their customers and prohibit unauthorized disclosure of personal information. On August 8, 2022, the NHC, the NATCM, and National Disease Control and Prevention Administration (國家疾病預防控制局) jointly promulgated the *Administrative Measures for the Cybersecurity of Medical and Healthcare Institution* (《醫療衛生機構網絡安全管理辦法》)

with immediate effect, which require full life-cycle management of cybersecurity and data security, including but not limited to strengthening system construction, implementing daily network maintenance and monitoring, conducting annual self-inspection and rectification, and classifying and grading data assets.

Our data security measures may not prevent the improper leakage of personal and medical information. Our dental service network will be liable for damage caused by divulging the customers' personal or medical records without consent. Additionally, we may fail to address the vulnerabilities in our information technology infrastructure and systems, which could be subject to viruses, spamming or phishing attacks by third parties or fraudulent or inappropriate behaviors by dentists, other medical professionals or other staff practicing at our dental institutions. A security breach that leads to the leakage of our customers' personal and medical information, even though anonymized, could subject us to legal liabilities, regulatory sanctions, reputational damage and customers' trust crises. Any data breach, system attack or internet malfunction of our information technology infrastructure may lead us to be subject to customer complaints, regulatory actions, investigations or litigations on data privacy and cybersecurity, which could materially and adversely affect our brand image, reputation and business.

We are subject to evolving laws, regulations and government policies regarding cybersecurity, data security and personal information protection. Actual or alleged failure to comply with such laws, regulations and government policies could adversely affect our business and reputation.

During the course of our business operations, we may need to store, transmit and process certain data of our customers. We are exposed to risks inherent in handling data and in ensuring the data privacy and security. There have been several regulatory changes and developments in relation to cybersecurity, data security and protection of personal information in recent years. Relevant laws, regulations and governmental policies are evolving and may be subject to further interpretations or changes, which may affect the scope of our responsibilities in this regard.

As of the Latest Practicable Date, all the data collected and produced during our operations is stored within the PRC. There is no data cross-border transfer during our business operations. As of the Latest Practicable Date, we were not identified as an operator of "critical information infrastructure" by any government authority. As a result, the obligations as required by the applicable laws for cross-border flow of data and for such operators of "critical information infrastructure" are currently not applicable to us. With the continuous expansion of our business and growth of our customer base, if we are involved in cross-border flow of data or are recognized as an operator of "critical information infrastructure" in the future, we will be required to comply with such obligations under the applicable laws and regulations.

On September 24, 2024, the State Council promulgated the *Regulations on the Administration of Network Data Security* (《網絡數據安全管理條例》), which came into effect on January 1, 2025. Based on the PRC Cybersecurity Law, the PRC Data Security Law, and the PIPL, the Regulations on the Administration of Network Data Security restate and refine various requirements for internet data processors to process and generate various electronic data through the internet. On February 14, 2025, the CAC promulgated the *Regulations on Compliance Audit for Personal Information Protection* (《個人信息保護合規審計管理辦法》), which came into effect on May 1, 2025. The Regulations on Compliance Audit for Personal Information Protection provide guidelines for compliance audit of personal information protection with key review contents. For further details of laws, regulations and governmental policies regarding data privacy, cybersecurity and data protection, see "Regulatory Overview — Laws and Regulations Related to Cybersecurity, Data Security, and Protection of Personal Information."

Regulatory development relevant to cybersecurity, data security and protection of personal information could impact the general healthcare industry in China, including the dental services providers with online systems. We may incur substantial costs to comply with such laws and regulations, communicate with our customers and address their concerns in cybersecurity, data security and protection of personal information, and improve our information technology infrastructure and systems. We may from time to time be required to rectify or further improve our internal measures regarding cybersecurity, data security and protection of personal information. Any failure or perceived failure to comply with all applicable laws and regulations regarding cybersecurity, data security and protection of personal information, or any failure or perceived failure of dentists, other medical professionals or other staff practicing at our dental institutions to comply with the relevant laws and regulations, may result in negative publicity and legal proceedings or regulatory actions against us, and could result in fines, revocation of licenses, suspension of relevant operations or other legal or administrative penalties, which may in turn damage our reputation among our existing and potential customers and subject us to fines and damages, which could have an adverse impact on our business and results of operations.

We may face customer complaints, claims and disputes in our ordinary course of operations, which could result in costs and materially and adversely affect our brand image, reputation, business, financial condition and results of operations.

Medical professionals and medical institutions face complaints, claims and disputes raised by customers, medical incidents and legal proceedings from time to time. Such negative feedback from customers typically alleges malpractices, medical adverse events or other causes of action. Dissatisfied customers may even carry out extreme actions or even violence during the course of explaining their dissatisfaction to medical professionals in medical institutions. Any occurrence of such incident in our dental institutions would damage our reputation, impair our ability to attract, recruit and retain medical professionals and staff, discourage customers from visiting our dental institutions, and cause severe interruptions to our business operations.

We are exposed to inherent risks of customer complaints, claims and disputes during our daily operations. We generally do not have direct control over the clinical decisions and actions taken by the dentists and other medical professionals as their diagnoses and treatments are subject to their own professional judgment and in most cases, must be performed on a real-time basis. Any incorrect clinical decisions or improper actions on the part of the dentists and other medical professionals, or any failure by us to properly manage clinical activities may cause undesirable or unexpected outcomes, including complications and even injuries in extreme cases. We may choose to settle with the dissatisfied customers in order to minimize the negative impact on our brand image and operations.

We cannot guarantee our dental institutions will not be subject to customer complaints, claims and disputes or that we can successfully prevent or settle all customer complaints, claims and disputes in the future. Any customer complaints, claims and disputes, regardless of merit, could cause significant legal costs, diversion of attention of medical professionals and management and reputational damage to us, which could materially and adversely affect our business, financial condition and results of operations.

If we become subject to litigation, legal or contractual disputes, government investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

During our ordinary course of business, we may be involved in claims, disputes and legal proceedings from time to time. Unresolved or threatened litigation, legal or contractual disputes, government investigations or administrative proceedings involving us or medical professionals practicing at our dental service network may divert the attention of our management, cause interruptions to our business and result in damages, liabilities and substantial costs.

Furthermore, any litigation, legal or contractual disputes, government investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If the outcomes of these proceedings are less favorable to us, we could be required to pay significant legal costs and monetary damages, assume legal and other liabilities and even to suspend or terminate the related business. In addition, negative publicity arising from litigation, legal or contractual disputes, government investigations or administrative proceedings may damage our reputation and adversely affect our brand image. As a result, our business, results of operations and financial condition may be materially and adversely affected.

Our business is subject to seasonality. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition.

We generally witness increase in customer visits in July and August each year and experience fewer customer visits shortly before and during the Chinese New Year holiday. According to Frost & Sullivan, such seasonality is in line with the industry norm in the dental services industry in China. As a result, our operating and financial results for an interim period may not be representative of our overall performance. In addition, our costs and expenses do not necessarily correspond with the timing of our revenue recognition. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition in the future.

Any future occurrence of *force majeure* events, natural disasters or outbreaks of contagious diseases in regions where we operate in, could prevent our dental institutions from serving their customers and thus materially and adversely affect our results of operations.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, fires, floods or snowstorms, the outbreak of an epidemic, such as COVID-19 pandemic, swine flu, avian influenza, SARS, Ebola or Zika, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of a disaster or a prolonged outbreak of a pandemic or other adverse developments in public health in the jurisdiction where we operate could materially impact the dental services industry and disrupt our operations. The occurrence of such events could even cause a temporary suspension or closure of our dental institutions, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, natural disasters, the outbreak of epidemic illnesses, or other events could also adversely affect the macroeconomy, the occurrence of which could negatively impact the spending power of our customers and disrupt our operations.

In particular, the outbreak of COVID-19 had materially and adversely affected the global economy since late 2019, which had impacted the industry and the geographic regions where we operate. Our business operations had been affected by the COVID-19 pandemic during the Track Record Period. For instance, our dental institutions temporarily suspended offline operations due to the spread of the COVID-19 pandemic. Our offline branding and promotion activities and customer retention were also adversely affected under the temporary regional control measures to contain the pandemic spread.

Our insurance coverage may be inadequate to cover all significant risk exposures.

We maintain limited insurance policies covering certain potential liabilities. For details of insurances we maintained as of the Latest Practicable Date, see "Business — Insurance." We are not required to, and generally do not, maintain employer liability insurance, business interruption insurance or key person insurance, which are not mandatory under the PRC laws and regulations. There can be no assurance that our insurance coverage will be available or sufficient to cover all of the risk exposures faced by us. The occurrence of natural or man-made disasters that are outside the scope of our insurance coverage may severely interrupt our business and cause material loss to us.

Moreover, the existing insurances maintained by us contain exclusions and limitations on coverage. If our insurance coverage is unavailable or insufficient to cover any risk exposures, we may incur substantial costs and diversion of our resources, which could materially and adversely affect our business, financial condition and results of operations.

We may not carry adequate insurance for dentists to address the exposures to medical liabilities that may arise in our business. Any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

We generally do not maintain medical liability insurance for dentists practicing at our dental institutions to cover potential compensation arising from medical incidents. We cannot assure you that in the future we will be able to obtain medical liability insurance to cover various risks from medical incidents on terms that are acceptable to us in a timely manner, or at all, to mitigate risks associated with such incidents. In the event of significant medical malpractice claims or serious medical incidents, substantial uninsured losses could divert our management attention and resources, and adversely affect our business, financial condition and results of operations.

Failure to comply with relevant regulatory requirements relating to the social insurance and housing provident fund contributions for and on behalf of our employees may subject us to penalties and have an adverse impact on our financial conditions and results of operations.

PRC laws and regulations require us to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund. According to the applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to the maximum amounts specified by the local governments.

During the Track Record Period, we did not make social insurance and housing provident fund contributions in full amount for our employees as required by relevant PRC laws and regulations, primarily due to (i) unfamiliarity with the relevant PRC laws and regulations by our human resource management personnel; and (ii) unwillingness of employees to make contributions of social insurance and housing provident fund for personal reasons, mainly due to their financial burden.

As advised by our PRC Legal Advisors, according to the relevant PRC laws and regulations: (i) with respect to social insurance, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts, and if and only if we fail to do so, they may impose a fine or penalty ranging from one to three times of the outstanding amounts; and (ii) with respect to housing provident funds, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative penalties as a result of our non-compliance with social insurance and housing provident fund related PRC laws and regulations.

We cannot assure you that the relevant government authorities will not impose new requirements on us according to laws, regulations or local policies published by the relevant government authorities in the future, such as ordering us to make supplemental social insurance and housing provident fund contributions, imposing late fees or fines on us or ordering us to take other measures, any of which may materially and adversely affect our business, financial condition and results of operations.

Failure to maintain business relationships with our suppliers, or any decrease, shortage or delay in the supply, or an increase in the prices of supplies may adversely affect our business, financial condition and results of operations.

We have established business relationships with suppliers primarily including (i) suppliers of dental devices and pharmaceuticals; (ii) marketing and promotion services providers as well as consulting services providers; and (iii) software, hardware and services providers of informatization. For historical procurement from our major suppliers, see "Business — Suppliers and Procurement." If we fail to maintain our business relationships with suppliers, or if they cease to cooperate with us, or breach their supply agreements with us, we may face limited remedies and may spend additional efforts to source alternative supplies under commercially acceptable terms to us, which could have a negative impact on the stability of our operations, thus adversely affect our business, financial performance and results of operations. Moreover, we cannot assure you that we will be able to timely renew our supply agreements with existing suppliers upon expiration or to establish relationships with new suppliers to keep pace with the continued expansion of our business.

In addition, we may face supply shortages or fluctuations in the market prices of supplies. The availability and prices of supplies from third-party suppliers, especially dental consumables and dental equipment, may be affected by multiple factors beyond our control, including changes in regulatory policies on centralized procurement, unexpected increases in demand for such supplies, deteriorating financial conditions or cessation of business of the suppliers in the relevant local regions. In the event that our suppliers are unable to continue to supply us with sufficient quantities of qualified supplies at acceptable prices, we may have to spend additional time and efforts to obtain substitutes with acceptable quality and prices elsewhere. We cannot assure you that we will be able to pass on any increase in the costs of supplies from third-party suppliers to our customers. Substantial fluctuations in market prices of supplies requisite for our daily operations may result in an increase in our costs and adversely affect our profitability.

We may not have full control over the quality of dental devices and pharmaceuticals used in our dental institutions, which are procured from third parties. Any failures or defects of such products or any failure of our staff to properly operate the dental devices could subject us to liability claims, and adversely affect our brand image, reputation, results of operations and prospects.

We cannot assure you that the dental devices and pharmaceuticals we procured from our suppliers during our business operations are safe and free of defects or can always meet the relevant quality standards. In the event of any quality issues in relation to such dental devices and pharmaceuticals, we could be subject to complaints and claims raised by customers. We may not be able to seek sufficient indemnification from our suppliers. Legal proceedings against our suppliers may be time-consuming and costly regardless of the outcomes. Any quality issues in relation to dental devices and pharmaceuticals may have material and adverse impacts on customers' trust in us, damage our reputation and brand image, and adversely affect our results of operations and financial performance. In addition, we may also need to find alternative suppliers and suitable replacement products, which may cause interruptions to our business operations. If we are unable to find alternative suppliers or suitable replacement products in a timely manner, our service capacity could be adversely affected.

Moreover, our business exposes us to liability risks that are inherent in the operation of complex dental equipment, which may contain defects or experience failures. Any dental equipment defects or failures or any failure of medical professionals or other staff to properly manipulate the dental equipment could result in inaccurate diagnosis results, unsatisfactory treatment outcomes or even injury. We may become a party to any such liability claim. Regardless of its merit or eventual outcome, we may face significant legal costs, diversion of management's attention and damage of reputation, which could have material and adverse impacts on our business, financial condition and results of operations.

Any downtime for maintenance or repair of dental equipment and any disruption to supply of utilities could cause interruptions to our business, which could materially and adversely affect our business, financial condition and results of operations.

We primarily rely on equipment manufacturers, distributors or third-party services providers for the maintenance and repair of dental equipment in our dental institutions. Significant downtime associated with the maintenance and repair of dental equipment used in our dental institutions would result in inability to provide dental services to customers in a timely manner. The failure of equipment manufacturers, distributors or third-party services providers to provide timely repairs on the equipment could interrupt our operations. Extended downtime associated with the maintenance and repair of dental equipment could adversely affect our service capacity and harm our brand image, which could materially and adversely affect our business, financial condition and results of operations.

In addition, we need essential utilities such as water and electricity to maintain our dental operations. We rely upon the government or other third parties for the utility supply for our operations. In case the supply of utilities to our dental institutions is cut off for an extended period, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to fines as a result of unregistered leases and our use of leased properties may be challenged.

As of the Latest Practicable Date, we had not registered 54 of our lease agreements with the relevant government authorities. If we fail to complete or timely complete such lease registration upon the housing authorities' request, we may face fines on each unregistered lease agreement, which may adversely affect our financial position. As advised by our PRC Legal Advisors, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant government authorities require us to rectify and we fail to do so within the prescribed time period. For details of the legal defects of our leased properties, see "Business — Properties."

We are not aware of any material claims or actions being contemplated or initiated by the relevant government authorities, or other third parties with respect to our use of such properties. However, we cannot assure you that our use of such properties will not be challenged in the future. In the event that our use of properties is challenged, we may spend efforts to respond to third parties' challenges and face the diversion of the attention of our management and other staff. As a result, our business and results of operations may be adversely affected.

Failure to renew our current leases on reasonable terms or to locate desirable alternatives for our dental institutions could materially and adversely affect our business, financial condition and results of operations.

We may not be able to successfully extend or renew our current leases upon their expiration on commercially reasonable terms, or at all, and may therefore be forced to relocate the relevant dental institutions. This could disrupt the operations of such dental institutions and result in significant relocation expenses, which could materially and adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, even though we could extend or renew our leases, rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, with the continuous expansion of our business, we may not be able to locate desirable alternative sites for our dental institutions. In such case, failure in selecting desirable alternatives and timely relocating our dental institutions concerned on commercially reasonable terms could adversely affect our operations and business expansion.

We may not be able to adequately protect our intellectual property rights, which could weaken our competitive strengths and harm our brand image and business.

We believe our trademarks, utility model patents and other intellectual property rights are important to our business operations and competitiveness. We are susceptible to third parties' infringement of intellectual property rights. There can be no assurance that third parties will not copy or otherwise obtain and use our intellectual property rights without our prior authorization. Our efforts to enforce or defend our intellectual property rights may not be adequate or effective. We may have to initiate legal proceedings to defend our intellectual property rights against any infringement by third parties, which may be both costly and time-consuming, causing diversion of our management's attention. Furthermore, we may face the outcome of legal actions that are less favorable to us. Any failure to effectively protect our intellectual property rights may adversely affect our business, financial condition, results of operations and prospects.

Moreover, other parties may register trademarks with features similar to our registered trademarks under certain circumstances, which may confuse our potential customers, medical professionals pursuing joining our dental service network and our business partners. Under such circumstances, the goodwill and value of our trademarks and the public perception of our brand image may be harmed. Any negative perception of our brand image could adversely impact our results of operations, financial condition and prospects.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business and reputation.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties during our daily operations. In defending against third-party infringement or misappropriation claims, we may incur legal expenses and other resources, which would be both costly and time-consuming, resulting in the diversion of our management's attention, regardless of their merit. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to liabilities to third parties, require us to seek consents or licenses from third parties, pay ongoing fees or royalties, or subject us to injunctions prohibiting the provision of relevant services. To the extent that such consents or licenses are not available on commercially acceptable terms to us or at all, we may be required to divert considerable time and resources to source alternative technologies or rebrand our services, or we may be forced to delay or suspend the relevant services.

We have entered into and may continue to enter into agreements in the future with third parties to get licenses in connection with various third-party intellectual property rights, including rights to use software and computer programs. Claims on infringement or misappropriation may arise from such agreements, such as the scope of the rights granted under the license agreements, the interpretation or application of the provisions under the agreements and the extent to which our use of intellectual property may infringe, misappropriate or otherwise violate intellectual property rights of the licensor. Such claims arising from intellectual property licensing agreements with third parties may damage our reputation and may in turn affect our business, financial conditions and results of operations.

Preferential tax treatment and government grant we have enjoyed may change or discontinue, which may adversely affect our financial condition and results of operations.

Our Company was entitled to a preferential EIT rate of 15% during the Track Record Period, as our Company is accredited as a "New High-tech Enterprise (高新技術企業)" in 2020 and such recognition was subsequently renewed in 2023. "New High-tech Enterprise" recognitions are subject to review by the relevant PRC tax authorities for every three years. We cannot assure you that our Company will be able to successfully renew it in the future. In addition, certain of our subsidiaries are qualified as micro- and small-sized enterprises and entitled to preferential enterprise income tax rates of 2.5% to 10% for the year ended December 31, 2022. For the years ended December 31, 2023 and 2024, the preferential tax rate was 5%. For details, see Note 10 to Accountants' Report set out in Appendix I to this prospectus.

The PRC government has also granted us various grant. For the years ended December 31, 2022, 2023 and 2024, we recorded government grants of RMB1.5 million, RMB0.5 million and RMB1.0 million, respectively. Please see "Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Income and Gains." These government grant have been given at the discretion of the local government authorities.

There is no assurance that we would continue to enjoy these preferential tax treatment or government grants at the historical levels, or at all. Any change, suspension or discontinuation of these preferential tax treatment and government grants to us could adversely affect our financial condition, results of operations and cash flows. In particular, discontinuation of preferential tax treatments we currently enjoy or other changes in the relevant policies could increase the applicable enterprise income tax rates to as high as 25%, causing adverse impacts on our financial condition.

Increasing focus with respect to environmental, social and corporate governance (the "ESG") matters may impose additional costs on us or expose us to additional risks. Failure to keep up with the evolvement in social trends and policies relating to ESG matters may adversely affect our business, financial condition and results of operations.

In recent years, public awareness of ESG has been increasing. Changes in social trends and policies associated with environmental protection, public health and other ESG issues may have growing influence on our business model and daily operations.

With growing attention on ESG matters, investor advocacy groups, certain institutional investors, investment funds, and other influential investors attach great importance on the ESG practices and the social influence of their investments. Any new ESG concern or change in social trends and political policies relating to ESG matters may increase our compliance costs, or require us to adjust our practices in a way that could adversely impact our results of operations. Failure to adapt to or comply with the evolving expectations and standards of ESG, regardless of whether there is a legal requirement to do so, could adversely affect our reputation, business operations and financial condition.

Our business is generally subject to PRC laws and regulations in relation to the environmental matters and fire safety. We cannot assure you that we will not be subject to liabilities or penalties in connection with environmental matters and fire safety in the future.

Our business is generally subject to PRC laws and regulations in relation to the environment and public health, such as the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), *Environmental Impact Assessment Law of the People's Republic of China* (《中華人民共和國環境影響評價法》), *Regulations on the Management of Medical Waste* (《醫療廢物管理條例》) and *Fire Prevention Law of the People's Republic of China* (《中華人民共和國消防法》). The amendments and changes to the applicable PRC laws and regulations in relation to the environment and public health may cause additional compliance costs, which could cause an adverse impact on our business, results of operations and prospects.

Failure to comply with the applicable PRC laws and regulations relating to the environmental matters could result in administrative actions or penalties on us. See "Business — Compliance and Legal Proceedings — Non-compliance Incidents — Failure to Obtain the Urban Sewage Disposal Drainage License." We cannot assure you that we will not be subject to the liabilities or penalties relating to the environment and public health in the future. Any of these actions or penalties may cause negative impact on our business, results of operations and financial condition.

Our business operations are also exposed to risks relating to occupational health, containment of infection transmission and fire safety. The dentists, other medical professionals and other staff practicing at our dental institutions may fail to deal with such risks timely and properly. As of the Latest Practicable Date, one of our subsidiaries had not completed the requisite fire safety filing with the housing and urban-rural development department of local government. See "Business — Compliance and Legal Proceedings — Non-compliance Incidents — Failure to Complete Fire Safety Filing." According to the applicable PRC laws and regulations, for each property with defects in Fire Safety Filing after completion of construction acceptance, the relevant subsidiary may be ordered by the housing and urban-rural development departments of local governments to rectify and subject to administrative fines. We cannot assure you that we will not be subject to liabilities or penalties in connection with occupational health and safety in the future. Any of actions or penalties relating to our defects in occupational health and safety may cause negative impact on our business, results of operations and financial condition.

Our dental institutions derive a portion of revenue from public medical insurance programs. Any failure to remain eligible for public medical insurance coverage, or any non-payment or delayed payment under public medical insurance programs could adversely affect our results of operations and financial position.

Customers who are covered by the public medical insurance programs can choose to rely on public medical insurance programs to pay for dental services provided by Medical Insurance Designated Medical Institutions (醫保定點醫療機構) eligible for public medical insurance programs. Therefore, whether a dental institution is eligible for public medical insurance coverage could affect its acceptance among potential customers.

As of the Latest Practicable Date, 62 of our dental institutions in operation were Medical Insurance Designated Medical Institutions. For the years ended December 31, 2022, 2023 and 2024, our settlement amount under the public medical insurance programs amounted to RMB32.6 million, RMB39.5 million and RMB40.2 million, representing 8.0%, 8.9% and 10.4% of the total settlement amount of our dental services for the same years, respectively. Our dental institutions may cease to be Medical Insurance Designated Medical Institutions if (i) their medical insurance service agreements with local government authorities are not renewed upon expiration after negotiations, taking into account the fulfilment of obligations under such agreements and performance evaluations, or (ii) the government authorities unilaterally terminate such agreements due to our violations, such as regulatory non-compliance, supervisory obstruction or other material breaches of medical insurance service agreements. We cannot assure you that our dental institutions will be able to maintain their status as Medical Insurance Designated Medical Institutions, the loss of which may adversely affect our customer visits and publicity among customers. Reimbursement policies in medical insurance coverage plans may be subject to further changes in the future such that certain dental services may no longer be covered, or that more stringent thresholds on existing coverage may be implemented. Any reduction in the rates reimbursed by relevant medical insurance bureaus or the scope of services covered could adversely impact customers' intention to visit our dental institutions, which may adversely affect our business operations and financial condition. Meanwhile, violation of the regulatory requirements relevant to medical insurance may result in penalties against the non-compliant dental institutions. Any failure to comply with the relevant regulatory requirements on Medical Insurance Designated Medical Institutions may expose us to penalties. Moreover, any delayed or delinquent settlement under the public medical insurance programs could increase our trade receivables or result in write-offs.

We rely upon the continuing efforts of our senior management team and other key personnel. Any failure to attract, motivate and retain them could severely hinder our ability to maintain and grow our business.

The collaborative, devoted and diligent efforts of our senior management team and other key personnel have contributed to our success over the years. We have been, and expect to continue to be, heavily dependent on the continued services of our senior management team and other key personnel, some of whom have been with us since our inception. In particular, we rely on the outstanding efforts, experience and expertise of our executive Directors. We also rely on other key members of our senior management team. Accordingly, our ability to attract and retain key personnel is a critical factor in our competitiveness. Following the general industry practice, we do not maintain key person insurance. If we lose the services of one or more of our key personnel, we may not be able to find suitable or qualified replacements timely or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, the implementation of our business strategies could be delayed, and our financial condition and results of operations could be materially and adversely affected. Moreover, if any member of our key personnel joins a competitor or establishes a competing business, we may lose know-how, trade secrets, customers, other key medical professionals and staff.

Competition for competent candidates in the industry is intense and the pool of competent candidates is relatively limited, which could cause us to offer higher compensation and other benefits in order to attract and retain them, and in turn, materially and adversely affect our financial condition and results of operations. If our recruitment and retention efforts are unsuccessful in the future, our business prospects could be adversely affected.

There is no assurance that we will be able to successfully enforce the non-competition undertakings signed by the dentists who are minority shareholders of our dental institutions.

Restrictive covenants are enforceable only when the contractual terms restricting a contracting party's activities during or after the termination of his/her agreement are reasonable in all circumstances to protect the legitimate business interests of the other contracting party, pursuant to the applicable PRC laws and regulations. Despite the fact that dentists who are minority shareholders of our dental institutions signed non-competition undertakings to us, there can be no assurance that they will not, upon termination of their respective collaboration with us, engage in business activities that compete with our business in Central China, especially in Hubei province. If such dentists engage in competing business activities in regions where we operate, there can be no assurance that we will be able to successfully enforce such non-competition undertakings in a timely and effective manner, or at all. If such dentists engage in competing business activities in regions where we operate and we fail to enforce the relevant non-competition undertakings, we may experience customer loss and our business, results of operations and financial condition may be materially and adversely affected.

We and/or the dentists, other medical professionals, administrators and other staff of our dental institutions could be subject to investigations or administrative or criminal penalties in relation to anti-corruption, which may harm our brand image and reputation and materially and adversely affect our business, financial condition and results of operations.

Market participants in the healthcare services industry are exposed to increasing risks of violating anti-corruption laws, regulations and rules. The government authorities have been increasing their anti-bribery efforts to control and diminish improper payments and other illegal benefits received by medical professionals, administrators and other staff relating to the purchase of devices and pharmaceuticals and the provision of healthcare services. As a dental services provider, we have adopted multiple policies and procedures designed to ensure that the dentists, other medical professionals, administrators and other staff practicing at our dental institutions comply with the anti-corruption and anti-bribery laws, regulations and rules in China.

However, there can be no assurance that policies and procedures designed and adopted by us in relation to anti-corruption and anti-bribery will always effectively and entirely prevent non-compliance with the relevant laws, regulations and rules. The occurrence of any corruption activities by any individual dentists, other medical professionals, administrators and other staff practicing at our dental institutions may subject us to thorough investigations and administrative or criminal penalties. Our brand image and reputation could be harmed by any negative publicity stemming from incidents in relation to suspected corruption or bribery, which may materially and adversely affect our business, financial condition and results of operations.

If we fail to maintain adequate internal controls, or fail to identify defects in internal control performance of acquisition targets, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.

We have established our internal control and risk management system to monitor and mitigate risks arising from our daily business operations and improve our corporate governance. See "Business — Internal Control and Risk Management" for details on our internal control measures and performance.

As we will continuously develop our business and expand our dental service network, we have to constantly optimize our financial and managerial measures, internal reporting procedures and other internal measures to enhance the effectiveness of internal control and risk management system and ensure compliance with applicable PRC laws and regulations. The performance of our internal control and risk management depends on the implementation of our internal control measures by our management and other staff. There can be no assurance that such implementation will not involve any misinterpretation of internal control measures or inconsistencies among different dental institutions in different cities within our dental service network. Such misinterpretation of internal control measures and inconsistencies of implementation could materially and adversely affect the results of our internal control and business operations.

There can be no assurance that we can always keep our internal control system being effective and efficient in the future. If we fail to timely identify new risks and uncertainties and adapt our internal control measures and procedures in pace with our business expansion, relevant measures and procedures may become ineffective, which may cause errors and information lapses and materially and adversely affect our ability to manage our business growth. In addition, we may experience difficulties in timely identify defects in internal control performance of acquisition targets during our evaluation before acquisition. Besides, any failure to discover and tackle the potential weaknesses in our internal control and risk management system, especially failure to discover and tackle internal control weaknesses in our acquired dental institutions, could materially and adversely affect the effectiveness of our internal control, which may materially and adversely affect our business operations and financial performance.

Our Controlling Shareholders have substantial control over our Company and their interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the Global Offering, our Controlling Shareholders will retain substantial control over our Company. Subject to our Articles of Association and the PRC Company Law, our Controlling Shareholders will be able to exercise significant control and impose material influence over our business operations or otherwise on matters that are significant to us and other Shareholders by voting at the general meetings of the Shareholders and at Board meetings.

However, the interests of our Controlling Shareholders may not always in line with the interests of other Shareholders. Our Controlling Shareholders are free to exercise their votes based on their own intentions and interests, except for limited matters that they shall abstain from voting. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders can be disadvantaged and harmed.

Share incentive schemes may adversely affect our financial performance and cause shareholding dilution to our existing Shareholders.

We adopted the Pre-IPO Restricted Share Scheme to attract and retain directors, senior management and employees who promote the success of our operations. For details, see "Appendix VI — Statutory and General Information — D. Pre-IPO Restricted Share Scheme" to this prospectus. Share-based payment expenses are expenses arising from Restricted Shares granted to our employees and former employees under the Pre-IPO Restricted Share Scheme. For the years ended December 31, 2022, 2023 and 2024, we incurred share-based payment expenses of RMB1.6 million, RMB1.1 million and RMB2.4 million, respectively.

To further incentivize our key personnel to contribute to us, we may adopt new share incentive schemes in the future which may potentially dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to awards granted under such share incentive schemes may also increase our operating expenses and therefore have a material and adverse impact on our financial performance.

Fair value changes for redeemable preference shares may affect our financial condition and results of operations. The valuation of redeemable preference shares is uncertain due to the use of unobservable inputs, estimates and judgements.

Our redeemable preference shares represent shares issued by us in connection with Series A Investment and Series B Investment to Independent Third-Party investors. All special rights granted to such investors have been terminated in September 2024. We had fair value losses on redeemable preference shares of RMB1.3 million and RMB2.3 million for the years ended December 31, 2022 and 2023, respectively. For the year ended December 31, 2024, we had fair value gains on redeemable preference shares of RMB1.7 million.

Given the redeemable preference shares are not traded in an active securities market, we engaged an independent valuer to assess the fair value of the redeemable preference shares using a discount cash flow model. Changes in unobservable inputs, estimates and judgements used in the model, particularly the probabilities assigned to the exit scenarios under the equity allocation model, namely the liquidation scenario, the redemption scenario and the conversion scenario, together with other assumptions such as the risk-free rates and volatilities adopted, could affect the fair value of our redeemable preference shares.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

Changes in the economic, political, social or regulatory conditions could have a material effect on our business and prospects.

All of our assets, businesses and operations are located in the PRC and we generate all of our revenue from the PRC. As a consequence, our business, financial condition and results of operations are significantly subject to the economic, political, social and regulatory environment in the PRC. The PRC government regulates the economy and the industries by regulating the macroeconomy through fiscal and monetary policies and imposing industrial policies. In the past few decades, the PRC government has spent dedicated efforts to promote market economy and encourage the establishment of sound corporate governance in business entities.

The performance of Chinese dental services providers has been and will continue to be affected by the Chinese economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact the economic growth in the PRC.

We are unable to predict all the risks that we face as a result of the current global economic, political, social and regulatory developments and many of these risks are beyond our control. All such factors could have a material impact on our business and financial performance and our prospects.

Failure to respond to developments in the legal system may subject our business and financial performance to risks.

We conduct our business in the PRC, which are governed by the PRC laws and regulations. Some of the current laws and regulations are relatively new and may be amended from time to time in the future, which may cause impacts on our judgment on the relevance of legal requirements and the value of your investment.

Meanwhile, the PRC legal system, which is based on written statutes, continues to evolve in response to changing economic and other conditions. Some enforcement policies, including those regulating healthcare services industry, also evolve continuously with the development of social and economic environment in China. Any enforcement actions against us could have a material adverse impact on us. Any litigation or enforcement proceedings may result in substantial cost and diversion of management attention and other resources, negative publicity, and damage to reputation. We are required to constantly keep ourselves up-to-date on the latest laws, regulations, rules and policies applicable to us. However, we may not be aware of violation of the newly promulgated or amended laws, regulations, rules and policies until such violation has occurred.

You may experience difficulties in effecting service of the legal process upon us and our management and seeking recognition and enforcement of judgments against them across jurisdictions.

The legal systems across different jurisdictions vary significantly and the effecting service of legal process and the process of recognizing and enforcing any judgments may be different across jurisdictions. Therefore, you may experience difficulties in effecting service of the legal process upon us and our management and seeking recognition and enforcement of judgments against them across jurisdictions.

Effecting service of legal process and the process of recognizing and enforcing any judgments are subject to treaties or arrangements providing for the recognition and enforcement of judgments made by courts of other jurisdictions. As a consequence, investors may experience difficulties to effect service of process and/or recognize and enforce any judgments for disputes brought in other jurisdictions. As a company incorporated under the laws of the PRC, all of our assets are located in the PRC. Almost all of our Directors, Supervisors and senior management reside within the PRC, and the assets of our Directors, Supervisors and senior management are likely to be located within China. As a result, it may be difficult for you to effect service of process within Hong Kong, the United States or elsewhere outside the PRC upon us or our Directors, Supervisors and senior management, or to bring an action in Hong Kong against us or these individuals. In addition, the PRC has not entered into treaties with certain other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards.

An original action may only be brought in the PRC against us or our Directors, Supervisors and senior management if the actions are not required to be arbitrated by the PRC laws and upon satisfaction of the conditions for commencing a cause of action pursuant to the civil procedure laws in the PRC. As a result of the conditions set forth in such laws, there remain uncertainties as to whether investors will be able to bring an original action in the PRC in this manner.

Government's regulations on foreign currency conversion may affect our foreign exchange transactions. Fluctuations in exchange rates could result in foreign currency exchange losses.

We expect that our revenue will be denominated in Renminbi and a portion of our revenue may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

Under the existing PRC laws and regulations on foreign exchange, following the completion of the Global Offering, we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from the SAFE. However, in the future, the PRC government may take measures to regulate access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to the holders of our H Shares.

In addition, the changes in domestic and international political, economic conditions and monetary policies as well as other factors beyond our control could cause fluctuations in the exchange rate of Renminbi against Hong Kong dollar, U.S. dollar and other foreign currencies. There can be no assurance that our business, financial condition and results of operations would not be adversely affected by the fluctuation in exchange rates in the future. The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our proceeds from the Global Offering. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs.

Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

We rely on dividends paid by our subsidiaries for our cash needs, and regulations of the PRC laws on the ability of our PRC subsidiaries to distribute dividends to us could adversely affect our ability to utilize such funds.

Under the applicable PRC laws and regulations, dividends may be paid only out of distributable profits. Distributable profits are our net profit as determined under the PRC GAAP or the IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. Therefore, we may not have sufficient or any distributable profit to make dividend distributions to our Shareholders in the future, including years for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in the subsequent years. Moreover, as the calculation of distributable profits under the PRC GAAP is different from the calculation under the IFRS in certain respects, our subsidiaries may not have distributable profits as determined under the PRC GAAP, even if they have profits for that year as determined under the IFRS, or *vice versa*. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could adversely impact our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those years when our financial statements indicate that our operations have been profitable.

Investors of our H Shares may become subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.

Individual holders of H Shares who are not residents of mainland China and whose names appear on the register of members of H Shares (the "**Non-PRC Resident Individual Holders**"), are subject to PRC individual income tax on dividends received from us.

Pursuant to the *Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045* (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the STA on June 28, 2011, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. Meanwhile, under the *Individual Income Tax Law of the PRC* (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares.

However, pursuant to the *Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares* (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Any collection of such tax in the future may materially and adversely affect the value of such individual holders' investments in H Shares. Under the EIT Law and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the *Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in the PRC to Non-resident Enterprises Holding H-shares of the Enterprises* (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated by the STA on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the approval from the PRC tax authorities.

The application of applicable PRC tax laws and regulations by the PRC tax authorities are still evolving, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares following the Global Offering may be volatile.

No public market currently exists for our H Shares. The initial Offer Price for our H Shares to the public will be the result of negotiations between our Company and the Sole Overall Coordinator (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the H Shares following the Global Offering.

We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the H Shares will not decline following the Global Offering.

Moreover, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors beyond our control, including:

- developments in the global healthcare market, especially the healthcare services industry in China;
- unexpected business interruptions resulting from natural disasters or outbreaks of pandemic;
- developments in laws and regulations in regions where we operate;
- political, economic, financial and social developments in regions where we operate and in the global economy;
- investors' perception of us and of the investment environment in regions where we operate;
- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;

- changes in pricing made by us or our competitors;
- acquisitions by us or our competitors;
- the depth and liquidity of the market for our H Shares;
- additions to or departures of, our executive directors and other members of our senior management; and
- release or expiry of lock-up or other transfer restrictions on our H Shares.

It is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sale of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur could all cause a decrease in the market price of our H Shares.

Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Any possible conversion of Unlisted Shares into H Shares could increase the supply of H Shares in the market, which may negatively impact the market price of H Shares.

Pursuant to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval) have been duly completed and the filing with the CSRC has been duly completed.

Moreover, such conversion, trading and listing must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the listing of all or any portion of our Unlisted Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on the H Share register. This could cause an increase in the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may adversely affect the trading price of H Shares.

As the Offer Price of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering may experience an immediate dilution.

Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their H Shares. In addition, purchasers of our H Shares may experience further dilution of their shareholdings if we issue additional H Shares pursuant to the exercise of the Over-allotment Option.

There can be no assurance that if we were to immediately liquidate after the Global Offering, any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider offering and issuing additional H Shares in the future. Purchasers of the Offer Shares may experience dilution in the net tangible assets value per Share of their H Shares if we issue additional H Shares in the future at a price which is lower than the net tangible assets value per Share at that time.

We may not pay any dividends on our H Shares.

We cannot guarantee when and in what form dividends will be paid on our H Shares following the Global Offering. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, general business conditions and other factors that our Directors consider relevant. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future. See "Financial Information — Dividends."

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways that you may not agree with or that do not yield favorable returns for our Shareholders. For details of our intended use of proceeds from the Global Offering, see "Future Plans and Use of Proceeds."

Our management have the discretion as to the actual utilization of the net proceeds within the scope of disclosed usage schedule. You are entrusting your funds to our management, upon whose judgment you must depend for the specific usage we will make of the net proceeds from the Global Offering.

Facts, forecasts and statistics contained in this prospectus may come from government sources and may not be fully reliable.

Some of the facts and statistics in this prospectus are derived from publicly available sources and other sources. Our Directors believe the sources of these facts and statistics are reliable and appropriate and our Company has taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor or any other party involved in the Global Offering and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics may be inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

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

This prospectus contains forward-looking statements with respect to our competitive positions, business strategies, operating efficiencies and future growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "potential," "continue," "expect," "plan," "seek," "intend," "anticipate," "believe," "could," "may," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements.

These forward-looking statements, including, among others, those relating to our future business forecasts and prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors, Supervisors and management, which involve a number of risks and uncertainties that could cause actual results to materially differ from those mentioned in the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this prospectus. Therefore, such statements are not a guarantee of future performance, and you should not place undue reliance on any forward-looking information in this prospectus.

All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations, the market price and trading volume may decline.

The trading market for our Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause a decline in the market price or trading volume of our H Shares.

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

We strongly caution you to read the entire prospectus carefully, instead of relying on any information contained in press articles or other media regarding us or the Global Offering. Prior to the publication of this prospectus, there may have been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operational and financial information, as well as projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. No representation as to the appropriateness, accuracy, reliability or completeness of any such information or publication has been made by us. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it, and you should not rely on such information.

In preparation for the Listing, our Company has applied for the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from strict compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by having regard to, among other considerations, our arrangements for maintaining regular communication with the Stock Exchange.

In addition, the Guide for New Listing Applicants provides that the listing applicant should normally have the following arrangements for maintaining regular communication with the Stock Exchange for the purpose of its granting waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules: (a) the authorized representatives of the listing applicant will act as the principal channel of communication with the Stock Exchange; (b) the authorized representatives of the listing applicant should have means for contacting all its directors promptly at all times as and when the Stock Exchange wishes to contact the directors on any matters; (c) each director of the listing applicant who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; (d) the compliance advisor(s) of the listing applicant will act as an additional channel of communication with the Stock Exchange; and (e) each director of the listing applicant will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange.

Since substantially all of the business operations of our Group are managed and conducted outside of Hong Kong, and all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rules 8.12 and 19A.15 of the Listing Rules. The Directors consider that either by means of relocation of our existing executive Directors or appointment of additional executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company or the Shareholders as a whole. Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules subject to the following conditions to maintain regular and effective communication between the Stock Exchange and us:

(i) we have appointed Ms. Liu Hongchan, one of our executive Directors, and Ms. Pau So Yi, one of our joint company secretaries who is ordinarily resident in Hong Kong, as our authorized representatives ("**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Stock Exchange. We have provided the Stock Exchange with their contact details, and they will be available to meet with the Stock Exchange to discuss any matters within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email;

(ii) as and when the Stock Exchange wishes to contact our Directors on any matters, each of our Authorized Representatives will have means to contact all of our Directors (including our independent non-executive Directors) promptly at all times. We will implement measures such that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to our Authorized Representatives and the Stock Exchange; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to our Authorized Representatives;

(iii) we have provided the Stock Exchange with the contact details of each Director to facilitate communication with the Stock Exchange. Furthermore, each Director who is not an ordinary resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time, if required;

(iv) we have appointed Haitong International Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Stock Exchange during the period from the Listing Date to the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year immediately after the Listing, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance advisor will advise our Company on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing, and will at all times have access to our Authorized Representatives, our Directors and the other senior management of our Company to ensure that the compliance advisor is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of our Company; and

(v) any meeting between the Stock Exchange and our Directors will be arranged through our Authorized Representatives or compliance advisor or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our Authorized Representatives and compliance advisor.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual who by virtue of his or her academic or professional qualifications or relevant experience is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(i) a member of The Hong Kong Chartered Governance Institute;

(ii) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); or

(iii) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience," the Stock Exchange will consider the individual's:

(i) length of employment with the listing applicant and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

In addition, the Guide for New Listing Applicants provides that the waiver from strict compliance with Rule 3.28 of the Listing Rules, if granted, will be for a fixed period of time and on the following conditions: (a) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the waiver period; and (b) the waiver will be revoked if there are material breaches of the Listing Rules by the Company.

We have appointed Ms. Xu Liman ("**Ms. Xu**") as one of the joint company secretaries on November 22, 2024. Ms. Xu joined our Group as the general management officer of our Company in March 2023, primarily responsible for overall coordination and execution of corporate governance and company secretarial matters of our Group. Ms. Xu has accumulated abundant knowledge about the business operations and governance of corporations with a strong recognition of the corporate culture of our Group. By virtue of her position and familiarity with our Group, Ms. Xu has worked closely with our Directors and thus possessed a thorough understanding of matters concerning the Board and its operations. As such, our Directors believe that Ms. Xu is a suitable person to act as the company secretary of our Company.

However, Ms. Xu does not possess the specified qualifications strictly required by Rule 3.28 and Rule 8.17 of the Listing Rules. As a result, we have appointed Ms. Pau So Yi ("**Ms. Pau**"), who meets the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules, to act as the other joint company secretary. For details of Ms. Xu's and Ms. Pau's biographies, see "Directors, Supervisors and Senior Management."

Over the initial period of three years from the Listing Date, we will implement the following measures to assist Ms. Xu to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(i) Ms. Pau will assist Ms. Xu to enable her to discharge her duties and responsibilities as a joint company secretary of our Company. Given Ms. Pau's relevant experiences, she will be able to advise both Ms. Xu and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(ii) Ms. Xu will be assisted by Ms. Pau for an initial period of three years commencing from the Listing Date, which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(iii) we will ensure that Ms. Xu has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of a Hong Kong listed company, and Ms. Xu has undertaken to attend such trainings;

(iv) Ms. Pau will communicate with Ms. Xu on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Pau will work closely with and provide assistance to Ms. Xu for her to discharge her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(v) pursuant to Rule 3.29 of the Listing Rules, Ms. Xu and Ms. Pau will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Xu and Ms. Pau will be advised by our legal advisors as to Hong Kong law and our compliance advisor as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the Listing Date, in accordance with the Guide for New Listing Applicants on the conditions that (i) Ms. Pau is engaged as a joint company secretary and provides assistance to Ms. Xu during this period; and (ii) the waiver will be revoked if Ms. Pau, during the three-year waiver period, ceases to provide assistance to Ms. Xu, or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, the Company must demonstrate and seek the Stock Exchange's confirmation that Ms. Xu, having had the benefit of Ms. Pau's assistance during the three-year period, has attained the relevant experience under note 2 to Rule 3.28 of the Listing Rules and is capable of discharging the functions of company secretary so that a further waiver would not be necessary.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

UNDERWRITING AND INFORMATION ABOUT THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of initially 1,086,200 H Shares and the International Offering of initially 9,775,600 H Shares (subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" and, in case of the International Offering, additionally to any exercise of the Over-allotment Option).

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Overall Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

The Offer Price is expected to be determined between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, July 7, 2025 and, in any event not later than 12:00 noon on Monday, July 7, 2025. If, for any reason, the Offer Price is not agreed among us and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on or before 12:00 noon on Monday, July 7, 2025, the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see "Underwriting."

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out in this prospectus. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global

Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

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

RESTRICTIONS ON OFFER AND SALE OF THE H SHARES

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

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

APPLICATION FOR LISTING OF THE H SHARES ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the listing of, and permission to deal in, the H Shares to be issued pursuant to the Global Offering and the Conversion of Unlisted Shares into H Shares (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Dealings in the H Shares on the Stock Exchange are expected to commence on Wednesday, July 9, 2025. No part of our Shares or loan capital is listed or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the H Share register of members of the Company in Hong Kong in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the H Shares to be listed on the Stock Exchange pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to us by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

FILING WITH THE CSRC

In compliance with the Overseas Listing Trial Measures, we shall complete filing procedures with the CSRC and report relevant information with respect to the Listing after the submission of our listing application to the Stock Exchange. We have submitted filing documents with the CSRC for the application for the Listing on December 3, 2024. The CSRC published the notification on completion of filing procedure on June 11, 2025. No other approval from CSRC are required to be obtained for the Listing.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Exchange is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the general rules of HKSCC and HKSCC Operation Procedures in effect from time to time.

All necessary arrangements have been made for the H Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

H SHARES REGISTER AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register of members to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarters in the PRC.

Dealings in the H Shares will be subject to Hong Kong stamp duty. See "Appendix VI — Statutory and General Information — E. Other Information — 7. Taxation of Holders of H Shares." For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. None of us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisors or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchasing, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in HK$, US$ and RMB have been translated, for the purpose of illustration only, into each other in this prospectus at the following exchange rates prevailing on the Latest Practicable Date:

HK$1.00: RMB0.9133;

US$1.00: RMB7.1695; and

US$1.00: HK$7.8498.

No representation is made that any amounts in HK$, US$ or RMB were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

ROUNDING

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

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail. However, for ease of reference, the names of the Chinese laws and regulations, government authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this prospectus in both the Chinese and English languages. In the event of any inconsistency, the Chinese name shall prevail.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yao Xue (姚雪)	Room 4, 11/F, Unit 1, Building 2 Zhongkanyuan Community 18 Zhongnan Road Wuchang District, Wuhan Hubei Province PRC	Chinese
Ms. Shen Hongmin (沈洪敏)	Room 3G, 22/F, Block A Guangyuan Building No. 76 Donghu Road Wuchang District, Wuhan Hubei Province PRC	Chinese
Mr. Guo Jiaping (郭家平)	Room 302, 3/F, Unit 1, Building 6 No. 273 Ruian Street Hongshan District, Wuhan Hubei Province PRC	Chinese
Ms. Liu Hongchan (劉紅嬋)	Room 7, No. 012 Kangxin Garden Guanxi Community Hongshan District, Wuhan Hubei Province PRC	Chinese
Independent non-executive Directors		
Mr. Shu Yijie (疏義傑)	Room 108, Building 32 No. 210 Jixi Road Shushan District, Hefei Anhui Province PRC	Chinese
Ms. Huang Suzhen (黃素珍)	No. T8-1603 Phase I Chunshui'an Donghu No. 166 Huanle Avenue Wuchang District, Wuhan Hubei Province PRC	Chinese
Ms. Wang Taosha (王陶沙)	House 10, Seascape 42 Sassoon Road, Pok Fu Lam Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Ms. Huang Meiyun (黃美芸)	Room 402, Unit 1, Building 6 No. 1 Zisha Road Wuchang District, Wuhan Hubei Province PRC	Chinese
Ms. Xu Cen (徐岑)	Room 135, F Tianxia Oujing Garden No. 196 Julong Avenue Panlongcheng Huangpi District, Wuhan Hubei Province PRC	Chinese
Ms. Yan Ge (嚴格)	No. 66-5-2 Xinyi Village, Gaojiawan Wuchang District, Wuhan Hubei Province PRC	Chinese

For further information regarding our Directors and Supervisors, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre No. 1 Harbour View Street Central Hong Kong
Sponsor-Overall Coordinator, Sole Overall Coordinator, Sole Global Coordinator and Sole Bookrunner	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **Livermore Holdings Limited** Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong
Capital Market Intermediaries	**Haitong International Securities Company Limited** 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong **Livermore Holdings Limited** Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza 833 Cheung Sha Wan Road Kowloon Hong Kong

Legal Advisors to our Company	*As to Hong Kong Laws* **Tian Yuan Law Firm LLP** Suites 3304-3309, 33/F Jardine House One Connaught Place Central Hong Kong
	As to PRC Laws **Tian Yuan Law Firm** 5/F, Tower A, Corporate Square 35 Financial Street Xicheng District Beijing PRC
	As to PRC Laws in Respect of Data Compliance **Tahota Law Firm** Palm Springs International Center No. 199 Middle of Tianfu Avenue High-tech Zone, Chengdu Sichuan Province PRC
Legal Advisors to the Sole Sponsor and Underwriters	*As to Hong Kong Laws* **Sidley Austin** 39/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	As to PRC Laws **Commerce & Finance Law Offices** 12-15th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing PRC
Auditor and Reporting Accountant	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong

Compliance Adviser	**Haitong International Capital Limited** Suites 3001-3006 and 3015-3016 One International Finance Centre No. 1 Harbour View Street Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC
Receiving Bank	**CMB Wing Lung Bank Limited** 45 Des Voeux Road Central Hong Kong

Registered Office	Room 5, 11/F and Rooms 601, 608-612, 6/F Huayin Building No. 786 Minzhu Road Zhongnan Road Sub-District Wuchang District, Wuhan Hubei Province PRC
Headquarters and Principal Place of Business in the PRC	Room 5, 11/F and Rooms 601, 608-612, 6/F Huayin Building No. 786 Minzhu Road Zhongnan Road Sub-District Wuchang District, Wuhan Hubei Province PRC
Principal Place of Business in Hong Kong	Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.chinadzyl.com** *(the information contained on the website does not form part of this prospectus)*
Joint Company Secretaries	**Ms. Xu Liman (許莉曼)** Room 202, Unit 1, Building 4 Bairuijing Phase II, Wuluo Road Wuchang District, Wuhan Hubei Province PRC **Ms. Pau So Yi (鮑素怡)** *(Chartered Secretary, Chartered Governance Professional)* Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

Authorized Representatives	**Ms. Liu Hongchan (劉紅嬋)** Room 7, No. 012 Kangxin Garden Guanxi Community Hongshan District, Wuhan Hubei Province PRC
	Ms. Pau So Yi (鮑素怡) Room 1920, 19/F, Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Audit Committee	Ms. Huang Suzhen (黃素珍) *(Chairperson)* Mr. Shu Yijie (疏義傑) Ms. Wang Taosha (王陶沙)
Remuneration Committee	Mr. Shu Yijie (疏義傑) *(Chairperson)* Ms. Huang Suzhen (黃素珍) Mr. Yao Xue (姚雪)
Nomination Committee	Mr. Yao Xue (姚雪) *(Chairperson)* Mr. Shu Yijie (疏義傑) Ms. Wang Taosha (王陶沙)
H Share Registrar	**Tricor Investor Services Limited** 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal Bank(s)	**China Merchants Bank Wuhan Jiyuqiao Branch** No. 108 Heping Avenue Wuchang District, Wuhan Hubei Province PRC
	Bank of Communications Wuhan Shuiguohu Branch No. 108 Zhongbei Road Wuchang District, Wuhan Hubei Province PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from the report commissioned by us and prepared by Frost & Sullivan, and from various official government publications and other publicly available publications. The information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Overall Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, advisors, officers, employees or agents or any other persons or parties involved in the Global Offering, and no representation is given as to its accuracy, reliability or completeness.

SOURCE AND RELIABILITY OF INFORMATION

In connection with the Global Offering, we engaged an independent market research consultant, Frost & Sullivan, to conduct an analysis of, and to prepare an industry report on the industries where we operate with a commission fee of RMB550,000. Founded in 1961, Frost & Sullivan is an independent global consulting firm that conducts industry research and prepares industry report on a wide range of industries, among other services. The information from Frost & Sullivan disclosed in this prospectus is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the collected data and information, and cross-check each respondent's information and expressions against those of others: (i) detailed primary research, which involved discussing the status of the industry with leading industry participants and industry experts; and (ii) secondary research, which involved reviewing published sources including reports of market participants, independent research reports and data based on Frost & Sullivan's own research database.

The market projections in the Frost & Sullivan Report are mainly based on the following assumptions: (i) China's economy is expected to maintain steady growth in the next decade; (ii) China's social, economic and political environment is expected to remain stable in the forecast period; and (iii) market drivers, such as the stable development of favorable regulatory policies, upgraded and activated consumption willingness and rising awareness of dental care, increased prevalence of dental diseases, increasingly important roles of private dental services providers in the industry, among others. In particular, the projected total market size was estimated based on historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

DIRECTORS' CONFIRMATION

After making reasonable inquiries, our Directors confirm that, to the best of their knowledge, there has been no detrimental change in the market information demonstrated in the Frost & Sullivan Report since the date of the report that may qualify, contradict or have an impact on the information in this prospectus.

THE DENTAL SERVICES MARKET IN CHINA

Overview of Dental Services Market in China

Dental services refer to the services provided by dental services providers to maintain oral health, which primarily includes (i) general dentistry services, (ii) implantology services, and (iii) orthodontics services.

- ***General dentistry services.*** General dentistry services typically cover dental preventive care, regular dental treatment and dental restorative services. Dental preventive care typically includes teeth cleaning, soft tissue examination and screening for dental diseases or potential issues. Regular dental treatment mainly focuses on the examination, diagnosis, and treatment of disorders of the orofacial region, including teeth filling, root canal treatment, among others. Dental restorative services focus on restoring the function, integrity and morphology of missing tooth structure, primarily including repairing damaged teeth by dental crown or removable denture.

- ***Implantology services.*** Implantology services mainly deal with the permanent implantation of dental prostheses in the bone tissue when it is determined that a natural tooth must be extracted. Implantology services have become a more durable option for customers who need teeth replacement as it would not slip, make noise or cause bone damage that dentures may cause.

- ***Orthodontics services.*** Orthodontics services mainly focus on preventing, diagnosing and treating malocclusions as well as skeletal abnormalities of developing or mature orofacial structures by different types of dental braces. Orthodontics services aim to address misalignment of teeth as well as asymmetric jaw relationships.

Participants of Dental Services Market in China

Dental institutions are the main participants of the dental services market in China. By nature as specified in Medical Institution Practicing Licenses, dental institutions are generally categorized into dental hospitals, dental out-patient departments and dental clinics. The following table sets forth major differences among these three types of dental institutions under the applicable regulatory requirements and standards:

	Dental hospitals*	Dental out-patient departments	Dental clinics
Dental chairs	20 to 59 dental chairs 15 to 49 beds	≥ 4 dental chairs	≥ 1 dental chair
Departments	Clinical departments: at least have oral medicine, oral and maxillofacial surgery, prosthodontics, preventive dentistry, and an oral emergency room; Medical technical departments: at least have departments of: pharmacy, laboratory, radiology, sterilization supply room and medical records room	No departmental divisions. Carrying out diagnostic and treatment in oral medicine, oral surgery, and prosthodontics Designate personnel to manage pharmaceuticals, laboratory testing (if no arrangement by testing center), radiology and sterilization supply	No departmental divisions
Medical professionals	≥ 1.03 medical professionals per dental chair; ≥ 2 dentists at the level of associate-chief dentist or above; ≥ 1 dentist in each department; ratio of dentists to nursing staff ≥ 1:1.5; ratio of prosthodontists to technicians shall be 1:1	≥ 1.03 medical professionals per dental chair; ≥ 2 dentists with one at the level of attending dentist or above; for dental out-patient departments with more than 4 dental chairs, ≥ 1 additional dentist for every 4 additional dental chairs; ratio of dentists to nursing staff ≥ 1:1	≥ 1 dentist with at least five-year practicing experience; ≥ 1 additional dentist for every 2 additional dental chairs; for dental clinics with more than 4 dental chairs, ≥ 1 dentist at the level of attending dentist or above

	Dental hospitals*	Dental out-patient departments	Dental clinics
Scale	An area of ≥ 30 sq.m. per dental chair; a net usable area of ≥ 6 sq.m. per dental chair in treatment room	An area of ≥ 30 sq.m. per dental chair; a net usable area of ≥ 6 sq.m. per dental chair in treatment room	For dental clinics with 1 dental chair, ≥30 sq.m.; for dental clinics with more than 2 dental chairs, an area of ≥ 25 sq.m. per dental chair; a net usable area of ≥ 9 sq.m. per dental chair in treatment room

Note:

* Representing the major regulatory requirements and standards for Class II dental hospitals. Class III dental hospitals are generally subject to higher requirements and standards under the applicable laws and regulations in China, primarily including greater number of dental chairs and beds (≥ 60 dental chairs and ≥ 50 beds), larger operational scale (an area of ≥ 40 sq.m. per dental chair and an area of ≥ 60 sq.m. per bed) and more comprehensive range of departments with senior level dentist requirements.

Under the applicable PRC laws and regulations, obtaining the classification is not a compulsory requirement for dental institutions. In practice, relevant government authorities in certain areas, such as Hubei and Hunan provinces, also permit unclassified dental hospitals (not yet assigned an official tier) to commence operations. Chenzhou Hospital obtained the Medical Institution Practicing License in April 2022 and became qualified as a dental hospital under the applicable local laws and regulations. According to the Medical Institution Practicing License of Chenzhou Hospital, it had 20 dental chairs and 6 dental beds, significantly exceeding the standard requirements for dental out-patient departments. We expect to apply for the classification for such dental hospital in the future based on our actual business needs.

The following table sets forth a comparison of public dental institutions and our private dental institutions.

Type of institutions	Public dental institutions *	Our private dental institutions
Pricing standards	Government-guided pricing without adjustment flexibility	Market-oriented pricing with differentiated packages
Service scopes	Comprehensive treatment for dental diseases, including complex diseases and in-patient services	Daily dental care and treatment for common dental diseases, implantology services, orthodontics services, pediatric dentistry, etc.
Service experience	Longer waiting time for registration, treatment and payment	Seamless, convenient and customized service experiences in a comfortable environment with personalized care
Comparative advantages	Experienced in handling complex cases and rich expert resources	Customer-centric services, advanced medical equipment and organized allocation of resources under direct chain model

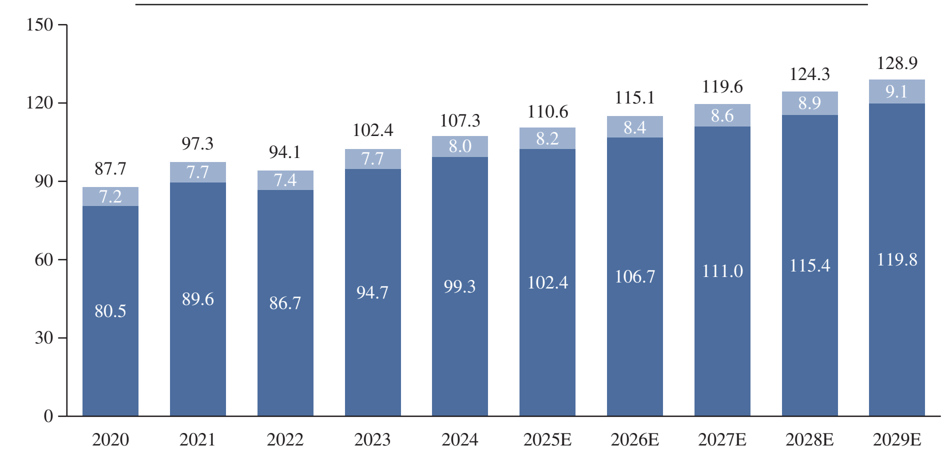
Note:

* Including both dental departments of public general hospitals and public dental hospitals.

With the increasing prevalence of dental diseases as well as the rising awareness of dental care, the number of dental institutions in China is expected to increase at a CAGR of 3.7% from 107.3 thousand as of December 31, 2024 to 128.9 thousand as of December 31, 2029, among which the number of private dental institutions is expected to increase at a CAGR of 3.8% from 99.3 thousand as of December 31, 2024 to 119.8 thousand as of December 31, 2029, while the number of public dental institutions is expected to increase at a CAGR of 2.6% from 8.0 thousand as of December 31, 2024 to 9.1 thousand as of December 31, 2029. From 2024 to 2029, private dental institutions are expected to maintain a significant presence in China, comprising over 92% of the total number of dental institutions nationwide. The following diagram sets forth the historical and forecasted number of dental institutions in China from 2020 to 2029.

Number of Dental Institutions in China, 2020-2029E

Number	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Public Dental Institutions	2.7%	2.6%
Private Dental Institutions	5.4%	3.8%
Total	5.2%	3.7%



Source: Frost & Sullivan analysis

Customers generally pay dental institutions through online payments via third-party platforms, cash or bank cards. Besides, customers can choose to rely on public medical insurance programs to pay expenses at Medical Insurance Designated Medical Institutions. For private dental institutions in China, settlements under the public medical insurance programs generally accounts for less than 15% of their total settlement amount. In Hubei and Hunan provinces, over 80% of the general dentistry services and substantially all of the implantology and orthodontics services are not covered by the public medical insurance programs.

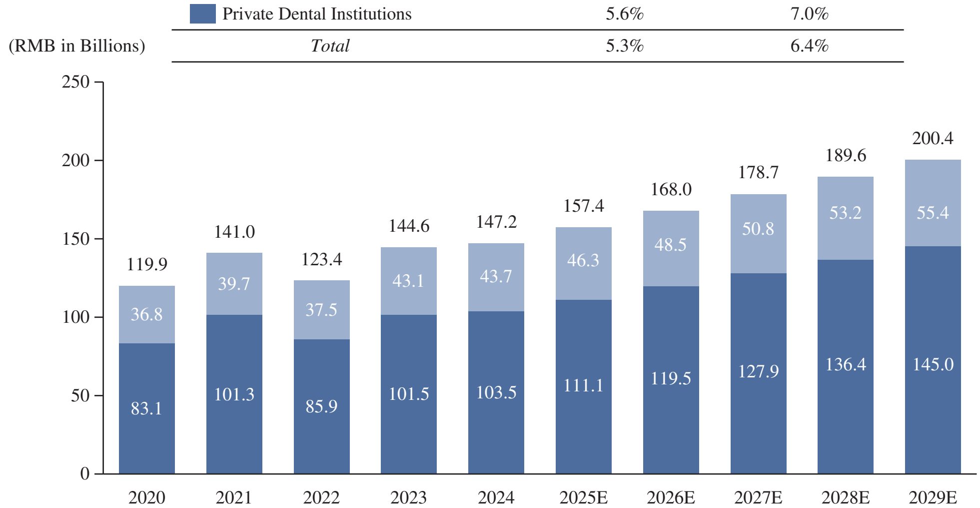
In recent years, the PRC government has been expanding public medical insurance programs to improve the accessibility of medical services and reduce the financial burden on patients. As of the Latest Practicable Date, in the private dental services market in China, the number of private and public Medical Insurance Designated Medical Institutions reached approximately 32.0 thousand and 8.0 thousand, respectively.

Market Size of Dental Services Market in China

The market size of the dental services market in China in terms of total revenue generated by dental services providers in China fluctuated from 2020 to 2024 due to the outbreak of COVID-19 pandemic in 2020 and the following wide spreads of highly transmissible variants of COVID-19. Despite the decrease in 2020 and 2022 due to the COVID-19 pandemic, the market size of the dental services market in China increased in general from RMB119.9 billion in 2020 to RMB147.2 billion in 2024. As the post-pandemic economic recovery is slower than expected, the dental services market in China is estimated to experience dampened growth in its market size. However, in the long term, driven by favorable policies to encourage consumption and elevate the purchasing power of Chinese residents, such as the *Opinions on Promoting High-Quality Development of Service Consumption* (《關於促進服務消費高質量發展的意見》) and the *Measures for Creating New Consumption Scenarios and Cultivating New Growth Points in Consumption* (《關於打造消費新場景培育消費新增長點的措施》) promulgated in 2024, the market size of the dental services market in China is expected to reach RMB200.4 billion in 2029, growing at a CAGR of 6.4% from 2024 to 2029. In particular, the total revenue generated by private dental services providers in China is expected to reach RMB145.0 billion in 2029, representing a CAGR of 7.0% from 2024 to 2029. In contrast, the total revenue generated by public dental services providers in China is expected to grow at a more moderate CAGR of 4.9% from 2024 to 2029, reaching RMB55.4 billion in 2029. The following diagram sets forth the historical and forecasted market size of the dental services market in China from 2020 to 2029.

Market Size of Dental Services Market in China, 2020-2029E

Total Revenue	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Public Dental Institutions	4.4%	4.9%
Private Dental Institutions	5.6%	7.0%
Total	5.3%	6.4%



Source: Frost & Sullivan analysis

Market Drivers of Dental Services Market in China

Dental services market in China is primarily driven by the following key factors:

- ***Favorable government policies.*** The Chinese government has issued a series of favorable policies to promote the development of the dental services market in China. For instance, the NHC released *the Dental Health Action Plan (2019-2025)* (《健康口腔行動方案(2019年-2025年)》) in 2019, which advocates for the high-quality development of the dental services market and encourages private dental services providers to participate in the prevention and treatment of dental diseases. The State Council issued the *14th Five Year Plan for National Health* (《"十四五"國民健康計畫》) in 2022, which propels comprehensive prevention and control of chronic diseases, with a focus on common dental diseases. The promulgation of these policies indicates that the Chinese government has attached great importance to dental health, which promoted the development of the dental services market in China;

- ***Increased prevalence of dental diseases.*** The prevalence rate of dental diseases, defined as the proportion of dental disease cases relative to the total population at a given time, has been increasing in China. According to the third and fourth nationwide epidemiological surveys on dental health (全國口腔健康流行病學調查) conducted by the NHFPC in 2007 and 2017, respectively, the overall prevalence rate of dental diseases in China surpassed 90%. The number of dental disease cases in China increased at a CAGR of 4.4% from 638.2 million in 2020 to 757.7 million in 2024. In recent years, shifts in dietary patterns and excessive daily sugar consumption have elevated the risk of dental diseases. The aggregate retail sales of tobacco and alcohol in China increased at a CAGR of 9.4% from RMB412.4 billion in 2020 to RMB589.9 billion in 2024. Moreover, the sugar consumption in foods and beverages in China increased at a CAGR of 2.7% from 8.1 million tonnes in 2020 to 9.0 million tonnes in 2024. In addition, the prolonged exposure to high pressure may weaken the immune system and increase the risks of dental diseases. Meanwhile, the natural reparative capacity of teeth tends to decline with age, making the elderly population more susceptible to a range of dental issues due to the physiological effects of aging. As a result, the prevalence rate of dental diseases in China further increased, exceeding 95% as of December 31, 2024. The increased cases and prevalence rate of dental diseases stimulated robust demands for dental services in China;

- ***Rising awareness of dental health.*** With long-term knowledge popularization in dental health, customers are paying more attention to daily dental care and regular dental examinations, and are willing to pay more for quality dental services. In addition, young parents and educational institutions are placing greater emphasis on children's dental health, and have been continuously cultivating awareness of dental health from an early age. Rising awareness of dental health drives the dental services market in China continuously; and

- ***Private dental services providers play an increasingly important role.*** The Chinese government has promulgated a series of policies to encourage social capital to participate in the provision of healthcare services and promote the development of private medical institutions, aiming to optimize medical resource allocation and complement the role of public medical institutions. For instance, in 2013, the NHC issued the *Several Opinions on Accelerating the Development of Socially Operated Medical Institutions* (《關於加快發展社會辦醫的若干意見》) to encourage social capital to establish high-level and large-scale medical institutions. In 2022, the State Council issued the *14th Five- Year Plan for National Health* (《"十四五"國民健康規劃》) to promote the sustained and standardized development of socially operated medical institutions. Additionally, in 2024, the State Council issued the *Key Tasks for Deepening the Reform of Medical and Health Systems* (《深化醫藥衛生體制改革2024年重點工作任務》) to promote and regulate the development of private medical institutions. Benefiting from such policies, the private dental services providers, especially the community focused dental institutions, have been playing an increasingly important role and the private dental services market in China has grown rapidly in recent years. As of December 31, 2024, the number of private dental institutions accounted for approximately 92.5% of the total number of dental institutions in China. Additionally, in 2024, the revenue generated by private dental services providers accounted for approximately 70.3% of the total revenue generated by dental services providers in China. Compared to the public dental services providers, private dental services providers generally provide a wide range of dental services in comfortable environment with advanced technology and personalized care. Through offering diverse appointment channels and service choices, private dental services providers treat dental diseases while addressing customers' preferences. Leveraging high decision-making flexibility, it is easier for private dental services providers to introduce advanced dental technology and equipment to improve service capacity. With highly qualified professionals and advanced medical equipment, private dental services providers can offer personalized services and improved customer experience.

Future Opportunities of Dental Services Market in China

Dental services market in China faces the following major opportunities:

- ***Promulgation of policies that standardize the development.*** The Chinese government has promulgated a series of standards and regulations, including quality standards for healthcare services, safety standards for medical equipment and materials, and professional qualification requirements for medical professionals, to promote the standardized development of the dental services market in China. For instance, the NHC and other three departments jointly issued the *Notice on Further Promoting the Management of Dental Services and Guarantees* (《關於進一步推進口腔醫療服務和保障管理工作的通知》) in 2023, which emphasized the standardization of diagnosis and treatment for dental diseases. Additionally, the standardized development of the dental services market facilitates transparent pricing of dental services, which on one hand enhances the accessibility and penetration rate of dental services, and on the other hand accelerates the elimination of small-sized dental services providers that lack economies of scale and enough operational capabilities. With the standardization of the dental services market in China, leading dental services providers have gained competitive advantages by leveraging their standardized service processes and operation specifications, and economies of scale, which further promotes industry consolidation;

- ***Direct chain model.*** In recent years, customers have paid more attention to service experience, convenience of services, service quality and brand reputation of dental services providers. With the establishment of standardized management systems, direct chain model can achieve coherent diagnosis and treatment processes, consistent service standards and unified brand image, offering customers reliable and professional services in all in-network dental institutions. Additionally, standardized direct chain model facilitates rapid expansion, achieving wide coverage and deep penetration of dental services, and thus realizing economies of scale and elevated competitiveness. As of December 31, 2024, only approximately 3% of dental institutions were operated under a chain model, which led to a fragmented market with numerous participants lack of standardization. Market participants with direct chain model can easily expand their business scales and increase market shares, which facilitates market consolidation;

- ***Growing demand for community dental services.*** As an important part of China's healthcare service system, community healthcare services provide basic medical attention and convenient healthcare services for residents. Private community healthcare services represent community healthcare services provided by private medical institutions located in or adjacent to communities, covering a wide range of healthcare services to address residents' common healthcare demands. The total revenue of private community healthcare services in China reached approximately RMB403.0 billion in 2024, accounting for 31.2% of the total revenue of private healthcare services in China, while the revenue of dental services accounted for approximately 10% of the total revenue of private community healthcare services in China. Dental services are characterized by high frequency and strong revisit dynamics, primarily driven by the complexity of dental conditions, extended treatment timelines, and increasing demand for preventive care. To be specific, implantology services typically involve multiple stages, including the initial consultation, preoperative examination, surgical implantation and the final crown installation, spanning a period of 3 to 12 months. Complex dental conditions require longer treatment processes with multiple follow-up visits, which further increases the frequency of customer visits. In addition, with the rising awareness of dental health, more customers are opting for preventive care, such as regular teeth cleaning and dental examinations. These basic dental services which are inherently high in frequency, further enhance customer retention and return rates. The growing demand for convenient and quality dental services from residents in communities has driven the penetration of high-quality dental services into the communities. Dental services providers respond to residents' daily dental treatment needs by staying in proximity to communities. With the continuous growth in demand for community dental services, dental services providers that focus on community dental services face increasing development opportunities;

- ***Penetration into second- and third-tier cities.*** Nowadays, the competition among dental services providers in first-tier cities and some developed second-tier cities has been fierce. As the dental services market in developed cities is nearly saturated, resources of dental services are gradually penetrating into second- and third-tier cities. The average annual disposable income in second- and third-tier cities has experienced rapid growth in recent years, which facilitated the increasing consumption willingness on dental services. In the future, more dental service resources are expected to amass to second- and third-tier cities, creating development potential for dental services providers in these cities; and

- ***Increasing focus on advanced digitalization.*** Dental services providers in China are expected to increasingly focus on enhancing their services and operations through advanced digitalization technologies, such as digital scanning, 3D modeling and robotic-assisted implant, among others. Advancement in digitalization promotes specialization in medical practices, streamlined service delivery and improved operational efficiency, which enables dental services providers to offer high-quality services to more customers and cultivate well-regarded brand images among customers.

Entry Barriers to Dental Services Market in China

New entrants to the dental services market in China primarily encounter the following entry barriers:

- ***Medical talent.*** Professional dentists are the core competitiveness of dental services providers, as their professional skills and clinical experiences directly affect service quality and customer satisfaction. Currently, seasoned dentists are scarce in China. In 2024, the number of dentists per million population in China was only 283, far below 852 in Japan and 608 in the United States in the same year. To attract and retain excellent medical professionals, dental services providers need to offer competitive compensation packages and promising career promotion paths. In addition, established dental services providers are actively seeking collaboration with academic institutions to develop their talent teams. For new entrants, it is rather difficult to recruit and maintain their own talent reserves;

- ***Business qualification.*** Establishing a dental institution needs to obtain the Medical Institution Practicing License and meet requirements on medical equipment, department standards, staff qualification, operating area, among others, to pass the examination of relevant government authorities. In addition, dental institutions need to undergo regular supervision and quality assessments to ensure compliance with industry standards for sustainable operation;

- ***Management and operation capability.*** Efficient management and operation capabilities ensure that dental services providers can optimize service processes, improve service qualities and reduce operating costs. Leading dental services providers usually possess strong capabilities in medical resource allocation, equipment and consumables procurement management, and marketing strategies. Especially, the implementation of centralized procurement for dental implants caused reduction in the prices of implantology services, which could adversely affect the profitability of dental services providers. However, well-established dental services providers with chain operations and strong supply chain management capabilities can leverage economies of scale and sufficient management experience to effectively control costs and improve cost-efficiency, thereby enhancing their competitiveness. New entrants without enough capabilities may face great challenges in competing with existing dental services providers in cost control and profitability;

- ***Local reputation and brand influence.*** Due to significant differences in specialization level and service quality of dental services providers, customers generally rely on local reputation and brand influence when choosing dental services providers. Moreover, customers tend to repeatedly pay visits to dental services providers with whom they are familiar and satisfied. Therefore, existing dental services providers have developed their own customer bases and sound local reputation, which enables them to achieve scalable chain operations while setting a barrier for new entrants; and

- ***Substantial investments in medical equipment and other medical resources.*** There are a large number of categories of medical equipment necessary for dental services providers, such as dental chairs, disinfection equipment, operating tables, and relevant operating and management systems, among others. The deployment of these medical resources generally determines the business scale of dental services providers, which requires substantial investments and has become one of the major entry barriers in the dental services market in China. Dental services providers with positive operating cash flow and strong profitability have advantages in selecting and procuring medical equipment for better operations.

THE PRIVATE DENTAL SERVICES MARKET IN CHINA

Overview of Private Dental Services Market in China

Compared to public dental services providers, private dental services providers generally possess more advanced medical equipment and offer customer-centric services. In addition, private dental services providers with chain operations easily and quickly realize business expansion, which enables them to achieve synergies among chain institutions, apply standardized diagnosis and treatment procedures, and focus on the provision of quality dental services and customer experiences.

Despite the decrease in 2020 and 2022 due to the COVID-19 pandemic, the number of private dental institutions in China increased in general from approximately 80.5 thousand as of December 31, 2020 to 99.3 thousand as of December 31, 2024. Benefiting from the favorable policies to encourage social capital to participate in healthcare services, the number of private dental institutions in China is expected to reach 119.8 thousand as of December 31, 2029, growing at a CAGR of 3.8% from 2024 to 2029, according to Frost & Sullivan.

Competitive Advantages of Private Dental Services Market in China

- ***Rapid chain expansion and penetration into underdeveloped regions.*** Private dental services providers with scalable chain operations can achieve rapid business expansion and extensive geographic coverage due to efficient and centralized management, standardized service processes, effective cost control and renowned brand reputation. Furthermore, due to the growing demand for convenient and quality dental services and uneven distribution of dental resources, customers from remote underdeveloped regions still face difficulties in obtaining effective dental diagnosis and treatment, which creates development opportunities for private dental services providers to seize market shares in these regions through chain expansion;

- ***Convenience and timeliness attributable to proximity to communities.*** Private dental institutions are generally located in proximity to communities, with significant advantages in service convenience and timeliness. Local customers gain efficient access to dental services in private dental institutions without long-distance travel. Therefore, the convenient and timely services due to proximity to communities address daily oral health needs of residents and strengthen private dental services providers' competitiveness; and

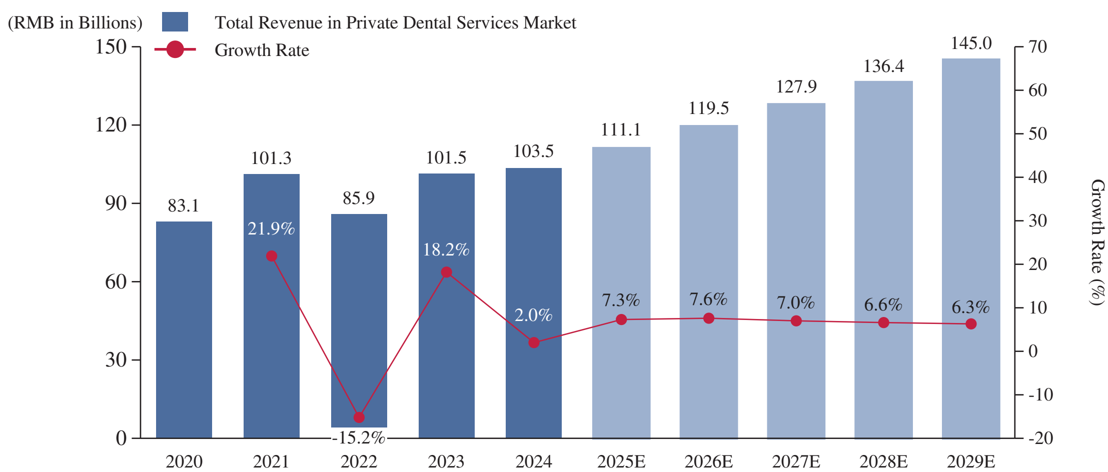
- ***Customized services and personalized consumption patterns.*** Private dental services providers have high flexibility to formulate service portfolios accommodating to customers' needs and their expertise. Leading private dental services providers with strong service capabilities are able to provide customized services, such as family-oriented service programs, detailed dental health guidance and other exclusive services, as well as offer personalized consumption patterns for customers through service-based charging and package charging, which can effectively improve customer satisfaction and loyalty. In addition, private dental services providers are dedicated to upgrading their service offerings by adopting online platforms and membership systems.

Market Size of Private Dental Services Market in China

The market size of the private dental services market in China in terms of total revenue generated by private dental services providers in China experienced fluctuations from 2020 to 2024, primarily due to the outbreak of COVID-19 pandemic in 2020 and the following wide spreads of highly transmissible variants of COVID-19. The market size of the private dental services market in China increased in general from RMB83.1 billion in 2020 to RMB103.5 billion in 2024, despite the decrease in 2020 and 2022 due to the COVID-19 pandemic. Private dental services market in China experienced dampened growth in 2024 as the post-pandemic economic recovery is slower than expected. However, with the promulgation of multiple government policies encouraging consumption and elevating purchasing power of Chinese residents in 2024, the market size of the private dental services market in China is expected to reach RMB145.0 billion in 2029, growing at a CAGR of 7.0% from 2024 to 2029. The following diagram sets forth the historical and forecasted market size of the private dental services market in China from 2020 to 2029.

Market Size of Private Dental Services Market in China, 2020-2029E

Total Revenue	***CAGR (2020-2024)***	***CAGR (2024-2029E)***
Private Dental Institution	5.6%	7.0%



Source: Frost & Sullivan analysis

Competitive Landscape of Private Dental Services Market in China

Private dental services market in China is highly fragmented and competitive. Private dental institutions in China have experienced significant development and become an increasingly important component in the dental services market in China in recent years. As of December 31, 2024, there were approximately 99.3 thousand private dental institutions in China, and major cities, such as Beijing, Shanghai and Wuhan have become important centers for dental services due to sufficient medical resources and substantial customers' demands. Private dental services providers with chain operations have growing influence in the private dental services market in China through developing standardized processes of dental services and improving brand reputation while obtaining larger market shares.

Ranking

According to Frost & Sullivan, we ranked fifth among all private dental services providers in China in terms of the number of dental chairs as of December 31, 2024. The table below sets forth the top five private dental services providers in China in terms of the number of dental chairs as of December 31, 2024.

Ranking	Company name	Number of dental chairs as of December 31, 2024	Listing status	Background
1	Company A	3,100	Listed	a group established in 1995 engaging in the provision of dental services.
2	Company B	1,932	Non-listed	a group established in 1999 engaging in the provision of dental services nationwide.
3	Company C	1,812	Non-listed	a group established in 2015 engaging in the provision of dental services.
4	Company D	1,608	Listed	a group established in 1999 engaging in the provision of dental services.
5	**Our Group**	**702**	**Non-listed**	**See "Business."**

According to Frost & Sullivan, we ranked fourteenth among all private dental services providers in China in terms of revenue in 2024, occupying a market share of approximately 0.4%. The table below sets forth the top private dental services providers in China in terms of revenue in 2024.

Ranking	Company name	Revenue in 2024	Market share	Listing status	Background
		(RMB in billions)	*(%)*		
1	Company A	2.73	2.6	Listed	a group established in 1995 engaging in the provision of dental services.
2	Company C	1.80	1.7	Non-listed	a group established in 2015 engaging in the provision of dental services.

Ranking	Company name	Revenue in 2024	Market share	Listing status	Background
		(RMB in billions)	*(%)*		
3	Company D	1.77	1.7	Listed	a group established in 1999 engaging in the provision of dental services.
4	Company B	1.76	1.7	Non-listed	a group established in 1999 engaging in the provision of dental services nationwide.
5	Company E	1.58	1.5	Non-listed	a group established in 2010 engaging in the provision of dental services.
6	Company F	0.90	0.9	Non-listed	a group established in 2008 engaging in the provision of dental services.
7	Company G	0.77	0.7	Listed	a group established in 1998 engaging in the provision of dental services.
8	Company H	0.65	0.6	Non-listed	a group established in 2014 engaging in the provision of dental services.
9	Company I	0.63	0.6	Non-listed	a group established in 2019 engaging in the provision of dental services, and dental research and development, training and academic research.
10	Company J	0.55	0.5	Non-listed	a group established in 2013 engaging in the provision of dental services.
11	Company K	0.50	0.5	Non-listed	a group established in 2015 engaging in the provision of dental services.
12	Company L	0.43	0.4	Listed	a group established in 2012 engaging in the provision of dental services, ophthalmic services and other specialty services.

Ranking	Company name	Revenue in 2024	Market share	Listing status	Background
		(RMB in billions)	*(%)*		
13	Company M	0.42	0.4	Non-listed	a group established in 2011 engaging in the provision of dental services.
14	**Our Group**	**0.41**	**0.4**	**Non-listed**	**See "Business."**

According to Frost & Sullivan, we ranked third among all private dental services providers in China in terms of net profit generated in 2024. The table below sets forth the top five private dental services providers in China in terms of net profit generated in 2024.

Ranking	Company name	Net profit generated in 2024	Listing status	Background
		(RMB in millions)		
1	Company A	501	Listed	a group established in 1995 engaging in the provision of dental services.
2	Company E	108	Non-listed	a group established in 2010 engaging in the provision of dental services.
3	**Our Group**	**63**	**Non-listed**	**See "Business."**
4	Company I	58	Non-listed	a group established in 2019 engaging in the provision of dental services, and dental research and development, training and academic research.
5	Company J	52	Non-listed	a group established in 2013 engaging in the provision of dental services.

Cost Analysis of Dental Services Market in China

The costs of the dental services market in China primarily include staff cost, cost of raw materials and consumables, depreciation and amortization and property rental, among which staff cost accounted for approximately 45% of total costs in 2024, representing the largest cost component in the dental services market in China. Cost of raw materials and consumables, being the second largest cost component in the dental services market in China, accounted for approximately 30% of total costs in 2024.

DENTAL SERVICES MARKET IN CENTRAL CHINA

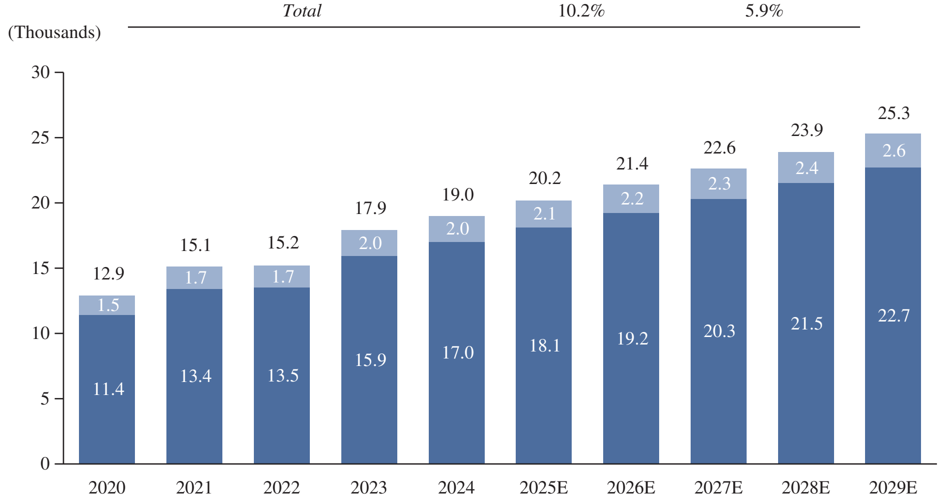
Overview of the Dental Services Market in Central China

Central China consists of Hubei province, Hunan province, Henan province and Jiangxi province. As one of the most important economic development regions in China, Central China had a nominal GDP of approximately RMB21.1 trillion in 2024, accounting for 15.6% of China's nominal GDP, and a total population of approximately 266.6 million in 2024, accounting for approximately 18.9% of China's total population.

The number of dental institutions in Central China increased at a CAGR of 10.2% from 12.9 thousand as of December 31, 2020 to 19.0 thousand as of December 31, 2024 and is expected to reach 25.3 thousand as of December 31, 2029, representing a CAGR of 5.9% from 2024 to 2029, among which the number of private dental institutions is expected to reach 22.7 thousand as of December 31, 2029, growing at a CAGR of 6.0% from 2024 to 2029. The below diagram sets forth the number of dental institutions in Central China from 2020 to 2029.

Number of Dental Institutions in Central China, 2020-2029E

Number	*CAGR (2020-2024)*	*CAGR (2024-2029E)*
Public Dental Institutions	7.5%	5.4%
Private Dental Institutions	10.5%	6.0%
Total	10.2%	5.9%



Source: Frost & Sullivan analysis

In Hubei province, the number of public and private dental institutions as of December 31, 2024 amounted to 0.7 thousand and 3.9 thousand, respectively, which is expected to reach 0.9 thousand and 5.0 thousand as of December 31, 2029, growing at a CAGR of 5.2% and 5.1% from 2024 to 2029, respectively. In Wuhan, the number of public dental institutions is expected to remain stable at 0.3 thousand from 2024 to 2029, while the number of private dental institutions is expected to increase at a CAGR of 2.9% from 1.3 thousand as of December 31, 2024 to 1.5 thousand as of December 31, 2029.

In Hunan province, the number of public and private dental institutions as of December 31, 2024 amounted to 0.7 thousand and 4.0 thousand, respectively, which is expected to reach 0.8 thousand and 5.1 thousand as of December 31, 2029, growing at a CAGR of 2.7% and 5.0% from 2024 to 2029, respectively.

The following table sets forth the pricing comparison of major dental services between our dental institutions and public dental institutions in Hubei and Hunan provinces during the Track Record Period.

Type of services	Our price range	Price range in public dental institutions in Hubei and Hunan provinces
General dentistry services		
– Crown services	RMB980 to RMB7,500 per tooth	RMB600 to RMB6,000 per tooth
– Dental filling services	RMB200 to RMB600 per tooth	RMB120 to RMB500 per tooth
– Root canal treatment services	RMB300 to RMB1,500 per tooth	RMB300 to RMB2,000 per tooth
Implantology services		
– Single-implant	RMB1,920 to RMB11,900 per tooth	RMB2,000 to RMB14,000 per tooth
– Half denture	RMB20,000 to RMB70,000 per denture	RMB20,000 to RMB80,000 per denture
Orthodontics services	RMB4,500 to RMB42,000 per case	RMB5,000 to RMB45,000 per case

Source: Frost & Sullivan analysis

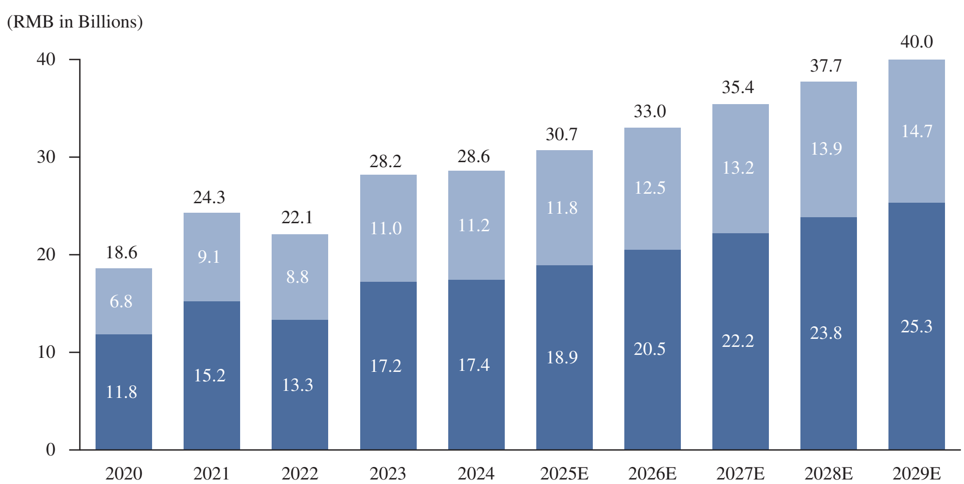
As a customer-centric dental services provider located in densely populated areas and adjacent to communities, we position general dentistry services as our advantageous services and offer customers premium service experience. During the Track Record Period, the prices of our crown and dental filling services were relatively higher than those of public dental institutions in Hubei and Hunan provinces, primarily due to the relatively low prices of such dental services provided by public dental institutions at township or village levels. During the same period, the prices of our implantology and orthodontics services were slightly lower than those of public dental institutions in the same regions, primarily as our dental institutions feature community-focused dental care and offer affordable dental services to the general public, while public dental institutions at township or village levels generally do not provide implantology and orthodontics services.

Market Size of Dental Services Market in Central China

The market size of the dental services market in Central China in terms of revenue generated by dental services providers in Central China increased in general at a CAGR of 11.4% from RMB18.6 billion in 2020 to RMB28.6 billion in 2024, despite the decrease in 2020 and 2022 due to the COVID-19 pandemic. Such market size is expected to reach RMB40.0 billion in 2029, representing a CAGR of 6.9% from 2024 to 2029. The total revenue generated by private dental services providers in Central China is expected to reach RMB25.3 billion, growing at a CAGR of 7.8% from 2024 to 2029. The following diagram sets forth the historical and forecasted market size of the dental services market in Central China from 2020 to 2029.

Market Size of Dental Services Market in Central China, 2020-2029E

Total Revenue	***CAGR (2020-2024)***	***CAGR (2024-2029E)***
Public Dental Institutions	13.3%	5.6%
Private Dental Institutions	10.2%	7.8%
Total	11.4%	6.9%



Source: Frost & Sullivan analysis

In Hubei province, the total revenue generated from public and private dental services providers in 2024 amounted to RMB4.0 billion and RMB5.4 billion, respectively, which is expected to reach RMB5.0 billion and RMB7.8 billion in 2029, growing at a CAGR of 4.6% and 7.6% from 2024 to 2029, respectively.

In Hunan province, the total revenue generated from public and private dental services providers in 2024 amounted to RMB3.8 billion and RMB4.7 billion, respectively, which is expected to reach RMB5.2 billion and RMB7.2 billion in 2029, growing at a CAGR of 6.5% and 8.9% from 2024 to 2029, respectively.

Market Drivers of the Dental Services Market in Central China

The development of the dental services market in Central China is mainly driven by the following factors:

- ***Favorable policies in Central China.*** The government authorities in Central China have promulgated a series of policies to promote dental health, such as the *Notice on Integrating Dental Implant Projects and Regulating Prices* (《關於做好口腔種植醫療服務項目整合和價格調控的通知》), and the *14th Five-Year Plan for Development of Healthcare Industry in Hubei Province* (《湖北省衛生健康事業發展"十四五"規劃》). These policies aim to allocate more resources to improve dental health, including establishing dental institutions and providing subsidies, which can make dental services more accessible to local residents. In addition, dental health action plans, such as the *2024 Henan Province Elderly Dental Health Action Plan* (《2024年河南省老年口腔健康行動工作方案》), have been issued to introduce the importance of regular dental examinations and oral hygiene to the public, thereby boosting demands for dental services in Central China;

- ***Increasing disposable income drives the growth in per capita health expenditure.*** In recent years, the income level of residents in Central China has experienced a continuous improvement. For instance, the per capita annual disposable income in Hubei province increased at a CAGR of 7.3% from RMB27,881 in 2020 to RMB36,947 in 2024 and is expected to further grow at a CAGR of 4.7% from 2024 to 2029. The continuous increase in disposable income has driven the growth in health expenditure, thereby stimulating the growing demands for dental services in Central China;

- ***Supply of dental services falls short of demands.*** In recent years, people's awareness of oral health issues has been increasing, driving the demands for dental services. Along with an aging population and the implementation of two-child and three-child policies, it is expected that the population of children and elderly people will grow in Central China, thereby bringing substantial demands for dental services in this region. However, the dental services market in Central China is currently facing a shortage of qualified dentists. According to the NHC, the number of dentists per million population in Central China reached approximately 197 in 2024, which is lower than that in China of approximately 283. The gap between the demand for dental services and the supply of dental resources is expected to drive the development of the dental services market in Central China; and

- ***High-level dental resources in Wuhan.*** The dental services market in Wuhan embraces significant advantages in talent cultivation and scientific research. There are prestigious academic institutions and dental institutions in Wuhan, which integrate teaching, research and dental services. Each year, dental talents graduate from outstanding universities and colleges in Wuhan and enrich dental resources of the dental services market in local regions. Furthermore, experienced dental professionals in Wuhan promote technological advancement in dental services, and facilitate academic communication and cooperation in Central China and across the country, continuously attracting dental talents from other regions.

Market Drivers of the Dental Services Market in Hubei and Hunan Provinces

The development of the dental services market in Hubei and Hunan provinces is primarily driven by the following key factors:

- ***Supportive government policies.*** Benefiting from supportive government policies, the dental services markets in Hubei and Hunan provinces have experienced stable growth. For instance, in 2021, the Health Commission of Hubei Province issued the *14th Five-Year Plan for Health Development in Hubei Province* (《湖北省衛生健康事業發展"十四五"規劃》), which emphasized to support private capital to establish high-quality dental institutions. In addition, in 2021, the People's Government of Hunan Province (湖南省人民政府) released the *14th Five-Year Plan for the Construction of Healthy Hunan* (《健康湖南"十四五"建設規劃》), which proposed to expand the supply of high-quality healthcare resources and further promote dental health. Driven by these supportive government policies, Hubei and Hunan provinces are gradually establishing comprehensive and efficient dental service systems to address residents' diverse needs for dental care.

- ***Growing per capita disposable income.*** In 2024, the per capita annual disposable income in Hubei and Hunan provinces reached RMB36,947 and RMB37,679, respectively, which is lower than that in China, indicating broad growth potentials for the income levels in these provinces. By 2029, the per capita annual disposable income in Hubei and Hunan provinces is expected to reach RMB46,523 and RMB48,154, growing at a CAGR of 4.7% and 5.0% from 2024 to 2029, respectively. The growing per capita disposable income of residents in Hubei and Hunan provinces enhanced their awareness on dental care and increased their willingness to pay for dental services. Therefore, the growing per capita disposable income promoted the development of dental services market in these provinces.

- ***Abundant dental resources.*** Hubei and Hunan provinces have prestigious academic institutions, which have established a comprehensive and systematic dental education system and cultivated numerous dental talents. By introducing advanced treatment methodologies and modern clinical concepts, these dental talents are promoting technological advancements in dental services market in Hubei and Hunan provinces. Supported by abundant educational resources and expanding dental talent reserves, the dental services markets in Hubei and Hunan provinces have experienced sustained growth.

Future Opportunities of the Dental Services Market in Central China

Set forth below are major opportunities for dental services providers in the dental services market in Central China:

- ***Penetration into county-level cities.*** In recent years, the number of dental services providers in developed cities in Central China, such as Wuhan and Changsha, has been increasing, leading to fierce competition in local markets. For instance, with the continuous business expansion of leading dental services providers, the number of dental institutions in Wuhan is expected to reach 1.8 thousand in 2029. As the dental services market in these developed cities approaches saturation, increasing dental services providers are gradually penetrating into county-level cities. In addition, with the growing awareness of dental health in Central China especially those county-level cities, the demands for dental services is expected to witness significant growth in the future. Considering the large populations and growing demands for dental services in county-level cities of Central China, the dental services providers that expand their business to county-level cities can explore extensive development potentials and obtain larger market shares;

- ***Regional chain operation achieves economies of scale.*** Dental services providers with regional chain operations in Central China have competitive advantages with increasing economies of scale. They purchase medical equipment and consumables in bulk and negotiate favorable prices with their suppliers. Additionally, dental services providers with regional chain operations can share their managerial, marketing and training resources among in-network institutions in different regions, which can reduce their overall operational and management costs. Furthermore, dental services providers with regional chain operations in Central China attract new customers based on their renowned reputation and established brand in local markets, which can also reduce their marketing costs;

- ***Rooted in the regional market to further propel market integration and entrench market position through acquisitions and scalable operations.*** In Central China, dental services providers that focus on the local market generally have a better understanding of local demands for dental services and are capable of offering services tailored to such demands. Taking advantage of renowned brand reputation and matured operational and managerial models, the newly established institutions of these dental services providers can easily achieve scalable operation and efficiently enter the fully-fledged stage. Efficient and effective business expansion in local market further consolidates their market positions. Along with intensified market competition and standardized development of the industry, leading dental services providers with business focus on local market can further consolidate medical resources and increase their market shares; and

- ***Regional integration of resources.*** In Central China, leading dental services providers have greater capabilities to integrate dental resources within or across provinces, which promotes the rationalized allocation and utilization of resources. Meanwhile, the regional collaboration in Central China also enables the allocation and sharing of quality dental resources among developed and underdeveloped regions. With solid industrial foundation, scientific and educational resources to foster high-quality development of dental services, Hubei province embraces significant regional advantages. The integration of resources including talents, equipment and technologies contributes to the improvement of service capacity and the standardization of management in dental institutions in county-level cities, benefiting customers in these regions with quality and affordable dental services.

Competitive Landscape of Private Dental Services Market in Central China

The dental services market in Central China is relatively fragmented and highly competitive. As of December 31, 2024, there were approximately 17.0 thousand private dental services providers in Central China, among which the top five providers accounted for approximately 9.6% of the market share in terms of total revenue generated from Central China in 2024. As such market is rapidly developing, private dental services providers explore development potentials while facing intensified market competition. There have been increasing large private dental services providers with chain operations that extend their business to Central China and compete with small and medium-sized private dental services providers. Leveraging their abundant dental resources, technological advantages and brand reputation, large private dental services providers attract customers and increase their market shares in Central China. Meanwhile, local private dental services providers attract customers with competitive prices, brand recognition and customers' trust accumulated over long-term operations in local communities.

Ranking

According to Frost & Sullivan, we ranked first among all private dental services providers in Central China in terms of the number of dental chairs as of December 31, 2024. The table below sets forth the top five private dental services providers in Central China in terms of the number of dental chairs as of December 31, 2024.

Ranking	Company name	Number of dental chairs in Central China as of December 31, 2024	Listing status	Background
1.	**Our Group**	**702**	**Non-listed**	**See "Business."**
2.	Company I	535	Non-listed	a group established in 2019 engaging in the provision of dental services, and dental research and development, training and academic research.
3.	Company N	502	Non-listed	a group established in 2021 engaging in the provision of dental services, and investment, business operation and marketing.

Ranking	Company name	Number of dental chairs in Central China as of December 31, 2024	Listing status	Background
4.	Company C	454	Non-listed	a group established in 2015 engaging in the provision of dental services.
5.	Company K	300	Non-listed	a group established in 2015 engaging in the provision of dental services.

According to Frost & Sullivan, we ranked first among all private dental services providers in Central China in terms of revenue generated from Central China in 2024, occupying a market share of approximately 2.4%. The table below sets forth the top five private dental services providers in Central China in terms of revenue generated from Central China in 2024.

Ranking	Company name	Revenue generated from Central China in 2024	Market share	Listing status	Background
		(RMB in billions)	*(%)*		
1	**Our Group**	**0.41**	**2.4**	**Non-listed**	**See "Business."**
2	Company I	0.40	2.3	Non-listed	a group established in 2019 engaging in the provision of dental services, and dental research and development, training and academic research.
3	Company N	0.33	1.9	Non-listed	a group established in 2021 engaging in the provision of dental services, and investment, business operation and marketing.
4	Company C	0.28	1.6	Non-listed	a group established in 2015 engaging in the provision of dental services.
5	Company K	0.25	1.4	Non-listed	a group established in 2015 engaging in the provision of dental services.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

Opinions on Deepening the Reform of the Medical and Healthcare System

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

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

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

Several Opinions on Promoting the Development of Healthcare Service Industry

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

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

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

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

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

Notice on Conducting Special Governance of Medical Service Charges and Consumables Price for Dental Implants

The National Healthcare Security Administration (國家醫療保障局) (the "**NHSA**") promulgated the Notice on Conducting Special Governance of Medical Service Charges and Consumables Price for Dental Implants (關於開展口腔種植醫療服務收費和耗材價格專項治理的通知) (the "**Notice**") on September 6, 2022 to guarantee the general public access to high-quality, efficient and affordable repair service for extracted teeth. According to the Notice, public medical institutions shall mainly adopt a separate pricing method of "service items plus special consumables" when providing dental implant medical services and policy guidance on the pricing of dental medical services in public medical institutions shall be strengthened. The prices of services such as dental implants provided by private medical institutions could be adjusted by the market and should be reasonable and in line with the rules of market competition and the expectation of the mass public.

Pursuant to the Notice on Effectively Integrating the Medical Service Items and Price Regulating for Dental Implants (關於做好口腔種植醫療服務項目整合和價格調控的通知) (the "**Hubei Notice**") jointly promulgated by the Healthcare Security Administration of Hubei Province, the Health Commission of Hubei Province, and the Administration for Market Regulation of Hubei Province on March 21, 2023 and effective on April 1, 2023, 15 pricing items including the medical services for dental implants have been added in the pricing guidance list. According to the Hubei Notice, the competent authorities shall strengthen the price regulation of private medical institutions for dental implant medical services, and guide private medical institutions to adopt a reasonable price in line with the rules of market competition and the expectation of the mass public.

On January 17, 2023, Hunan Healthcare Security Administration, the Health Commission of Hunan Province, and the Administration for Market Regulation of Hunan Province jointly promulgated the Notice on Regulating the Pricing Items of Medical Services for Dental Implants and Adjusting the Medical Service Charges (關於規範口腔種植醫療服務價格項目及調控醫療服務價格的通知) (the "**Hunan Notice**"), which took effect from January 31, 2023.

The Hunan Notice set a price cap for 15 pricing items including the medical services for dental implants. Pursuant to the Hunan Notice, private medical institutions shall strictly comply with the pricing catalogue of medical services and the pricing items of medical services for dental implants, and adopt a reasonable price in line with the rules of market competition and the expectation of the mass public.

Notice on Effectively Implementing Centralized Procurement and Price Management of Pharmaceuticals

In February 2023, the NHSA promulgated the Notice on Effectively Implementing Centralized Procurement and Price Management of Pharmaceuticals in 2023 (關於做好2023年醫藥集中採購和價格管理工作的通知), further implemented the results of the centralized procurement for dental implants and guided medical institutions to prioritize the procurement and use of the selected products.

Notice on Further Promoting the Management of Dental Healthcare Services and Security

The Notice on Further Promoting the Management of Dental Healthcare Services and Security (關於進一步推進口腔醫療服務和保障管理工作的通知), which was promulgated by the NHSA on August 25, 2023, stipulate that eligible therapeutic medical service items and medical consumables will be included in the scope of basic medical insurance payments in accordance with procedures, within the affordability of the medical insurance fund.

REGULATIONS ON THE ADMINISTRATION AND CATEGORIZATION OF MEDICAL INSTITUTIONS

Administrative Measures on Medical Institutions and its Implementation Measures

The Administrative Measures on Medical Institutions (醫療機構管理條例), which was promulgated on February 26, 1994 by the State Council and came into effect on September 1, 1994 and amended on February 6, 2016 and March 29, 2022, respectively, and the Implementation Measures of the Administrative Measures on Medical Institutions (醫療機構管理條例實施細則), promulgated by the Ministry of Health of the PRC (the "**MOH**") on August 29, 1994 and came into effect on September 1, 1994 and last amended on February 21, 2017 by NHFPC, stipulate that any entity or individual that intends to establish a medical institution must comply with the relevant application and approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證). Medical institutions are classified into, among others, general hospitals, specialized hospitals, clinics and other diagnosis and treatment institutions and the establishment of any medical institution shall be in compliance with the plan of establishment medical institutions and the basic standards for medical institutions.

Notice on the Issuance of the Interim Measures for the Administration of Clinic Filing

The Notice on the Issuance of the Interim Measures for the Administration of Clinic Filing (關於印發診所備案管理暫行辦法的通知) was issued by the NHC and the NATCM, on December 20, 2022, which stipulates that the establishment of a clinic by an entity or individual shall be reported to the healthcare administrative department or the competent department of traditional Chinese medicine of the people's government at the county level where the clinic is to be established for the record, and the practice activities can be carried out after obtaining the clinic filing certificate (診所備案憑證).

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

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

Opinions on Implementing Categorization Administration of Urban Medical Institutions

The Opinions on Implementing Categorization Administration of Urban Medical Institutions (關於城鎮醫療機構分類管理的實施意見), jointly promulgated by the MOH, NATCM, MOF and NDRC on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as not-for-profit medical institutions (the "**NMIs**") and for-profit medical institutions (the "**PMIs**"). Key basis for identifying either type of the two medical institutions include business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Governments shall not operate for-profit medical institutions. NMIs must comply with the pricing guidance for medical service stipulated by governments from time to time, and the rules and policies issued by the NHC and the MOF including Hospital Finance System (醫院財務制度) which was promulgated on December 28, 2010 and came into effect on July 1, 2011. PMIs can distribute the profits to their investors as economic returns. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services. In establishing internal control system, PMIs can apply the finance and accounting system and other policies suitable for corporate enterprise. The not-for-profit/for- profit status of a medical institution is decided based on the source of its investment and the nature of its business by the health administration and other relevant government authorities and such status is recorded in the registration files of such medical institution.

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

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

Provisions on the Administration of Radiological Diagnosis and Treatment

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

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

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

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

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

Prescription Management

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

REGULATIONS ON MEDICAL DEVICES

Regulations on Supervision and Administration of Medical Devices

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. According to the Regulations on Supervision and Administration of Medical Devices (醫療器械監督管理條例) promulgated by the State Council on January 4, 2000 and lastly amended on December 6, 2024 and came into effect on January 20, 2025, to engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the municipal level drug supervision and administration department, while to engage in the operation of Class III medical devices, an operating enterprise shall apply for the of Medical Devices Operation License (醫療器械經營許可證) to the municipal level drug supervision and administration department.

Measures for the Supervision and Administration of Medical Devices Operation

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (醫療器械經營監督管理辦法) promulgated on July 30, 2014 and latest amended on March 10, 2022, an enterprise engaging in the operation of medical devices shall have business premises and storage conditions suitable for the operation scale and scope and shall have quality control department or personnel suitable for the medical devices it operates. An enterprise engaged in the operation of Class I medical devices is not required for license or record filing, the operation of Class II medical devices shall file with the municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of medical devices, while an enterprise engaged in the operation of Class III medical devices shall apply for a Medical Devices Operation License to the municipal level drug supervision and administration department and provide proofing materials for satisfying the relevant conditions of engaging in the operation of such medical devices. Where matters stated on the Medical Devices Operation License of a Class III medical device operator change, or the business premises, mode of operation, business scope and warehouse addresses of a Class II medical device operator change, the operator shall apply to the competent drug supervision and administration department for filing of the change in a timely manner.

Laws and Regulations on Medical Personnel of Medical Institutions

The Physicians Law of the PRC (中華人民共和國醫師法), promulgated by the SCNPC on August 20, 2021 and came into effect on March 1, 2022, provide that physicians in the PRC must obtain qualification licenses for their medical profession. Qualified physicians and qualified assistant physicians must register with the relevant health administrative authorities at or above the county level. After registration, physicians may work at medical institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration.

On November 5, 2014, the NHFPC, the NDRC, the Ministry of Human Resources and Social Security, the NATCM, and the China Insurance Regulatory Commission (currently known as the National Administration of Financial Regulation), jointly issued Several Opinions on Promoting and Standardizing Multi-Site Practice of Physicians (推進和規範醫師多點執業的若干意見), which puts forward to simplify the registration procedure of the multiple places practice and proposes the feasibility of exploring the "record management". According to Administrative Measures for the Registration of Medical Practitioners (醫師執業註冊管理辦法), promulgated by the NHFPC on February 28, 2017, effective on April 1, 2017, medical practitioners shall obtain the Practice Certificate for Medical Practitioners (醫師執業證書) to practice upon registration. Person who fails to obtain the Practice Certificate for Medical Practitioners shall not engage in medical treatment, prevention and healthcare activities. A medical practitioner who practices for multiple institutions at the same place of practice shall determine one institution as the main practicing institution where he or she practices, and apply for registration to the administrative department of health and family planning approving the practice of such institution; and, for other institutions where the medical practitioner is to practice, respectively apply for recordation to the administrative health and family planning authority approving the practice of such institution, indicating the names of the institutions where he or she is to practice. If a medical practitioner practices in an additional institution not at the registered place of practice, he or she shall apply for registering such addition to the administrative health and family planning authority approving the practice of such institution.

The Regulations on Nurses (護士條例), promulgated by the State Council on January 31, 2008 and came into effect on May 12, 2008 and amended on March 27, 2020, provide that a nurse must obtain a Nurse's Practicing Certificate (護士執業證書), which is valid for five years. According to Administrative Measures for the Nurse Practice Registration (護士執業註冊管理辦法), nurses may undertake nursing work at the registered place of practice after obtaining the Practice Certificate for Nurses upon practice registration.

The Measures for the Administration of Occupational Health of Workers Exposed to Radiation (放射工作人員職業健康管理辦法) issued by the MOH on June 3, 2007, stipulate that the employers are responsible for applying to the competent health authorities at the county level or above for applying the Radiation Worker Certificate (放射工作人員證) for the workers exposed to radiation. According to the Provisions on the Administration of Radiological Diagnosis and Treatment, if medical institutions engage any employer without the Radiation Worker Certificate to manipulate the radioactive equipment, the relevant health administrative departments at or above the county level may order the medical institution to take corrective measures within a prescribed time limit, and may impose a fine not exceeding RMB5,000. If the violation is serious, the relevant health administrative authorities have the power to revoke the Medical Institution Practicing License of the medical institution.

LAWS AND REGULATIONS ON MEDICAL MALPRACTICE

PRC Civil Code

The PRC Civil Code (中華人民共和國民法典) promulgated by the National People's Congress (the "**NPC**") on May 28, 2020 and effective from January 1, 2021, requires tortfeasor to assume the responsibilities of infringement if the civil interests of any people has been infringed. If a medical institution or its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. A medical institution shall be presumed to be at fault under (i) violating laws, administrative regulations, rules or other relevant provisions on diagnosis and treatment practices, (ii) concealing or refusing to provide medical records relating to the dispute; or (iii) losing, forging, tampering with or illegally destroying medical records. If the medical personnel fail to perform diagnosis and treatment obligations corresponding to the prevailing medical standards in diagnosis and treatment activities and cause a patient suffer damage, the medical institution shall bear compensation liability. Medical institutions and their medical personnel should protect the privacy of their patients and will be liable for the damage caused by divulging the patients' private or medical records without consent.

Regulations on Handling Medical Malpractice

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

REGULATIONS ON MEDICAL ADVERTISING IN THE PRC

Advertisement Law of the PRC

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

Administrative Measures for Internet Advertising

The Administrative Measures for Internet Advertising (互聯網廣告管理辦法), which were promulgated by the SAMR on February 25, 2023 and came into effect on May 1, 2023, provide that Internet advertisement shall be identifiable so that consumers will identify it is as such. With regard to commodities or services ranked under competitive bidding, advertisement publishers shall indicate conspicuously the word "Advertisement" to distinguish them from the natural search results. No advertisement of any medical treatment, medicines, medical apparatuses, pesticides, veterinary medicines, dietary supplement, foods for special medical purpose or other special commodities or services which are subject to review by advertisement examination authorities as stipulated by laws and regulations shall be released unless it has passed such examination.

Administrative Measures on Medical Advertisement

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

REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

Environmental Impact Assessment

According to the Environmental Impact Assessment Law of PRC (中華人民共和國環境影響評價法), which was promulgated by the SCNPC and last amended on December 29, 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council and amended on July 16, 2017, depending on the impact of the construction project on the environment, a construction entity shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction entity shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. For which an environmental impact registration form is required, a construction entity shall file the registration form to the environmental protection administrative authority at county level for recordation.

Regulation on the Administration of Pollutant Discharge Licensing

Regulation on the Administration of Pollutant Discharge Licensing (排污許可管理條例), which was promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, stipulates that the enterprises, public institutions and other production operators included in the classified management catalog of pollutant discharge permits for stationary sources of pollution shall apply for and obtain a pollutant discharge permit as per the prescribed time limit; and those are not included in the catalog are not required to do so for the time of being.

Pursuant to the Administrative Measures of Pollutant Discharge Licensing (排污許可管理辦法) promulgated by the Ministry of Ecology and Environment on April 1, 2024 and became effective from July 1, 2024, and the Classified Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (固定污染源排污許可分類管理名錄(2019年版)), which was promulgated by the Ministry of Ecology and Environment on December 20, 2019 and became effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register with its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

Regulations on Urban Drainage and Sewage Treatment

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

The Administrative Measures on Licensing of Urban Drainage (城鎮污水排入排水管網許可管理辦法), which was promulgated by the Ministry of Housing and Urban-rural Development on January 22, 2015 and came into effect on March 1, 2015, amended on December 1, 2022 and became effective on February 1, 2023, provide that enterprises, institutions and individual industrial and commercial households engaging in industry, construction, catering industry, medical industry and discharging sewage into the urban drainage network must apply for and obtain a Urban Sewage Disposal Drainage License. An entity that had not obtained the requisite Sewage Disposal Drainage License may be ordered by the local government authorities for urban sewage disposal to cease the illegal actions, take rectification measures and apply for the Sewage Disposal Drainage License, and may be subject to a fine of up to RMB500 thousand, provided that it is not included in the Key Pollutant Discharge Units List.

Regulations on the Management of Medical Waste and its Implementation Measures

The Regulations on the Management of Medical Waste (醫療廢物管理條例), promulgated by the State Council on June 16, 2003 and came into effect on the same day and further amended and came into effect on January 8, 2011, and the Implementation Measures for the Management of Medical Waste of Medical and Health Institutions (醫療衛生機構醫療廢物管理辦法), promulgated by the MOH on October 15, 2003 and came into effect on the same day, stipulate that medical institutions must categorise the medical waste in accordance with the Classified Catalogue of Medical Waste (醫療廢物分類目錄) for management purpose and timely deliver medical waste to a medical waste disposal entity approved by the environmental protection administrative department at or above the county level for centralized disposal. Pursuant to the Notice on further Regulate the Management of Medical Waste (關於進一步規範醫療廢物管理工作的通知) jointly issued by the office of NHFPC and other four ministries, the relevant health authorities and environment protection authorities shall explore the management system of centralizing disposal of medical waste from local medical institutions to larger medical institutions, or deliver to medical waste centralizing disposal institution which qualified for Hazardous Waste Business Licenses. According to the List of Hazardous Waste in relation to the exemption management of hazardous waste, the collection process of medical waste is exempted from hazardous waste management for medical institutions which have 19 beds or fewer.

Laws and Regulations Related to Fire Prevention Design and Acceptance

The Fire Prevention Law of the PRC (中華人民共和國消防法) (the "**Fire Prevention Law**"), was promulgated on April 29, 1998, then became effective on September 1, 1998 and last amended on April 29, 2021. According to the Fire Prevention Law, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs.

According to Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定) promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020, then became effective on June 1, 2020 and last amended on August 21, 2023 and became effective on October 30, 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system should be applied. If a non-special construction project fails to pass the spot check, it shall cease to be used.

LAWS AND REGULATIONS RELATED TO CYBERSECURITY, DATA SECURITY, AND PROTECTION OF PERSONAL INFORMATION

Decisions on Maintaining Internet Security

The SCNPC enacted the Decisions on Maintaining Internet Security (關於維護互聯網安全的決定) on December 28, 2000, which was further amended on August 27, 2009 and may subject violators to criminal punishment in China for any effort to: (i) gain improper entry into a computer or system of strategic importance; (ii) disseminate politically disruptive information; (iii) leak state secrets; (iv) spread false commercial information; or (v) infringe intellectual property rights. The MPS has promulgated measures that prohibit use of the Internet in ways which, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. If an Internet information service provider violates these measures, the MPS and its local branches may shut down its websites and suggest the relevant authority to revoke its operating license if necessary.

Several Provisions on Regulating the Market Order of Internet Information Services

Under the Several Provisions on Regulating the Market Order of Internet Information Services (規範互聯網信息服務市場秩序若干規定), issued by the MIIT on December 29, 2011 and became effective on March 15, 2012, an Internet information service provider shall neither collect any users' personal information nor provide any users' personal information to any third party before obtaining the consent of users, except as otherwise provided by laws and regulations.

Decision on Strengthening the Protection of Online Information and Order for the Protection of Telecommunication and Internet User Personal Information

Pursuant to the Decision on Strengthening the Protection of Online Information (關於加強網絡信息保護的決定) issued by the SCNPC on December 28, 2012 and the Order for the Protection of Telecommunication and Internet User Personal Information (電信和互聯網用戶個人信息保護規定) issued by the MIIT on July 16, 2013, any collection and use of a user's personal information must be subject to the consent of the user and be within the specified purposes, methods and scopes. An Internet information service provider must also keep such information strictly confidential, and is further prohibited from divulging, tampering or destroying any such information, or selling or providing such information to other parties. An Internet information service provider is required to take technical and other measures to prevent the collected personal information from any unauthorized disclosure, damage or loss.

Regulations on the Management of Medical Records in Medical Institutions (2013 Edition)

On November 20, 2013, the National Health and Family Planning Commission (abolished in March 2018 and its responsibilities and powers were entrusted to the newly established National Health Commission) and the State Administration of Traditional Chinese Medicine jointly issued the Regulations on the Management of Medical Records in Medical Institutions (2013 Edition) (醫療機構病歷管理規定(2013年版)), which came into effect on January 1, 2014. According to the Regulations on Medical Record Management of Medical Institutions (2013 Edition), medical institutions and their medical staff should strictly protect patients' privacy and prohibit any disclosure of patients' medical records for non-medical, non-teaching, and non-research purposes.

Measures for the Management of Population Health Information (Trial)

On May 5, 2014, the National Health and Family Planning Commission issued the Measures for the Management of Population Health Information (Trial) (人口健康信息管理辦法(試行)), which came into effect on the date of its release. According to the Measures for the Management of Population Health Information (Trial), the basic population information and medical and health service information generated by medical and health service institutions in the process of service and management fall within the population health information. The collection, utilization, and management of population health information should comply with the provisions of laws and regulations, follow medical ethics principles, ensure information security, and protect personal privacy. This regulation emphasizes that population health information shall not be stored on overseas servers, nor shall it be hosted or leased on overseas servers.

Ninth Amendment to the Criminal Law of the PRC

On August 29, 2015, the SCNPC promulgated the Ninth Amendment to the Criminal Law of the PRC (中華人民共和國刑法修正案(九)), which came into force on November 1, 2015. The amendment stipulates that if a network service provider fails to fulfill its information network security management obligations under applicable laws and refuses to take corrective measures, and falls under any of the following circumstances, it shall bear criminal responsibility: (i) Causing the widespread dissemination of illegal information; (ii) Causing the leakage of user information and resulting in serious consequences; (iii) Causing the loss of evidence in criminal cases, with serious circumstances; or (iv) Other serious circumstances. At the same time, it is stipulated that any individual or entity who: (i) illegally sells or provides personal information to others, or (ii) steals or illegally obtains any personal information by other means, if the circumstances are serious, will also bear criminal responsibility.

Cybersecurity Law of the PRC

On November 7, 2016, the SCNPC issued the Cybersecurity Law of the PRC (中華人民共和國網絡安全法) (the "**Cybersecurity Law**"), which took effect as of June 1, 2017. Pursuant to the Cybersecurity Law, a network operator, which includes, among others, Internet information services providers, must take technical measures and other necessary measures in accordance with the provisions of applicable laws and regulations as well as the compulsory requirements of the national and industrial standards to safeguard the safe and stable operation of the networks, effectively respond to the network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Cybersecurity Law reaffirms the basic principles and requirements stipulated in other existing laws and regulations on the protection of personal information, such as the requirements for the collection, use, processing, storage and disclosure of personal information, and requires network operators to take technical and other necessary measures to ensure the security of the personal information they collect and prevent the disclosure, damage or loss of personal information. Any violation of the provisions and requirements under the Cybersecurity Law may subject the network provider to warnings, fines, confiscation of illegal gains, revocation of licenses, shutdown of websites or even criminal liabilities.

National Medical and Health Big Data Standards, Security, and Service Management Measures (Trial)

On July 12, 2018, the National Health Commission issued the National Medical and Health Big Data Standards, Security, and Service Management Measures (Trial) (國家健康醫療大數據標準、安全和服務管理辦法(試行)), which came into effect on the date of publication. This regulation stipulates that medical and health institutions should establish and improve relevant safety management systems, operating procedures, and technical specifications, implement the "top leader" responsibility system, strengthen the construction of safety guarantee system, enhance overall management and coordination supervision, and ensure the security of health and medical big data. The regulation stipulates that health and medical big data should be stored on secure and trustworthy servers within the territory of China. If it is necessary to provide it to overseas due to business needs, security assessments and audits should be conducted in accordance with relevant laws, regulations, and requirements.

Regulations on Cyber Protection of Children's Personal Information

On August 22, 2019, the CAC issued the Regulations on Cyber Protection of Children's Personal Information (兒童個人信息網絡保護規定), which became effective on October 1, 2019. According to this regulation, network operators are required to establish special policies and user agreements to protect children's personal information, and to appoint special personnel in charge of protecting children's personal information. Network operators who collect, use, transfer or disclose personal information of children are required to, in a prominent and clear way, notify and obtain consent from children's guardians.

Notice on the Special Crackdown Against Illegal Collection and Use of Personal Information by Apps

On January 23, 2019, the CAC, the MIIT, the MPS, and the SAMR jointly issued the Notice on the Special Crackdown Against Illegal Collection and Use of Personal Information by Apps (關於開展App違法違規收集使用個人信息專項治理的公告), deciding to organize a special crackdown against illegal collection and use of personal information by apps nationwide from January to December 2019.

Measures to Identify Illegal Collection and Usage of Personal Information by Apps

On November 28, 2019, the CAC, MIIT, the MPS and the SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by Apps (App違法違規收集使用個人信息行為認定方法), in which the common illegal collection and use of personal information are listed, including the behaviors of "not publicly disclosing the collection and use rules", the behaviors of "not clearly stating the purpose, method, and scope of collecting and using personal information", the behaviors of "collecting and using personal information without user consent", the behaviors of "violating necessary principles and collecting personal information unrelated to the services provided", the behaviors of "providing personal information to others without consent", the behaviors of "not providing the function of deleting or correcting personal information according to legal provisions", or the behaviors of "not disclosing information such as complaints and reports".

Civil Code of the PRC

On May 28, 2020, the NPC promulgated the Civil Code of the PRC (中華人民共和國民法典), which took effect on January 1, 2021. According to the Civil Code of the PRC, individuals have the right of privacy. No organization or individual shall process any individual's private information or infringe an individual's right of privacy, unless otherwise prescribed by law or with the consent of such individual or such individual's guardian. In addition, personal information is protected by Chinese law. The processing of personal information shall follow the principles of legality, legitimacy, and necessity. Information processors shall not disclose or tamper with the personal information they collect and store, and shall not provide the personal information of the individual to others without their consent.

Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications

On March 12, 2021, the CAC, the MIIT, the MPS and the SAMR jointly issued the Rules on the Scope of Necessary Personal Information for Common Types of Mobile Internet Applications (常見類型移動互聯網應用程序必要個人信息範圍規定) (the "**Necessary Personal Information Rules**"), which came into effect on May 1, 2021. According to the Necessary Personal Information Rules, mobile app operators shall not deny users' access to its basic functions and services on the basis that such user disagrees with the provision of their personal information that is not necessary. The Necessary Personal Information Rules further provides relevant scopes of necessary personal information for different types of mobile apps.

Data Security Law of the PRC

On June 10, 2021, the SCNPC promulgated the Data Security Law of the PRC (中華人民共和國數據安全法) (the "**Data Security Law**"), which took effect on September 1, 2021. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. In addition, it clarifies that the data security protection obligations of organizations and individuals carrying out data activities and implementing data security protection responsibility, data processors shall establish and improve the whole-process data security management rules, organize and implement data security trainings as well as take appropriate technical measures and other necessary measures to protect data security. Any organization or individual engaged in data processing activities that violate the Data Security Law shall bear corresponding civil, administrative, or criminal responsibilities according to specific circumstances.

Opinions on Strictly Cracking Down on Securities Illegal Activities in Accordance with the Law

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Cracking Down on Securities Illegal Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which emphasizes on the prevention of illegal securities activities and tightened supervision on overseas listings by China-based companies. The opinions aim to achieve this by establishing a regulatory system and revising the existing rules and regulations for overseas listings by Chinese entities and affiliates, including potential extraterritorial application of China's securities laws. As the opinions are new, official guidance and implementation rules have not been issued and the final interpretation of and potential impact from these opinions remain unclear at this stage.

Security Protection Regulations for Critical Information Infrastructure

On July 30, 2021, the State Council promulgated the Security Protection Regulations for Critical Information Infrastructure (關鍵信息基礎設施安全保護條例) (the Regulations for CII), which came into effect on September 1, 2021. According to the Regulations for CII, critical information infrastructure refers to important network facilities and information systems in important industries, including (among others) public communication and information services, energy, transportation, water conservancy, finance, public services, e-government, national defense technology and industry, as well as other important network facilities and information systems that may seriously endanger national security, national economy and people's livelihood, and public interests if they are damaged, lose their functions, or have data leakage. The government regulatory and supervisory departments of the above-mentioned important industries and departments will be responsible for: (i) organizing the identification of critical information infrastructure in their respective industries according to certain identification rules, and (ii) promptly notifying the operators concerned the identification results and report the same to the public security department under the State Council.

Personal Information Protection Law of the PRC

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (中華人民共和國個人信息保護法) (the "**PIPL**"), which became effective on November 1, 2021. The PIPL requires, among others, that (i) the processing of personal information should have a clear legal basis (such as obtaining the individual's consent, necessary for fulfilling the contract to which the individual is a party, etc.), (ii) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose, in a method that has the least impact on personal rights and interests, and (iii) the collection of personal information should be limited to the minimum scope necessary to achieve the processing purpose to avoid the excessive collection of personal information. Different types of personal information and personal information processing will be subject to various rules on consent, transfer, and security. Entities processing personal information bear responsibilities for their activities of processing personal information, and shall adopt necessary measures to safeguard the security of the personal information that they process. Otherwise, the entities processing personal information could be ordered to correct, or suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

Cybersecurity Review Measures

On December 28, 2021, thirteen regulatory authorities jointly released the Cybersecurity Review Measures (網絡安全審查辦法), which came into effect on February 15, 2022. The Cybersecurity Review Measures provides that: (i) network platform operators that are engaged in data processing activities which have or may have an implication on national security shall undergo a cybersecurity review; (ii) the CSRC is one of the regulatory authorities for purposes of jointly establishing the state cybersecurity review mechanism; (iii) network platform operators that master personal information of more than one million users and seek to list abroad (國外上市) shall file for a cybersecurity review with the Cybersecurity Review Office; and (iv) the risks of core data, material data or large amounts of personal information being stolen, leaked, destroyed, damaged, illegally used or transmitted to overseas parties, and the risks of critical information infrastructure, core data, material data or large amounts of personal information being influenced, controlled or used maliciously shall be collectively taken into consideration during the cybersecurity review process.

Cross-Border Data Transfer Security Assessment Measures

On July 7, 2022, the CAC promulgated the Cross-Border Data Transfer Security Assessment Measures (數據出境安全評估辦法), which came into effect on September 1, 2022. The Cross-Border Data Transfer Measures provides four circumstances, under any of which data processors shall, through the local cyberspace administration at the provincial level, apply to the national cyberspace administration for security assessment of cross-border data transfer. These circumstances include: (i) where a data processor transfers important data overseas; (ii) where a critical information infrastructure operator, or a data processor processing the personal information of more than one million individuals, who, in either case, transfers personal information overseas; (iii) where a data processor who has, since January 1 of the previous year cumulatively transferred overseas the personal information of more than 100,000 individuals, or the sensitive personal information of more than 10,000 individuals; or (iv) other circumstances under which security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

Measures on the Standard Contract for Outbound Transfer of Personal Information

On February 22, 2023, the CAC issued the Measures on the Standard Contract for Outbound Transfer of Personal Information (個人信息出境標準合同辦法), which came into effect on June 1, 2023. According to the Measures on the Standard Contract for Outbound Transfer of Personal Information, if a personal information processor provides personal information to overseas through the establishment of a standard contract, it shall also meet the following conditions: (i) non critical information infrastructure operators; (ii) processing personal information of less than one million people; (iii) provided personal information to less than 100,000 people overseas since January 1 of the previous year; (iv) those who have provided sensitive personal information to less than 10,000 people overseas since January 1 of the previous year.

Regulations on Promoting and Regulating Cross border Data Flow

On March 22, 2024, the CAC issued the Regulations on Promoting and Regulating Cross border Data Flow, which came into effect on the same day. According to the Regulations on Promoting and Regulating Cross-border Data Flows (促進和規範數據跨境流動規定), data processors who provide personal information to overseas countries and meet one of the following conditions are exempt from applying for data cross-border transfer security assessment, entering into standard contracts for outbound transfer of personal information, and obtaining personal information protection certification: (i) for the purpose of entering into and fulfilling contracts with individuals as one party, such as cross-border shopping, cross-border delivery, cross-border remittance, cross-border payment, cross-border account opening, flight and hotel booking, visa processing, examination services, etc., it is necessary to provide personal information to overseas countries; (ii) implementing cross-border human resources management in accordance with legally established labor rules and regulations and collective contracts signed in accordance with the law, if it is necessary to provide employees' personal information to overseas parties; (iii) in emergency situations, it is necessary to provide personal information to foreign countries in order to protect the life, health, and property safety of natural persons; or (iv) data processors other than key information infrastructure operators who have provided less than 100,000 personal information (excluding sensitive personal information) to overseas parties since January 1 of the current year.

Measures for the Management of Network Security in Medical and Health Institutions

On August 8, 2022, the National Health Commission, the State Administration of Traditional Chinese Medicine, and the State Administration for Disease Control and Prevention jointly issued the Measures for the Management of Network Security in Medical and Health Institutions (醫療衛生機構網絡安全管理辦法), which came into effect on the date of promulgation. The Measures for the Management of Network Security in Medical and Health Institutions require medical and health institutions to establish network security and data security management organizations, with reference to national network security standards, establish and improve data security management systems, operating procedures, and technical specifications, strengthen data security education and training, and carry out full life-cycle management of network security and data security.

Notice of the Ministry of Industry and Information Technology on Filing Mobile Internet Applications

On July 21, 2023, the MIIT issued the Notice of the Ministry of Industry and Information Technology on Carrying out the Filing of Mobile Internet Applications (工業和信息化部關於開展移動互聯網應用程序備案工作的通知), which came into effect on the date of promulgation. The Notice of the Ministry of Industry and Information Technology on Filing Mobile Internet Applications requires that APP sponsors engaged in Internet information services within the territory of the People's Republic of China shall go through the filing procedures according to law, and those who fail to go through the filing procedures shall not engage in APP Internet information services, and APP sponsors shall indicate their filing number in a prominent position on the APP, and link the filing system website below the filing number as required for public inquiry and verification.

Regulations on the Administration of Network Data Security

On September 24, 2024, the State Council promulgated the Regulations on the Administration of Network Data Security (網絡數據安全管理條例), which came into effect on January 1, 2025. The Regulations on the Administration of Network Data Security, based on the Cybersecurity Law, the Data Security Law, and the Personal Information Protection Law, reiterate various requirements for network data processors to process and generate various electronic data through the network, mainly including: (i) network data processors should strengthen network data security protection through management systems, technical measures, contract constraints, and other means; (ii) for the processing of personal information, personal information rules shall be formulated and made public in accordance with requirements, and the relevant rights of personal information processing shall be guaranteed; (iii) if processing personal information based on personal consent, the consent of the personal information subject or its guardian shall be obtained; (iv) focus on protecting network data listed in the important data directory; (v) the rules that should be followed when providing personal information and important data to overseas parties; (vi) the obligation of network platform service providers to protect network data security; (vii) responsibilities and powers of regulatory authorities; (viii) administrative penalties for violations of relevant regulations.

On February 14, 2025, the CAC promulgated the Regulations on Compliance Audit for Personal Information Protection (個人信息保護合規審計管理辦法), which came into effect on May 1, 2025. According to these regulations, compliance audit for personal information protection refers to the supervisory activity of reviewing and evaluating whether the personal information processing activities of personal information processors comply with laws and administrative regulations. Personal information processors handling more than 10 million persons' personal information should conduct at least one compliance audit for personal information protection every two years. The attachment to these regulations, "Guidelines for Compliance Audit of Personal Information Protection (個人信息保護合規審計指引)," sets forth the key review contents for compliance audit of personal information protection.

REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (中華人民共和國專利法) promulgated by the SCNPC on March 12, 1984 and most recently amended on October 17, 2020 and effective as at June 1, 2021. The Chinese patent system adopts a first-to-file principle. To be patentable, an invention or a utility model must meet three criteria: novelty, inventiveness and practicability. The duration of a patent right is 10 years, 15 years or 20 years from the date of application, depending on the type of patent right.

Copyright

Copyright in the PRC, including copyrighted computer software, is principally protected under the Copyright Law of the PRC (中華人民共和國著作權法) promulgated by the SCNPC on September 7, 1990 and most recently amended on November 11, 2020 and effective as at June 1, 2021 and related rules and regulations. Under the Copyright Law of the PRC, the term of protection for copyrighted computer software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (信息網絡傳播權保護條例), as most recently amended by the State Council on January 30, 2013, provides specific rules on fair use, statutory licence, and a safe harbour for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including libraries and Internet service providers.

The Computer Software Copyright Registration Measures (計算機軟件著作權登記辦法), promulgated by the National Copyright Administration on February 20, 2002 and amended on June 18, 2004 and effective on July 1, 2004, regulate registrations of software copyrights, exclusive licencing contracts for software copyrights and assignment agreements. The National Copyright Administration administers software copyright registration and the Copyright Protection Centre of China is designated as the software registration authority. The Copyright Protection Centre of China grants registration certificates to the computer software copyrights applicants which meet the relevant requirements.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the SCNPC on August 23, 1982 and most recently revised on April 23, 2019 and effective as at November 1, 2019 and related rules and regulations. Trademarks are registered with the National Intellectual Property Administration where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination and approval for use in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (互聯網域名管理辦法) promulgated by the Ministry of Industry and Information Technology of the PRC on August 24, 2017 and effective as at November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

Foreign Investment

On March 15, 2019, the NPC, promulgated the PRC Foreign Investment Law (中華人民共和國外商投資法) (the "**Foreign Investment Law**"), which came into effect on January 1, 2020 and replaced the previous laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law of PRC (中華人民共和國中外合資經營企業法), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (中華人民共和國中外合作經營企業法) and the Wholly Foreign-invested Enterprise Law of the PRC (中華人民共和國外資企業法), together with their implementation rules and the ancillary regulations. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special management measures for the access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

The 2024 Negative List

Pursuant to the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024) (外商投資准入特別管理措施(負面清單)(2024年版)) (the "**2024 Negative List**"), jointly promulgated by the NDRC and MOFCOM on September 6, 2024 and came into effect on November 1, 2024, limitations were stipulated for foreign investments in different industries in the PRC. The 2024 Negative List is further classified into "Catalogue of Industries Limited for Foreign Investment" and "Catalogue of Industries Prohibited for Foreign Investment." Industries which do not fall within the "Special Management Measures (Negative List) for the Access of Foreign Investment" are industries permitted for foreign investment. According to the 2024 Negative List, medical institutions are limited to the form of equity joint ventures.

REGULATIONS RELATED TO TAXATION AND FOREIGN EXCHANGE

For more details, please refer to the section headed "Appendix III — Taxation and Foreign Exchange" in this prospectus.

REGULATIONS RELATED TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING FUND

Regulations on Employment

The major PRC laws and regulations that govern employment relationship are the Labour Law of the PRC (中華人民共和國勞動法) promulgated by the SCNPC on July 5, 1994 and latest amended and effective on December 29, 2018, the Labour Contract Law of the PRC (中華人民共和國勞動合同法) promulgated by the SCNPC on June 29, 2007 and latest amended on December 28, 2012 and effective on July 1, 2013, and the Implementation Rules of the Labour Contract Law of the PRC (中華人民共和國勞動合同法實施條例) promulgated by the State Council and effective on September 18, 2008. Pursuant to the aforementioned laws and regulations, labour relationships between employers and employees must be executed in written form. The laws and regulations above impose stringent requirements on the employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees. As prescribed under the laws and regulations, employers shall ensure their employees have the right to rest and the right to receive wages no lower than the local minimum wages. Employers must establish a system for labour safety and sanitation that strictly abides by state standards and provide relevant education to its employees. Violations of the Labour Contract Law of the PRC and the Labour Law of the PRC may result in the imposition of fines and other administrative liabilities and/or incur criminal liabilities in the case of serious violations.

Regulations on Social Insurance

Pursuant to the Social Insurance Law of the PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on October 28, 2010 and amended on December 29, 2018, enterprises and institutions in the PRC shall provide their employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, occupational injury insurance, medical insurance and other welfare plans. The employer shall apply to the local social insurance agency for social insurance registration within 30 days from the date of its establishment. And it shall, within 30 days from the date of employment, apply to the social insurance agency for social insurance registration for the employee. Any employer who violates the regulations above shall be ordered to make correction within a prescribed time limit; if the employer fails to rectify within the time limit, the employer and the person(s)-in-charge who is/are directly liable and other directly liable personnel will be fined. Meanwhile, the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例) promulgated by the State Council on January 22, 1999 and revised on March 24, 2019 prescribes the details concerning the collection and payment of social insurance.

Regulations on Housing Provident Fund

According to the Regulation on the Administration of Housing Provident Fund (住房公積金管理條例), which was implemented on April 3, 1999 and latest revised on March 24, 2019, any newly established entity shall make deposit registration at the housing accumulation fund management centre within 30 days as at its establishment. After that, the entity shall open a housing accumulation fund account for its employees in an entrusted bank. Within 30 days as at the date an employee is recruited, the entity shall make deposit registration at the housing accumulation fund management centre and go through the formalities of opening housing provident fund accounts on behalf of its employees. Any entity that fails to make deposit registration of the housing accumulation fund or fails to open a housing accumulation fund account for its employees shall be ordered to complete the relevant procedures within a prescribed time limit. Any entity failing to complete the relevant procedure within the time limit will be fined RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the People's Court.

REGULATIONS RELATED TO OVERSEAS SECURITIES OFFERING AND LISTING AND FULL CIRCULATION

Regulations on Overseas Securities Offering

On February 17, 2023, the CSRC promulgated six rules and regulations, including the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which became effective on March 31, 2023. The Overseas Listing Trial Measures adopt a filing and regulatory regime to regulate the direct and indirect overseas listing of securities of PRC enterprises. If a domestic enterprise fails to comply with the filing procedures as required, or if it is listed outside of PRC despite being prohibited from doing so, the CSRC may order the domestic enterprise to rectify the situation, issue a warning and impose a fine of not less than RMB1,000,000 and not more than RMB10,000,000. A warning may be given to the directly responsible officer and other directly responsible persons and a fine of not less than RMB500,000 and not more than RMB5,000,000 shall be imposed. If the controlling shareholder or the actual controller of the domestic enterprise organises or instructs to engage in the above illegal acts, he may be liable to a fine of not less than RMB1,000,000 and not more than RMB10,000,000. The Overseas Listing Trial Measures also stipulate that in the event of any material events such as change of control, investigation or punishment by the overseas securities supervisory authority or relevant authorities, change of listing status or transfer of listing segment, or termination of listing on its own initiative or compulsory termination of listing after the issuer's overseas listing, the issuer shall report the specific circumstances to the CSRC within three working days from the date of the announcement of the relevant event.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection and the National Archives Administration of China jointly promulgated the Provisions on Strengthening the Confidentiality and Archives Administration Concerning the Overseas Securities Offering and Listing by Domestic Enterprises (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the "**Confidentiality and Archives Administration Provisions**"), which became effective on 31 March 2023. According to the Confidentiality and Archives Administration Provisions, if a domestic joint stock company with a direct overseas listing or a domestic operating entity with an indirect overseas listing provides or publicly discloses, or provides or publicly discloses through its overseas listed entity, documents or information involving state secrets or secrets of the work of state organs, or other documents or information the disclosure of which would adversely affect national security or public interests, the corresponding procedures shall be strictly complied with in accordance with the relevant state regulations.

Regulations on Full Circulation

"Full Circulation" represents listing and circulating on the Stock Exchange of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders. On November 14, 2019, CSRC announced the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) ("**Full Circulation Guidelines**"), which were amended on August 10, 2023. As regulated in the Full Circulation Guidelines, shareholders of domestic unlisted shares have the flexibility to jointly decide the amount and proportion of shares that will be included in the circulation application. This decision should be reached through mutual consultation, ensuring compliance with relevant laws, regulations and policies governing state-owned asset administration, foreign investment and industry regulation. Meanwhile, the H-share listed company corresponding to these shares may be authorized to file for "full circulation" with the CSRC. An unlisted domestic joint stock company may file with the CSRC for "full circulation" at the time of its initial public offering and listing overseas. After domestic unlisted shares are listed and circulated on the Stock Exchange, they may not be transferred back to China. Pursuant to the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC. Additionally, they are required to authorize the domestic company to submit the conversion application to the CSRC on their behalf. On December 31, 2019, China Securities Depository and Clearing Corporation Limited and Shenzhen Stock Exchange jointly announced the Measures for Implementation of H-share "Full Circulation" Business (the "**Measures for Implementation**"). The businesses of cross-border share transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc., in relation to the H-share "Full Circulation" business, are subject to these Measures for Implementation.

OVERVIEW

Our history can be traced back to 2007, when our Company was established by Zhongshan Medical Investment, an investment holding company then held by Mr. Yao and Ms. Shen as to 55% and 39% respectively, as a limited liability company in the PRC. Mr. Yao and Ms. Shen, both experienced medical professionals at the time, shared the common vision to deliver superior and patient-centered care directly to the public. Through market research, they identified a growing demand for accessible and high-quality oral healthcare services, which would be capable of supporting scalable chain-based operations. In response, drawing on their expertise and extensive industry experience, they established a chain of dental clinics and hospitals. Through years of development, under the leadership of Mr. Yao and Ms. Shen and leveraging our excelling healthcare services, we stand as a leading private dental services provider in Central China with a focus on Hubei and Hunan provinces. As of the Latest Practicable Date, we had 4 dental hospitals, 80 dental out-patient departments and 8 dental clinics covering 8 cities in 2 provinces in China, providing customers with comprehensive and customized dental services.

Our Company was converted into a joint stock company with limited liability on December 24, 2014 and was renamed as Wuhan Dazhong Dental Medical Co., Ltd. (武漢大眾口腔醫療股份有限公司) on May 9, 2017.

OUR MILESTONES

The following sets forth the business milestones of our Group:

Year	Milestone
2007 . . .	• Our Company was established in Wuhan under the name of Wuhan Dazhong Dental Clinic Co., Ltd. (武漢大眾口腔門診部有限公司).
2014 . . .	• Our Company was converted into a joint stock company with limited liability.
	• Wuhan Dazhong Hospital, one of our principal operating subsidiaries, was established.
2017 . . .	• Our Company was renamed as Wuhan Dazhong Dental Medical Co., Ltd. (武漢大眾口腔醫療股份有限公司).
	• We received the Series A Investment.
	• We initiated our Partnership Program and established the first medical institution we partnered with a seasoned dentist to operate.

Year	Milestone
2018 . . .	• We expanded our business beyond Wuhan and grew our geographic footprint as Xiangyang Dazhong Out-patient Department commenced its business in Xiangyang, Hubei Province.
2020 . . .	• We expanded our business beyond Hubei Province by acquiring Shaoyang Hospital in Shaoyang, Hunan Province.
2021 . . .	• We received the Series B Investment.
2022 . . .	• We were awarded Creditable and Contract-honored Enterprise (守合同重信用企業) by Wuhan Administration for Market Regulation (武漢市市場監督管理局).
2023 . . .	• The number of our medical institutions exceeds 80.
	• We were one of the first medical institution groups to use robot-assisted technology on dental surgeries in Hubei Province.
	• We were awarded New High-tech Enterprise (高新技術企業) by Department of Science and Technology of Hubei Province (湖北省科學技術廳).
2024 . . .	• We upgraded our brand name as Aishang Dazhong Dental (愛尚大眾口腔).

OUR MAJOR CORPORATE DEVELOPMENT

Early Development

Our Company was established as a limited liability company in the PRC on July 10, 2007 under the name of Wuhan Dazhong Dental Clinic Co., Ltd. (武漢大眾口腔門診部有限公司) with a registered capital of RMB2.42 million. At the time of our establishment, we were wholly owned by Zhongshan Medical Investment, one of our Controlling Shareholders. Zhongshan Medical Investment was then held by Mr. Yao, Ms. Shen and Ms. Huang Meiyun (黃美芸) as to 55%, 39% and 1%, respectively. Both Mr. Yao and Ms. Shen are our Controlling Shareholders and executive Directors. Ms. Huang Meiyun is one of our Supervisors. The rest 5% equity interest in Zhongshan Medical Investment was held by several early individual investors who are all Independent Third Parties.

On June 3, 2014, Mr. Yao and Ms. Shen entered into an acting-in-concert agreement to align their votes at the general meetings of Zhongshan Medical Investment and our Company such that their ownership in our Company would be consolidated.

On August 27, 2014, in order to enhance our capital resources to support our overall business development, our registered capital was increased by RMB17.58 million to RMB20 million, all of which was subscribed for by Ms. Shen and fully paid up as of August 27, 2014. Upon completion of such capital increase, we were owned by Ms. Shen and Zhongshan Medical Investment as to 87.9% and 12.1%, respectively.

On October 20, 2014, Ms. Shen entered into an equity transfer agreement with each of Zhongshan Medical Investment and Wuhan Xinglin, pursuant to which Ms. Shen agreed to transfer 77.9% and 10% equity interest in our Company to Zhongshan Medical Investment and Wuhan Xinglin at a consideration of RMB15.58 million and RMB2 million, respectively. Such consideration was determined with reference to our then registered capital and was fully settled as of June 15, 2015. Upon completion of such equity transfers, we were owned by Zhongshan Medical Investment and Wuhan Xinglin as of 90% and 10%, respectively.

Wuhan Xinglin is one of our employee stock ownership platforms established in the PRC on October 17, 2014. The general partner and limited partner of Wuhan Xinglin were both employees of our Company at the time of its establishment, and we subsequently utilized the equity interest in our Company held by Wuhan Xinglin as restricted shares for grants to our employees as incentives and awards. For details, see "— Pre-IPO Restricted Share Scheme."

Prior Quotation on NEEQ

Conversion into Joint Stock Company and Quotation on NEEQ

On December 24, 2014, our Company was converted into a joint stock company with limited liability and renamed as Wuhan Dazhong Dental Clinic Co., Ltd. (武漢大眾口腔門診部股份有限公司). Our registered capital became RMB20 million divided into 20 million Shares with a nominal value of RMB1.00 each. On May 12, 2015, we became quoted on the NEEQ (Stock code: 832387). Immediately upon quotation, our shareholding structure was as follows:

Name of Shareholder	Number of Shares held	Shareholding percentage
Zhongshan Medical Investment	18,000,000	90%
Wuhan Xinglin	2,000,000	10%
Total	**20,000,000**	**100.00%**

Capital Increase and Share Transfer

On January 29, 2016, we entered into a share issue and subscription agreement with Zhongshan Medical Investment, pursuant to which Zhongshan Medical Investment agreed to subscribe for 7,000,000 new Shares at a consideration of RMB14 million, which was determined with reference to our then net assets and was fully paid up as of February 23, 2016.

On May 25, 2016 and June 30, 2017, we increased our issued share capital by way of conversion of capital reserve into share capital and issued an additional of 1.1111112 Shares and 2.333334 Shares, respectively, for every 10 Shares then held by our Shareholders.

On August 12, 2017, Zhongshan Medical Investment entered into an equity transfer agreement with each of Wuhan Taolin and Wuhan Zhulin, pursuant to which Zhongshan Medical Investment agreed to transfer 1,505,000 Shares and 1,505,000 Shares to Wuhan Taolin and Wuhan Zhulin at a consideration of approximately RMB5.72 million and RMB5.72 million, respectively. Such consideration was determined with reference to our then results of operation and business prospects, and was fully settled as of August 18, 2017.

Wuhan Taolin and Wuhan Zhulin are both our employee stock ownership platforms established in the PRC on July 7, 2017 and July 14, 2017, respectively. The general partners and limited partners of both Wuhan Taolin and Wuhan Zhulin were all employees of our Company at the time of their establishment, and we subsequently utilized the Shares held by Wuhan Taolin and Wuhan Zhulin as restricted shares for grants to our employees as incentives and awards. For details, see "— Pre-IPO Restricted Share Scheme."

Series A Investment

On July 31, 2017, we entered into a share issue and subscription agreement with two investors (namely Zhongyuan Jiupai and Mr. Zhu Chao (朱超)), pursuant to which Zhongyuan Jiupai and Mr. Zhu Chao agreed to subscribe for 2,400,000 Shares and 600,000 Shares at a consideration of RMB23.52 million and RMB5.88 million, respectively. For details, see "— Pre-IPO Investments."

Ceased to be Quoted on NEEQ

Our Company voluntarily ceased to be quoted on the NEEQ on April 27, 2018, considering the following factors:

(i) the NEEQ is a market open only to qualified investors and has a relatively lower trading volume and liquidity level compared to other stock exchanges, making it difficult to reflect the fair value of the Shares of our Company;

(ii) our Company has limited ability to publicly raise funds to finance its business operations and development when quoted on the NEEQ; and

(iii) we were exploring for opportunities to list on other stock exchanges including the Stock Exchange, which would offer us an access to a more mature and international capital market, enhance our fund-raising capabilities and broaden our shareholder base, as well as improve our brand awareness and corporate governance.

Our Directors confirm that during the period when our Company was quoted on the NEEQ and up to the cessation of quotation thereon, (i) our Company had been in compliance with all applicable laws and regulations as well as rules and regulations of the NEEQ in all material respects; (ii) our Company had not been subject to any disciplinary action by the relevant regulators in this respect; and (iii) there are no other issues that need to be brought to the attention of our Shareholders. The delisting of our Company was approved by a unanimous consent of all our then shareholders. Therefore, there were no circumstances requiring our Company to repurchase its shares, thereby resulting in no specific share transaction price or any accurate valuation of our Company at that time.

Based on the due diligence work performed by the Sole Sponsor, there are no material findings that have come to the attention of the Sole Sponsor which would reasonably cause it to cast doubt on the Directors' confirmations above.

Immediately upon cessation of quotation, our shareholding structure was as follows:

Name of Shareholder	Number of Shares held	Shareholding percentage
Zhongshan Medical Investment	31,249,260	78.12%
Wuhan Xinglin	2,740,740	6.85%
Wuhan Taolin	1,505,000	3.76%
Wuhan Zhulin	1,505,000	3.76%
Zhongyuan Jiupai	2,400,000	6.00%
Mr. Zhu Chao	600,000	1.50%
Total	**40,000,000**	**100.00%**

Series B Investment

In May and June 2021, we entered into a series of capital increase agreements with our Controlling Shareholders (namely Zhongshan Medical Investment, Mr. Yao and Ms. Shen) and eight investors (namely CITIC Securities Investment, Zhongyuan Jiupai, Zhidao Capital, Mr. Li Jiansheng (李建生), Ms. Li Zhen (李臻), Mr. Chen Wei (陳巍), Mr. Wang Hong (王宏) and Mr. Wang Qingsong (王青松)), pursuant to which the Controlling Shareholders agreed to subscribe for an aggregate of 1,000,642 Shares at a total consideration of RMB14.51 million and the investors agreed to subscribe for an aggregate of 5,895,906 Shares at a total consideration of RMB85.49 million. For details, see "— Pre-IPO Investments." Upon completion of the Series B Investment, our shareholding structure was as follows:

Name of Shareholder	Number of Shares held	Shareholding percentage
Zhongshan Medical Investment	31,324,102	66.79%
Mr. Yao	475,800	1.01%
Ms. Shen	450,000	0.96%
Wuhan Xinglin	2,740,740	5.84%

Name of Shareholder	Number of Shares held	Shareholding percentage
Wuhan Taolin	1,505,000	3.21%
Wuhan Zhulin	1,505,000	3.21%
CITIC Securities Investment	3,448,274	7.35%
Zhongyuan Jiupai	3,296,551	7.03%
Mr. Li Jiansheng	620,690	1.32%
Mr. Zhu Chao	600,000	1.28%
Zhidao Capital	344,827	0.74%
Ms. Li Zhen	206,800	0.44%
Mr. Chen Wei	206,800	0.44%
Mr. Wang Hong	103,000	0.22%
Mr. Wang Qingsong	68,964	0.15%
Total	**46,896,548**	**100.00%**

Share Repurchase and Reduction of Capital

Due to divergent views of certain of our investors on the proposed listing location of our Company, in September 2024, we entered into a share repurchase agreement or capital reduction agreement with each of CITIC Securities Investment, Zhongyuan Jiupai, Mr. Li Jiansheng, Mr. Zhu Chao, Zhidao Capital and Mr. Wang Qingsong, pursuant to which we agreed to repurchase all the 8,379,306 Shares held by these investors at a total consideration of RMB121.3 million. Such consideration was equal to their original investment costs plus a premium and deducting paid dividends as agreed between the parties with reference to their previous investment agreements, and was fully settled on October 8, 2024. Upon completion of the share repurchase and capital reduction, our shareholding structure was as follows:

Name of Shareholder	Number of Shares held	Shareholding percentage
Zhongshan Medical Investment	31,324,102	81.32%
Mr. Yao	475,800	1.24%
Ms. Shen	450,000	1.17%
Wuhan Xinglin	2,740,740	7.12%
Wuhan Taolin	1,505,000	3.91%
Wuhan Zhulin	1,505,000	3.91%
Ms. Li Zhen	206,800	0.54%
Mr. Chen Wei	206,800	0.54%
Mr. Wang Hong	103,000	0.27%
Total	**38,517,242**	**100.00%**

PRE-IPO RESTRICTED SHARE SCHEME

On July 27, 2017, our Company adopted the Pre-IPO Restricted Share Scheme, which was amended on October 28, 2024, in order to motivate and encourage our officers, employees and consultants. Pursuant to the Pre-IPO Restricted Share Scheme, an aggregate of 5,750,740 Restricted Shares, representing approximately 11.65% of the total issued Shares of our Company immediately after the Global Offering (assuming no exercise of the Over-allotment Option) were reserved for share grants to our officers, employees and consultants as awards and incentives, including (i) 2,740,740 Shares held by Wuhan Xinglin, (ii) 1,505,000 Shares held by Wuhan Taolin and (iii) 1,505,000 Shares held by Wuhan Zhulin. As of the Latest Practicable Date, all Restricted Shares under the Pre-IPO Restricted Share Scheme had been granted to 68 participants, all of whom indirectly held their interests in our Company as limited partners and/or general partners of our three employee stock ownership platforms.

From accounting perspectives, the Restricted Shares are recognized as treasury shares prior to the Listing as they cannot be freely transferred and are under the control of the Company pursuant to the terms of the Pre-IPO Restricted Share Scheme. Upon the Listing, the Restricted Shares will be transferable and cease to be under the control of the Company, and hence the Restricted Shares will no longer be recognized as treasury shares from accounting perspectives. For details, see "D. Pre-IPO Restricted Share Scheme — 4. Restrictions on the Restricted Shares" in Appendix VI and Note 29 to the Accountants' Report in Appendix I to this prospectus.

The Pre-IPO Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve grant of Restricted Shares after the Listing. The principal terms of the Pre-IPO Restricted Share Scheme are set out in "Appendix VI — Statutory and General Information — D. Pre-IPO Restricted Share Scheme."

OUR PRINCIPAL SUBSIDIARIES

The following entities are the principal operating subsidiaries which made a material contribution to our financial results during the Track Record Period:

Name of company	Shareholding held by our Group	Place and date of establishment	Principal business activities
Wuhan Dazhong Hospital	100%	Wuhan, Hubei Province May 22, 2014	Provision of dental healthcare services
Hejian Baibuting	51%	Wuhan, Hubei Province August 12, 2019	Provision of dental healthcare services
Zaoyang Hospital	51%	Xiangyang, Hubei Province March 25, 2019	Provision of dental healthcare services

Name of company	Shareholding held by our Group	Place and date of establishment	Principal business activities
Jingzhou Dazhong	70%	Jingzhou, Hubei Province January 2, 2020	Investment holding
Shaoyang Hospital	51%	Shaoyang, Hunan Province December 6, 2019	Provision of dental healthcare services
Chenzhou Hospital	51%	Chenzhou, Hunan Province December 13, 2019	Provision of dental healthcare services

Wuhan Dazhong Hospital

Wuhan Dazhong Hospital was established as a limited liability company in the PRC on May 22, 2014 with a registered capital of RMB5.0 million, and had been our wholly-owned subsidiary since then. Wuhan Dazhong Hospital is the largest dental institution within our dental service network in terms of total revenue generated during the Track Record Period. For details, see "Business — Our Dental Service Network — Wuhan Dazhong Hospital."

Hejian Baibuting

Hejian Baibuting was established as a limited liability company in the PRC on August 12, 2019 with a registered capital of RMB1.5 million. At the time of its establishment, Hejian Baibuting was held by Wang Jian (王健), a then Independent Third Party, and our Company as to 99% and 1%, respectively.

On January 9, 2020, our Company acquired 50% equity interest in Hejian Baibuting from Wang Jian at a consideration of RMB1,311,000. Such consideration was determined based on results of operation and business prospects of Hejian Baibuting and had been fully settled as of the Latest Practicable Date. Mr. Wang Jian has 19 years of experience in dental industry who was in charge of the operation of the predecessor of Hejian Baibuting, Wuhan Chikangjian Dental Out-patient Department (武漢齒康健口腔門診部) prior to the acquisition.

Upon completion of the acquisition on January 9, 2020, Hejian Baibuting became our non-wholly-owned subsidiary. Our acquisition of Hejian Baibuting expanded the coverage of our dental service network in Wuhan, Hubei Province.

Zaoyang Hospital

Zaoyang Hospital was established as a limited liability company in the PRC on March 25, 2019 with a registered capital of RMB2.6 million. At the time of its establishment, Zaoyang Hospital was held by Su Shengfeng (蘇盛峰), a then Independent Third Party, and our Company as to 99% and 1%, respectively.

On May 7, 2019, our Company acquired 50% equity interest in Zaoyang Hospital from Su Shengfeng at a consideration of RMB4,360,000. Such consideration was determined based on the results of operation and business prospects of Zaoyang Hospital and had been fully settled as of the Latest Practicable Date. Mr. Su Shengfeng is a seasoned dentist with 17 years of experience who served as a dentist in the predecessor of Zaoyang Hospital, Zaoyang Dongsheng Dental Hospital (棗陽東盛口腔醫院) prior to the acquisition. Su Shengfeng currently serves as a dentist of our Group.

Upon completion of the acquisition on May 7, 2019, Zaoyang Hospital became our non-wholly-owned subsidiary. Our acquisition of Zaoyang Hospital expanded the coverage of our dental service network in Xiangyang, Hubei Province.

Jingzhou Dazhong

Jingzhou Dazhong was established by Huang Yong (黃勇), an Independent Third Party, as a limited liability company in the PRC on January 2, 2020 with a registered capital of RMB5.1 million.

On November 19, 2020, our Company acquired 70% equity interest in Jingzhou Dazhong from Huang Yong at a consideration of RMB26,775,000. Such consideration was determined with reference to the equity value of Jingzhou Dazhong as of November 30, 2020 according to a valuation report issued by an independent professional valuer and had been fully settled as of the Latest Practicable Date. Mr. Huang Yong has 18 years of experience in dental industry who was in charge of the operation of the predecessor of Jingzhou Dazhong, 16 dental institutions controlled by Mr. Huang Yong and operated under the brand of Jingzhou Chuxing Dental (荊州楚星口腔) prior to the acquisition.

Upon completion of the acquisition on November 19, 2020, Jingzhou Dazhong became our non-wholly-owned subsidiary. On April 22, 2022, the registered capital of Jingzhou Dazhong was increased by RMB7 million to RMB12.1 million, which was subscribed for by our Company and Huang Yong in proportion to their then shareholding in Jingzhou Dazhong. Jingzhou Dazhong is the holding company of our 17 subsidiaries which operate dental out-patient departments in Jingzhou and Jingmen, Hubei Province, as well as Changde and Yueyang, Hunan Province.

Shaoyang Hospital

Shaoyang Hospital was established as a limited liability company in the PRC on December 6, 2019 with a registered capital of RMB2.0 million. At the time of its establishment, Shaoyang Hospital was held by Xiong Zhongcai (熊忠才), Zeng Qingbiao (曾慶彪), Liang Chengliang (梁承亮), Xiong Xueji (熊雪霽), Li Caifeng (李彩鳳), Li Zhi'e (李志娥), Li Yuanfeng (李遠鋒), Tang Guoxian (唐國賢), Wang Juanli (王娟利), He Guiqin (何桂勤) and Xiao Jingyi (肖京義), all of whom are then Independent Third Parties, as to 40.75%, 13.44%, 13.11%, 12.00%, 9.18%, 3.00%, 1.95%, 1.64%, 1.64%, 1.64% and 1.64%, respectively.

On December 24, 2019, our Company acquired an aggregate of 51% equity interest in Shaoyang Hospital from Xiong Zhongcai, Zeng Qingbiao, Li Caifeng, Xiong Xueji, Li Yuanfeng, Tang Guoxian, He Guiqin and Xiao Jingyi at a total consideration of RMB12,597,000. Such consideration was determined based on the business prospects, results of operation and financial condition of Shaoyang Hospital and had been fully settled as of the Latest Practicable Date. Upon completion of the acquisition on December 24, 2019, Shaoyang Hospital became our non-wholly-owned subsidiary. Our acquisition of Shaoyang Hospital marked our first step in expanding our dental service network in Shaoyang, Hunan Province.

Chenzhou Hospital

Chenzhou Hospital was established as a limited liability company in the PRC on December 13, 2019 with a registered capital of RMB2.0 million. At the time of its establishment, Chenzhou Hospital was held by Lu Hongyi (陸洪貽), Xiong Zhongcai, Zhang Chengyuan (張程元), Zeng Qingguang (曾慶光) and Zheng Jun (鄭軍), all then Independent Third Parties, as to 37.83% 36.62%, 13.00%, 6.51% and 6.04%, respectively.

On January 3, 2020, our Company acquired an aggregate of 51% equity interest in Chenzhou Hospital from Xiong Zhongcai, Lu Hongyi, Zhang Chengyuan, Zeng Qingguang and Zheng Jun at a total consideration of RMB12,627,588. Such consideration was determined based on the business prospects, results of operation and financial condition of Chenzhou Hospital and had been fully settled as of the Latest Practicable Date. Upon completion of the acquisition on January 3, 2020, Chenzhou Hospital became our non-wholly-owned subsidiary. Our acquisition of Chenzhou Hospital marked our first step in expanding our dental service network in Chenzhou, Hunan Province.

PRE-IPO INVESTMENTS

Principal Terms of the Pre-IPO Investments

The following table sets forth the principal terms of the Pre-IPO Investments:

	Series A Investment	Series B Investment[1]
Date of the Pre-IPO Investments	July 31, 2017	May 24, 2021, June 11, 2021 and June 17, 2021
Name of the Pre-IPO Investors	Zhongyuan Jiupai[2] Mr. Zhu Chao[2]	CITIC Securities Investment[2] Zhongyuan Jiupai[2] Zhidao Capital[2] Mr. Li Jiansheng[2] Ms. Li Zhen Mr. Chen Wei Mr. Wang Hong Mr. Wang Qingsong[2]

	Series A Investment	Series B Investment[(1)]
Date on which the consideration was fully settled	August 18, 2017	June 30, 2021
Consideration	RMB29,400,000	RMB85,490,637
Total number of Shares subscribed for by the Pre-IPO Investors under the Pre-IPO Investments	3,000,000 Shares	5,895,906 Shares
Cost per Share	RMB9.80	RMB14.50
Discount to the Offer Price[(3)]	48.16%	23.30%
Post-money valuation of our Group	RMB392 million	RMB680 million
Basis of consideration	The consideration of the Pre-IPO Investments was determined after arm's length negotiations with the Pre-IPO Investors after taking into account, among others, the financial performance and business prospects of our Group.	
Use of Proceeds from the Pre-IPO Investments	We utilized the proceeds from the Pre-IPO Investments primarily for promoting the growth and expansion of our principal business and for general working capital purpose. As of the Latest Practicable Date, the proceeds from the Pre-IPO Investments were fully utilized.	
Lock-up	Pursuant to the PRC Company Law, all of our current Shareholders (including the current Pre-IPO Investors) are subject to a lock-up period of 12 months following the Listing Date.	

	Series A Investment	Series B Investment[1]
Strategic benefits of the investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Group could benefit from the additional capital provided by the Pre-IPO Investors and their knowledge and experience. Moreover, the investments by the Pre-IPO Investors demonstrated their confidence in the business operations of our Group and served as an endorsement of our performance and prospects.	

Notes:

(1) Zhongshan Medical Investment, Mr. Yao and Ms. Shen, who are our Controlling Shareholders, invested RMB14,509,309 in total in our Company for their subscription of 1,000,642 Shares during the Series B Investment. Such investment made by our Controlling Shareholders was for the purpose of reinforcing their controlling interest in our Company.

(2) An aggregate of 8,379,306 Shares subscribed for by CITIC Securities Investment, Zhongyuan Jiupai, Mr. Li Jiansheng, Mr. Zhu Chao, Zhidao Capital and Mr. Wang Qingsong were repurchased by our Company on October 8, 2024. For details, see "— Our Major Corporate Development — Share Repurchase and Reduction of Capital."

(3) Assuming the Offer Price is fixed at HK$20.70, being the mid-point of the indicative Offer Price range.

Special Rights

Under the Pre-IPO Investments, Zhongyuan Jiupai, Mr. Zhu Chao, CITIC Securities Investment and Zhidao Capital were granted certain special rights including, among others, veto right, information right, redemption right, pre-emptive right, right of first refusal and right of co-sale. Pursuant to the share repurchase agreements entered into between our Company and such Pre-IPO Investors, all the special rights under the Pre-IPO Investments were terminated when the consideration of such share repurchase was fully settled on September 30, 2024. For details, see "— Our Major Corporate Development — Share Repurchase and Reduction of Capital."

Information about the Pre-IPO Investors

Set out below is the information about our current Pre-IPO Investors:

Ms. Li Zhen

Ms. Li Zhen has over 10 years of experience in the secondary market and currently worked in Tianjin Keruijie Technology Co., Ltd. (天津科瑞傑科技有限公司). Ms. Li Zhen became acquainted with our Company through our Controlling Shareholder. Ms. Li Zhen is an Independent Third Party.

Mr. Chen Wei

Mr. Chen Wei has 25 years of experience in the pharmaceutical industry and currently worked in Sichuan Kelun-Biotech Biopharmaceutical Co., Ltd (Stock code: 6990.HK). Mr. Chen Wei became acquainted with our Company through our Controlling Shareholder. Mr. Chen Wei is an Independent Third Party.

Mr. Wang Hong

Mr. Wang Hong is one of our senior management. For his biographical details, see "Directors, Supervisors and Senior Management — Senior Management."

Set out below is the information about our previous Pre-IPO Investors that had exited their investments as of the Latest Practicable Date:

Zhongyuan Jiupai

Zhongyuan Jiupai is a limited liability partnership formed in the PRC on November 23, 2016. The general partner of Zhongyuan Jiupai is Wuhan Zhongyuan Jiupai Industry Investment Management Co., Ltd. (武漢中元九派產業投資管理有限公司) ("**Wuhan Zhongyuan**"). Wuhan Zhongyuan is held by Ganzhou Jiupai Gongyun Equity Investment Partnership (Limited Partnership) (贛州九派公允股權投資合夥企業(有限合夥)), Zhongyuanhui (Wuhan) Industry Investment Co., Ltd. (中元匯(武漢)產業投資有限公司), Qian Bin (錢斌), Wuhan Zhongchuang Rongkong Investment Management Co., Ltd. (武漢眾創融控投資管理有限公司) and He Chi (賀馳), all of which are Independent Third Parties, as to 30%, 30%, 15%, 15% and 10%, respectively. Zhongyuan Jiupai primarily invests in sectors including healthcare, high-end equipment, energy saving and environmental protection, with approximately RMB250 million funds under management.

Mr. Zhu Chao

Mr. Zhu Chao is an individual investor. He became acquainted with our Company through Zhongyuan Jiupai during the Series A Investment. Mr. Zhu Chao is an Independent Third Party.

CITIC Securities Investment

CITIC Securities Investment is a limited liability company established in the PRC and wholly owned by CITIC Securities Co., Ltd. (中信証券股份有限公司) ("**CITIC Securities**"), a joint stock limited liability company listed on the Stock Exchange (Stock code: 6030.HK) and the Shanghai Stock Exchange (Stock code: 600030.SH). CITIC Securities Investment is principally engaged in financial products investment, securities investment and equity investment.

Zhidao Capital

Zhidao Capital is a limited liability partnership formed in the PRC on April 24, 2020. The general partner of Zhidao Capital is Suzhou Industrial Park Zhidao Private Fund Management Co., Ltd. (蘇州工業園區致道私募基金管理有限公司) ("**Zhidao Private Fund**"). Zhidao Private Fund is held by Suzhou Zhongfang Caituan Holding Co., Ltd. (蘇州中方財團控股股份有限公司), Suzhou Zhongxin Zhidao Venture Capital Partnership (Limited Partnership) (蘇州中鑫致道創業投資合夥企業(有限合夥)), Suzhou Industrial Park Asset Management Co., Ltd. (蘇州工業園區資產管理有限公司) and Suzhou Jiadu Sheji Yingzao Co., Ltd. (蘇州嘉都設計營造有限公司), all of which are Independent Third Parties, as to 40%, 30%, 25% and 5%, respectively. Zhidao Capital primarily invests in sectors including healthcare, new information technology and advanced manufacturing, with approximately RMB3 billion funds under management.

Mr. Li Jiansheng

Mr. Li Jiansheng is an individual investor with approximately 20 years of experience, primarily investing in healthcare, machinery manufacturing and consumer industries. Mr. Li Jiansheng became acquainted with our Company through our Controlling Shareholder. Mr. Li Jiansheng is an Independent Third Party.

Mr. Wang Qingsong

Mr. Wang Qingsong is an individual investor with 10 years of experience in professional services and investment, primarily investing in healthcare and technology industries. Mr. Wang Qingsong became acquainted with our Company through our Controlling Shareholder. Mr. Wang Qingsong is an Independent Third Party.

Public Float

Immediately upon completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming no exercise of the Over-allotment Option), our Company will have 32,352,902 Unlisted Shares and 17,026,140 H Shares, among which:

(i) the 32,352,902 Unlisted Shares (representing approximately 65.52% of our total issued Shares upon Listing) will not be considered as part of the public float as such Unlisted Shares will not be converted into H Shares;

(ii) among the 17,026,140 H Shares,

- the 1,505,000 H Shares (representing approximately 3.05% of our total issued Shares upon Listing) converted from Unlisted Shares held by Wuhan Zhulin, despite no longer being controlled by our Company and recognized as treasury shares from accounting perspectives upon the Listing, will not be considered as part of the public float as Wuhan Zhulin is a close associate of Mr. Guo Jiaping, our executive Director, and therefore is a core connected person of our Group;

- the 4,659,340 H Shares (representing approximately 9.44% of our total issued Shares upon Listing) converted from the Unlisted Shares held by Wuhan Xinglin, Wuhan Taolin, Ms. Li Zhen and Mr. Chen Wei will be counted towards the public float as none of the aforesaid Shareholders (i) is a core connected person of our Group; (ii) has been financed directly or indirectly by a core connected person of our Group for the subscription of Shares; or (iii) is accustomed to take instructions from a core connected person of our Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in his/her/its name or otherwise held by him/her/it. In particular, the H Shares converted from the Unlisted Shares held by Wuhan Xinglin and Wuhan Taolin (i.e. the Restricted Shares held by them under the Pre-IPO Restricted Share Scheme) will no longer be controlled by our Company or recognized as treasury shares from accounting perspectives upon the Listing; and

- the 10,861,800 H Shares (representing approximately 22.00% of our total issued Shares upon Listing) issued by our Company under the Global Offering to public Shareholders will be counted towards the public float.

In light of the above, upon completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, an aggregate of 15,521,140 H Shares or approximately 31.43% of the total issued share capital of our Company (assuming no exercise of the Over-allotment Options), which is more than 25% as required under Rule 8.08 of the Listing Rules, will be counted towards the public float upon the Listing. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

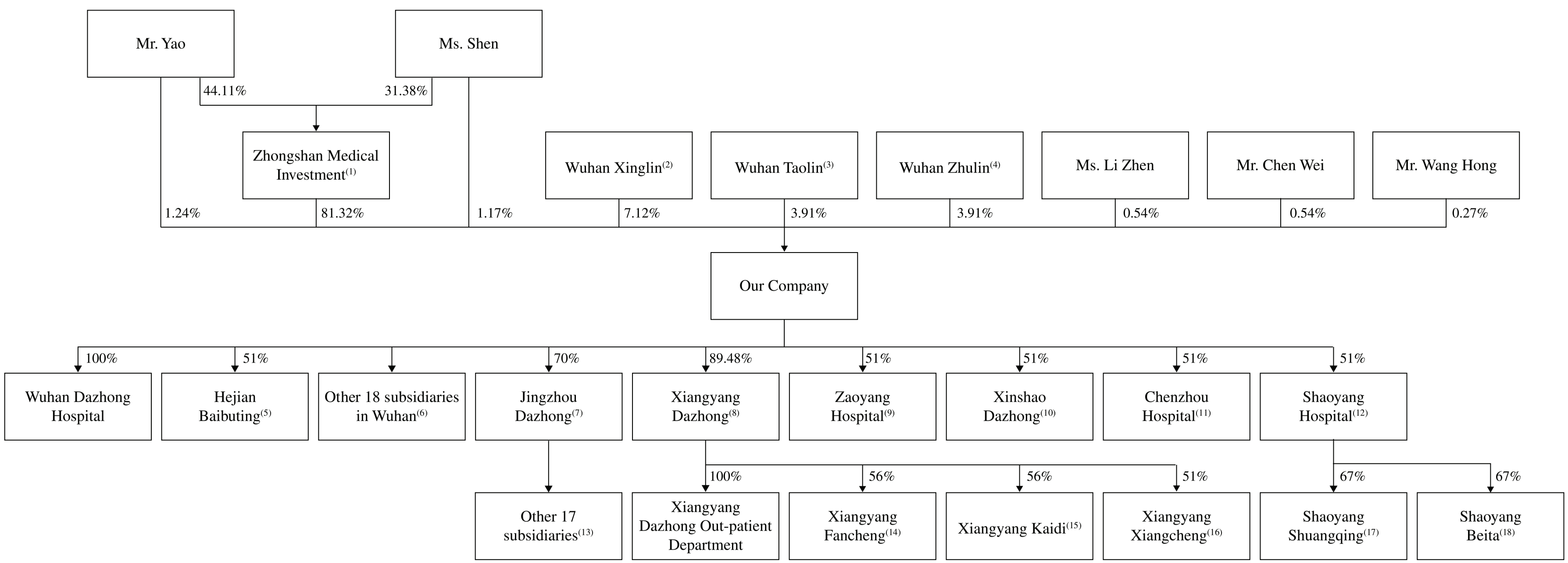
Compliance with the Pre-IPO Investment Guidance

The Sole Sponsor confirms that the Pre-IPO Investments are in compliance with the guidance in Chapter 4.2 (Pre-IPO Investments) of the Guide for New Listing Applicants.

CORPORATE STRUCTURE

Corporate Structure immediately before the Global Offering

The following chart sets forth the simplified corporate structure of our Group immediately before completion of the Global Offering:



Notes:

(1) As of the Latest Practicable Date, Zhongshan Medical Investment was held by (i) Mr. Yao as to 44.11% and Ms. Shen as to 31.38%, who are our Controlling Shareholders and executive Directors, (ii) Ms. Liu Hongchan, our executive Director, as to 0.86%, (iii) Ms. Huang Meiyun as to 1.72% and Ms. Xu Cen as to 0.86%, who are our Supervisors, (iv) Mr. Zhou Xianlue (周先略), a former Director, as to 0.43%, (v) Mr. Wang Hong, one of our senior management, as to 2.58%, (vi) Mr. Liu Baoping (劉保平), the spouse of Ms. Liu Hongchan, as to 1.29% and (vii) other 13 individual shareholders who are Independent Third Parties as to 16.77% in total. Pursuant to an acting-in-concert agreement entered into between Mr. Yao and Ms. Shen on June 3, 2014, Mr. Yao and Ms. Shen agreed to act in concert in respect of their voting rights in Zhongshan Medical Investment and our Company. For details, see "— Our Major Corporate Development — Early Development."

(2) As of the Latest Practicable Date, Wuhan Xinglin was held by Yao Qi (姚琪), one of our employees and an Independent Third Party, as the general partner as to 0.91%, and 20 limited partners who are our employees as to 99.09% in total.

(3) As of the Latest Practicable Date, Wuhan Taolin was held by Ma Zhenrong (馬振榮), one of our employees and an Independent Third Party, as the general partner as to 6.64%, and 21 limited partners who are our employees as to 93.36% in total.

(4) As of the Latest Practicable Date, Wuhan Zhulin was held by (i) Mr. Guo Jiaping, our executive Director, as the general partner as to 30.56%, (ii) Ms. Liu Hongchan, our executive Director, as a limited partner as to 4.98%, (iii) Ms. Wang Lixia, our senior management, as a limited partner as to 6.64%, (iv) Ms. Yan Ge, our Supervisor, as a limited partner as to 1.66%, (v) Mr. Fu Wei, our connected person who holds directorships in Jingzhou Dazhong and its subsidiaries, as a limited partner as to 3.32% and (vi) other 24 limited partners who are our employees as to 52.82% in total.

(5) The remaining 49% equity interest in Hejian Baibuting was held by Wang Jian, who is also a director of Hejian Baibuting. As Hejian Baibuting is a significant subsidiary of our Company from financial perspective, Wang Jian is a connected person of our Company.

(6) The other 18 subsidiaries in Wuhan include:

(a) Wuhan Dazhong Wanda Dental Out-patient Service Co., Ltd. (武漢大眾萬達口腔門診有限公司), held by our Company as to 51% and by Li Yahui (李亞會), a dentist of our Group, and Li Yang (李洋), an Independent Third Party, as to 25% and 24%, respectively.

(b) Wuhan Dazhong Dental Houhu Out-patient Service Co., Ltd. (武漢大眾口腔後湖口腔門診有限公司), a wholly-owned subsidiary of our Company.

(c) Wuhan Dazhong Dental Xudong Out-patient Department Co., Ltd. (武漢大眾口腔徐東口腔門診部有限公司), held by our Company and Yuan Kaisen (袁開森), a dentist of our Group, as to 51% and 49%, respectively.

(d) Wuhan Dazhong Dental Out-patient Department Co., Ltd. (武漢大眾口腔門診部有限公司), held by our Company as to 51% and by Wang Derong (王德榮), a dentist of our Group, and Hu Mingjin (胡明金), an Independent Third Party, as to 25% and 24%, respectively.

(e) Wuhan Dazhong Hefeng Kaide Dental Out-patient Department Co., Ltd. (武漢大眾和峰凱德口腔門診部有限公司) ("**Hefeng Kaide**"), held by our Company and Zhao Fenglin (趙峰林), a dentist of our Group, as to 51% and 49%, respectively.

(f) Wuhan Dazhong Tuanjie Dental Out-patient Service Co., Ltd. (武漢大眾團結口腔門診有限公司), a wholly-owned subsidiary of Hefeng Kaide.

(g) Wuhan Dazhong Heqiu Panlongcheng Dental Out-patient Department Co., Ltd. (武漢大眾和秋盤龍城口腔門診部有限公司), held by our Company and Zhang Qiu (張秋), a dentist of our Group, as to 51% and 49%, respectively.

(h) Wuhan Dazhong Jinyinhu Dental Out-patient Service Co., Ltd. (武漢大眾金銀湖口腔門診有限公司), a wholly-owned subsidiary of our Company.

(i) Wuhan Dazhong Hewang Xunlimen Dental Out-patient Service Co., Ltd. (武漢大眾和望循禮門口腔門診有限公司), held by our Company and Ke Wangju (柯望菊), a dentist of our Group, as to 51% and 49%, respectively.

(j) Wuhan Dazhong Hesong Huashiyuan Dental Out-patient Service Co., Ltd. (武漢大眾和松華師園口腔門診有限公司), held by our Company as to 51% and by Yu Jinsong (喻金松), a dentist of our Group, and Sun Dan (孫丹), an Independent Third Party, as to 35% and 14%, respectively.

(k) Wuhan Dazhong Helei Pingan Chuntian Dental Out-patient Service Co., Ltd. (武漢大眾和磊平安春天口腔門診有限公司), held by our Company and Wu Lei (吳磊), a dentist of our Group, as to 51% and 49%, respectively.

(l) Wuhan Dazhong Heyuan Dental Out-patient Service Co., Ltd. (武漢大眾和緣口腔門診有限公司), held by our Company as to 51% and by Tian Yuzhi (田玉芝) and Liu Jingyuan (劉靜媛), both of whom are dentists of our Group, as to 40% and 9%, respectively.

(m) Wuhan Jiangxia Dazhong Hejun Dental Out-patient Service Co., Ltd. (武漢江夏大眾和俊口腔門診有限公司), held by our Company and Wang Junfeng (王俊鋒), a dentist of our Group, as to 51% and 49%, respectively.

(n) Wuhan Dazhong Baishazhou Dental Out-patient Service Co., Ltd. (武漢大眾白沙洲口腔門診有限公司), held by our Company and Ma Jun (馬俊), a dentist of our Group, as to 51% and 49%, respectively.

(o) Wuhan Dazhong Hesen Zhongbeilu Dental Out-patient Department Co., Ltd. (武漢大眾和森中北路口腔門診部有限公司), held by our Company and Yuan Kaisen, a dentist of our Group, as to 51% and 49%, respectively.

(p) Wuhan Dazhong Dental Jiyuqiao Out-patient Department Co., Ltd. (武漢大眾口腔積玉橋門診部有限公司), held by our Company and Lei Sifeng (雷思鋒), a dentist of our Group, as to 51% and 49%, respectively.

(q) Wuhan Dazhong Heyu Gujie Dental Out-patient Service Co., Ltd. (武漢大眾和玉固潔口腔門診有限公司), held by our Company as to 51% and by Dong Yumei (董玉梅), a dentist of our Group, and Wang Huolin (王火林), an Independent Third Party, as to 39% and 10%, respectively.

(r) Wuhan Dazhong Hexu Guannanyuan Dental Out-patient Service Co., Ltd. (武漢大眾和旭關南園口腔門診有限公司), held by our Company and Wuhan Jintian Management Consulting Co., Ltd. (武漢金田管理諮詢有限責任公司), an Independent Third Party, as to 51% and 49%, respectively.

(7) The remaining 30% equity interest in Jingzhou Dazhong was held by Huang Yong, an Independent Third Party.

(8) The remaining 10.52% equity interest in Xiangyang Dazhong was held by Du Chongli (杜充立), a dentist of our Group.

(9) The remaining 49% equity interest in Zaoyang Hospital was held by Su Shengfeng, a dentist of our Group, and Chen Ying (陳英), an Independent Third Party, as to 44% and 5%, respectively.

(10) The remaining 49% equity interest in Xinshao Dazhong was held by Liang Chengliang, Zhang Zhengfang (張正方), Deng Kaiwen (鄧凱文), Shi Chunxiang (石春香), Li Caifeng, Zeng Qingbiao and Xiong Zhongcai as to 16.5%, 16.5%, 3.5%, 3.5%, 3%, 3% and 3%, respectively. Liang Chengliang, Deng Kaiwen, Shi Chunliang and Li Caifeng are dentists of our Group, and Zhang Zhengfang, Zeng Qingbiao and Xiong Zhongcai are Independent Third Parties. Deng Kaiwen has entered into an equity transfer agreement to transfer 3.5% equity interest in Xinshao Dazhong to Liang Chengliang. Xinshao Dazhong is in the process of filing such equity transfer with the company registration authority.

(11) The remaining 49% equity interest in Chenzhou Hospital was held by Xiong Zhongcai, Xie Liwen (謝立文), Zhang Chengyuan, Ma Jianqiong (馬建瓊), Zheng Jun and Zeng Qingguang as to 12.4%, 12%, 10.13%, 5.17%, 4.71% and 4.6%, respectively. Zhang Chengyuan, Ma Jianqiong and Zheng Jun are dentists of our Group, and Xiong Zhongcai, Xie Liwen, Ma Jianqiong and Zeng Qingguang are Independent Third Parties.

(12) The remaining equity interest in Shaoyang Hospital was held by Liang Chengliang, Zeng Qingbiao, Li Caifeng, Xiong Xueji, Li Zhi'e, Tang Guoxian, He Guiqin, Wang Juanli, Xiong Zhongcai, Tan Jing (譚璟), Yang Pan (楊攀), Li Yuanfeng and Xiao Jingyi as to 14.95%, 8.00%, 6.00%, 5.29%, 4.00%, 2.00%, 2.00%, 2.00%, 1.00%, 1.00%, 1.00%, 0.96% and 0.80%, respectively. Liang Chengliang, Li Caifeng, Li Zhi'e, He Guiqin, Tan Jing and Yang Pan are dentists of our Group, and Zeng Qingbiao, Xiong Xueji, Tang Guoxian, Wang Juanli, Xiong Zhongcai, Li Yuanfeng and Xiao Jingyi are Independent Third Parties.

(13) The other 17 subsidiaries include:

(a) Jingzhou Dazhong Keya Dental Out-patient Service Co., Ltd. (荊州市大眾科雅口腔門診有限公司), held by Jingzhou Dazhong and Huang Yi (黃毅), a dentist of our Group, as to 51% and 49%, respectively.

(b) Jingzhou Dazhong Dental Jiangjin Out-patient Department Co., Ltd. (荊州大眾口腔江津門診部有限公司), held by Jingzhou Dazhong and Hu Huanhuan (胡歡歡), a dentist of our Group, as to 51% and 49%, respectively.

(c) Jingzhou Dazhong Shabei Dental Out-patient Service Co., Ltd. (荊州大眾沙北口腔門診有限公司), a wholly-owned subsidiary of Jingzhou Dazhong.

(d) Jingzhou Dazhong Xiangzhang Dental Out-patient Service Co., Ltd. (荊州大眾香樟口腔門診有限公司), held by Jingzhou Dazhong as to 51% and by Yang Yan (楊豔), Chen Jing (陳靜), both of whom are Independent Third Parties, and Gong Yanhong (龔豔紅), a dentist of our Group, as to 29.4%, 9.8% and 9.8%, respectively.

(e) Songzi Dazhong Chuxing Dental Clinic Co., Ltd. (松滋大眾楚星口腔診所有限公司) ("**Songzi Dazhong**"), held by Jingzhou Dazhong and He Haoran (賀浩然), a dentist of our Group, as to 51% and 49%, respectively.

(f) Jingzhou Dazhong Dental Daqiao Out-patient Department Co., Ltd. (荊州大眾口腔大橋門診部有限公司), a wholly-owned subsidiary of Songzi Dazhong.

(g) Gongan Dazhong Chuxing Dental Out-patient Department Co., Ltd. (公安縣大眾楚星口腔門診部有限公司), held by Jingzhou Dazhong and Huang Wen (黃聞), an Independent Third Party, as to 51% and 49%, respectively.

(h) Huarong Dazhong Chuxing Dental Out-patient Service Co., Ltd. (華容縣大眾楚星口腔門診有限公司), held by Jingzhou Dazhong and Huang Zhilong (黃治龍), an Independent Third Party, as to 51% and 49%, respectively.

(i) Anxiang Dazhong Chuxing Dental Out-patient Service Co., Ltd. (安鄉大眾楚星口腔門診有限公司), held by Jingzhou Dazhong and Huang Zhilong, an Independent Third Party, as to 51% and 49%, respectively.

(j) Jingzhou Dazhong Chongwen Dental Out-patient Department Co., Ltd. (荊州大眾崇文口腔門診部有限公司), held by Jingzhou Dazhong and Gong Yanhong, a dentist of our Group, as to 51% and 49%, respectively.

(k) Jingzhou Dazhong Huafu Dental Out-patient Department Co., Ltd. (荊州大眾華府口腔門診部有限公司), held by Jingzhou Dazhong and Huang Wen, an Independent Third Party, as to 51% and 49%, respectively.

(l) Jingzhou Dazhong Dental Dongmen Out-patient Department Co., Ltd. (荊州大眾口腔東門門診部有限公司), held by Jingzhou Dazhong as to 51% and by Xiong Jie (熊杰), a dentist of our Group, and Huang Rong (黃蓉), an Independent Third Party, as to 34% and 15%, respectively.

(m) Shishou Dazhong Chuxing Dental Out-patient Department Co., Ltd. (石首大眾楚星口腔門診部有限公司) ("**Shishou Dazhong**"), held by Jingzhou Dazhong, Huang Zhilong (黃治龍), an Independent Third Party, and Chen Lu (陳路), a dentist of our Group, as to 51%, 38.7% and 10.3%, respectively.

(n) Zhongxiang Dazhong Chuxing Wanchang Dental Out-patient Department Co., Ltd. (鐘祥市大眾楚星萬昌口腔門診部有限公司), held by Jingzhou Dazhong and Guo Shiming (郭世明), an Independent Third Party, as to 51% and 49%, respectively.

(o) Zhongxiang Dazhong Chuxing Dongjie Dental Out-patient Department Co., Ltd. (鐘祥市大眾楚星東街口腔門診部有限公司), held by Jingzhou Dazhong and Guo Shiming, an Independent Third Party, as to 51% and 49%, respectively.

(p) Zhongxiang Dazhong Chuxing Yulong Dental Out-patient Department Co., Ltd. (鐘祥市大眾楚星禦隆口腔門診部有限公司), held by Jingzhou Dazhong as to 51% and by Zhou Yanhong, a dentist of our Group, and Guo Shiming, an Independent Third Party, as to 45% and 4%, respectively.

(q) Jingzhou Dazhong Zhanqian Dental Out-patient Service Co., Ltd. (荊州大眾站前口腔門診有限公司), held by Jingzhou Dazhong and Wu Di (吳迪), a dentist of our Group, as to 51% and 49%, respectively.

(14) The remaining 44% equity interest in Xiangyang Fancheng was held by Peng Chong (彭衝), an Independent Third Party, Wang Sihong (王思宏) and Jiang Songbo (蔣松波), both of whom are dentists of our Group, as to 19%, 15% and 10%, respectively.

(15) The remaining 44% equity interest in Xiangyang Kaidi was held by Peng Chong, an Independent Third Party, Wang Sihong and Jiang Songbo, both of whom are dentists of our Group, as to 19%, 15% and 10%, respectively.

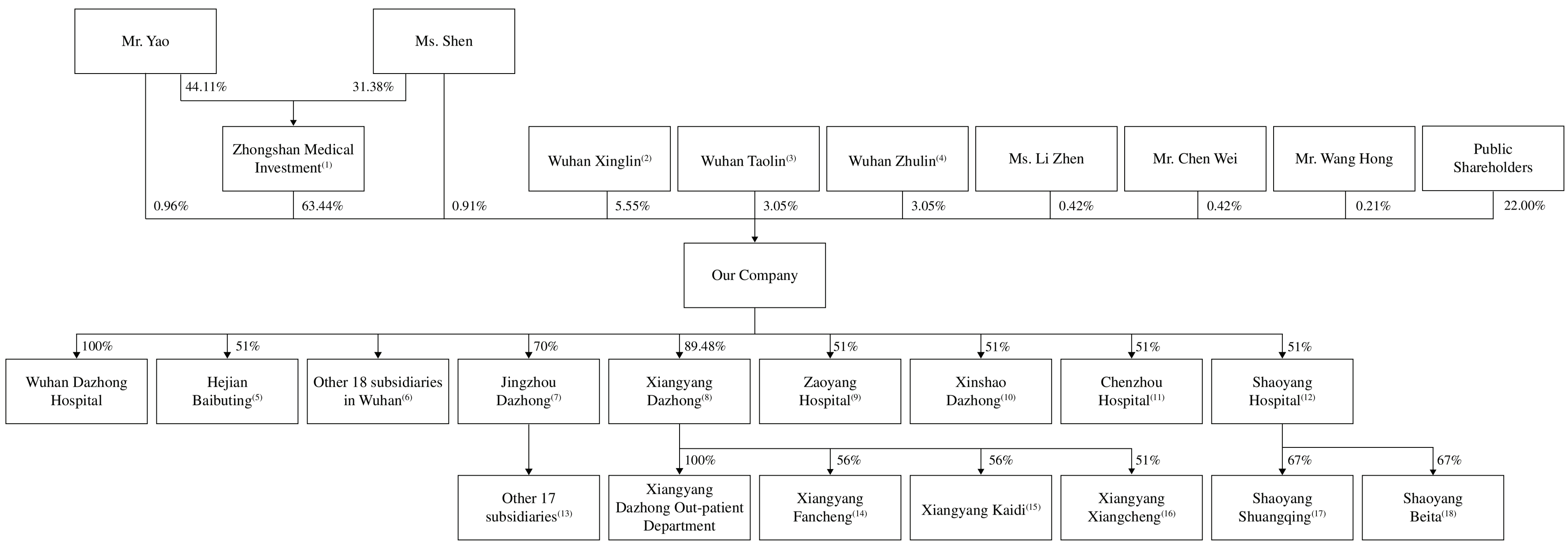
(16) The remaining 49% equity interest in Xiangyang Xiangcheng was held by Wuhan Haobochuan Enterprise Management Co., Ltd. (武漢浩博川企業管理有限公司), an Independent Third Party.

(17) The remaining 33% equity interest in Shaoyang Shuangqing was held by Tan Jing, a dentist of our Group, and Huang Ziqian (黃子倩), an Independent Third Party, as to 20% and 13%, respectively.

(18) The remaining 33% equity interest in Shaoyang Beita was held by Yang Pan, a dentist of our Group, and Liu Yingzi (劉英姿), an Independent Third Party, as to 20% and 13%, respectively.

Corporate Structure immediately following the Global Offering

The following chart sets forth the simplified corporate structure of our Group immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised):



Notes:

(1)-(18) Please refer to corresponding notes to the chart in "— Corporate Structure immediately before the Global Offering."

OVERVIEW

We are a private dental services provider in Central China with a focus on Hubei and Hunan provinces, operating an expanding dental service network under the direct chain model in this thriving market. We provide reliable and accessible dental care to communities, dedicated to serving the general public. According to Frost & Sullivan, we ranked first among all private dental services providers in Central China in terms of revenue generated therefrom in 2024, occupying a market share of approximately 2.4%. Over the years, we have been focusing our dental services on addressing the mass market demands, maintaining strong presence in densely populated Central China.

Benefiting from years of efforts to expand our dental service network, the number of our dental institutions in operation increased from 77 as of January 1, 2022 to 86 as of December 31, 2024, and further to 92 as of the Latest Practicable Date, including 4 for-profit dental hospitals, 80 for-profit dental out-patient departments and 8 for-profit dental clinics covering 8 cities in Hubei and Hunan provinces. These three types of dental institutions are subject to different regulatory requirements and standards mainly in terms of dental chairs, departments, medical professionals and scale. See "Industry Overview — The Dental Services Market in China — Participants of Dental Services Market in China." Pursuing a single-brand strategy, all of our dental institutions are operated under the unified brand name "愛尚大眾口腔" together with a trademark of " **爱尚大众** ," ensuring a cohesive and robust identity across our multi-regional dental service network. Most of our dental institutions are located in or adjacent to local communities, providing dental services to residents with ease of access.

We operate a Partnership Program primarily targeting seasoned medical professionals, to underpin the expansion of our dental service network, maintain the cohesion and stability of our core talent team and facilitate our talent team development, all of which constitute our competitive advantages and make our dental service network an ideal entrepreneurial platform for dentists. As of December 31, 2022, 2023 and 2024, 24, 32 and 37 dentists were minority shareholders of our dental institutions under the Partnership Program, respectively. Upholding the principle of "direct chain and direct partnerships (直營連鎖、直接合夥)," the Partnership Program has enriched our medical professional resources and fueled the expansion and profitability of our dental service network. In addition, our professional talent team led by seasoned dental experts and supported by our Technical Committee (技術委員會) consistently delivers quality dental services with advanced medical capabilities.

We place significant importance on our dentist resources and maintain a stable and broad dentist team. There were 280 dentists in total practicing at our dental service network as of December 31, 2024. For the years ended December 31, 2022, 2023 and 2024, the retention rate of dentists practicing at our dental service network for over three years reached approximately 87%, 89% and 90%, respectively. For the years ended December 31, 2022, 2023 and 2024, staff costs for dentists amounted to RMB57.8 million, RMB65.8 million and RMB58.2 million, accounting for 22.1%, 24.1% and 22.8% of our cost of sales for the same years, respectively. We did not rely on any particular dentist during the Track Record Period. The revenue contributed by our top five dentists in each year during the Track Record Period, in terms of revenue contribution, accounted for approximately 8.0% to 10.0% of our total revenue each year.

Our dental services consist of general dentistry services, implantology services and orthodontics services, addressing oral health needs of customers of all ages. Leveraging our community-focused dental care, we have accumulated a loyal customer base during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024, we served 276,310, 296,859 and 283,640 customers and recorded 708,651, 768,809 and 748,632 customer visits, respectively, with average spending per customer visit of RMB578, RMB575 and RMB544, respectively.

Our Market Opportunities

Driven by the rising public awareness of oral health and favorable policies, the dental services market in China is expected to witness continual growth in market demand and penetration. According to Frost & Sullivan, the market size of the dental services market in China was RMB147.2 billion in 2024 and is expected to grow at a CAGR of 6.4% from 2024 to 2029, reaching RMB200.4 billion in 2029. In particular, the market size of the private dental services market in China was RMB103.5 billion in 2024 and is expected to grow at a CAGR of 7.0% from 2024 to 2029, reaching RMB145.0 billion in 2029.

The private dental services market in Central China represented 16.8% of the market share of China's private dental services market in 2024, constituting an essential component of the national dental services market, with numerous untapped demands in this densely populated region. According to Frost & Sullivan, the market size of the private dental services market in Central China increased from RMB13.3 billion in 2022 to RMB17.4 billion in 2024 at a CAGR of 14.4% and is expected to grow at a CAGR of 7.8% from 2024 to 2029, reaching RMB25.3 billion in 2029. For the years ended December 31, 2022, 2023 and 2024, our total revenue amounted to RMB409.4 million, RMB441.8 million and RMB407.1 million, respectively. Along with the market expansion of the thriving private dental services market in Central China, our total revenue grew at a slower pace from 2022 to 2023. From 2023 to 2024, we encountered challenges mainly caused by customers' consumption downgrade resulting from the slower-than-expected post-pandemic economic recovery, and fierce competition among dental services providers under the downward pricing pressure brought by centralized procurement policies. While the market size of the private dental services market in Central China slightly increased from RMB17.2 billion in 2023 to RMB17.4 billion in 2024, we did not fully capture the market growth opportunities and experienced moderate declines in revenue, gross profit and net profit for the year ended December 31, 2024.

Going forward, as a private dental services provider in Central China with a focus on Hubei and Hunan provinces, we are well positioned to enhance our competitiveness through our distinctive branding strategy, experienced medical professionals, centralized cost control measures, optimized resource allocation across our dental service network, standardized and refined operational capabilities, as well as pragmatic and balanced expansion approach.

Our Financial Highlights

Benefiting from our highly standardized and refined direct chain model, our profitability stands out among private dental services providers in China, according to Frost & Sullivan.

For the years ended December 31, 2022, 2023 and 2024, our gross profit margin was 36.3%, 38.1% and 37.4%, respectively. Our net profit increased by 18.8% from RMB56.5 million for the year ended December 31, 2022 to RMB67.0 million for the year ended December 31, 2023, primarily due to the increase in revenue from our general dentistry and implantology services. Our net profit margin increased from 13.8% in 2022 to 15.2% in 2023. From 2023 to 2024, despite the challenging market conditions, such as the slower-than-expected post-pandemic economic recovery and fierce competition among dental services providers, we mitigated the negative impact on our profitability through our centralized cost control measures, such as utilizing online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency and negotiating favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them. Our net profit reduced at a slower pace compared to revenue, maintaining at RMB62.5 million in 2024. Our net profit margin increased from 15.2% in 2023 to 15.4% in 2024. Our net profit attributable to owners of the parent amounted to RMB43.3 million, RMB50.1 million and RMB41.9 million for the years ended December 31, 2022, 2023 and 2024, respectively.

We believe our superior management capabilities and direct chain model would steadily contribute to our profitability performance and lay a solid foundation for our future growth.

COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our continuous development and preeminent position in the dental services industry in Central China.

As a private dental services provider operating under the direct chain model in Central China, we serve the general public with reliable and accessible dental care, capitalizing on years of development experience and deep insights into the industry

Our operational scale and financial performance stand out among private dental services providers

As a testament to our industry leading position, we have achieved the following outstanding accomplishments according to Frost & Sullivan:

- ranked first among all private dental services providers in Central China in terms of revenue generated therefrom in 2024;
- ranked fourteenth among all private dental services providers in China in terms of revenue in 2024; and
- ranked third among all private dental services providers in China in terms of net profit generated in 2024.

Vast dental services market with expanding size and broad unmet demands, creating enormous growth potential

Driven by the rising public awareness of oral health and favorable policies, both market demand for and market size of dental services in China have been growing. According to Frost & Sullivan, the market size of the dental services market in China was RMB147.2 billion in 2024 and is expected to grow at a CAGR of 6.4% from 2024 to 2029, reaching RMB200.4 billion in 2029. The market dynamics are influenced by the limited supply of qualified dentists, especially those with rich academic knowledge and clinical practice experience, which gives rise to intense competition in acquiring and retaining talents. According to the same source, the number of dentists per million population in China was only 283 in 2024, which was largely lower than that of the developed countries, such as the United States, the European Union and Japan in the same year. Moreover, the distribution of qualified dental professionals remains geographically unbalanced in China. Many private dental services providers are committed to building their own talent cultivation program and focusing on regional markets outside first-tier cities, which play a crucial role in addressing the shortage and unbalanced distribution of dentist resources. With such efforts from private dental services providers, the accessibility and popularity of dental services in China are expected to improve rapidly. The dental services market in Central China has been an essential growth segment of the national dental services market. According to Frost & Sullivan, the market size of the dental services market in Central China is expected to grow at a CAGR of 6.9% from 2024 to 2029, reaching RMB40.0 billion in 2029. In particular, the market size of the private dental services market in Central China accounted for approximately 16.8% of the total market size of the private dental services market in China in 2024, and is expected to grow at a CAGR of 7.8% from 2024 to 2029, reaching RMB25.3 billion in 2029. In terms of revenue generated from Central China in 2024, we commended a market share of 2.4% in the private dental services market in Central China.

We maintain a dominant position in the dental services market in Wuhan with recognized brand awareness, and strategic network coverage extending across Hubei province leading to a prominent network effect, which alongside our highly standardized and adaptable business model enables highly efficient network expansion. Leveraging our in-depth industry insights and years of accumulated experience, we solidify our leading market position in Wuhan while continuously amplifying our brand influence in Central China.

Centralized and refined operational capabilities of our headquarters empower our dental institutions, ensuring operational efficiency and sustained profitability

Improved digitalization capabilities facilitate data-driven operational analysis and decision-making

Underpinned by our in-house information technology development capabilities, we have built digital management systems for our dental institutions, which effectively coordinate the front, middle and back-end operations. For instance, our back-end Big Data Analysis System, together with our mid-end operating systems, such as HIS, Supplier System and Fund Management System, digitalize and visualize our operational performance to facilitate optimum resources allocation across our front-end dental service network. In recognition of our strong information technology capability, we have been accredited as a "New High-tech Enterprise (高新技術企業)" since 2020. As of the Latest Practicable Date, we had 25 registered software copyrights, demonstrating our remarkable achievements in digitalization and informatization. Our proprietary information technology systems, such as HIS and BI system, largely enhanced our management of medical records and medical images through digitalizing our dental services, in particular, prosthodontics services, implantology services and orthodontics services. With years of investment in information technology infrastructure, we have established ourselves as a dental services provider with digital operation and management capabilities in Central China.

Specifically, our information technology systems effectively monitor operational indicators of our dental institutions in real-time and generate visualized reports for our management's review and decision-making. Through analyzing our internal operational indicators and comparing with external data such as human traffic and customer traffic, our information technology systems facilitate well-rounded and detailed operational analyses, enabling us to identify features of our top-performing dental institutions and areas for improvement, thereby continuously optimizing our operations and strategies for new establishments and acquisitions.

Our digital management system for dental institutions can achieve unified management of daily business matters such as customer visits, revenue, rental expenses, consumables costs and other expenses, providing strong system support for our daily business management, which help us achieve refined and cost-efficient operations. For instance, our digital systems can provide detailed cost analyses, help us analyze our cost components, provide supporting data for bargaining with lessors and suppliers, allowing us effectively control rental and renovation expenses and procurement costs.

Apart from digitalized dental institution management, we have been digitalizing our dental treatment, customer services and customer relationship management, striving to cultivate professional and convenient service experience throughout the pre-consultation stage, treatment stage and post-consultation stage. Specifically, we utilize advanced systems and technologies to achieve digitalized dental treatment, such as cephalometric analysis systems, digitalized intraoral scanners, chairside precision positioning systems and digital surgical guide technology. The introduction and application of such systems and technologies elevated diagnosis efficiency and dental practice precision, and improved service efficacy and experience for customers. Meanwhile, our HIS supports digitalized customer management, electronic medical records and pricing management, facilitating our medical professionals to track the treatment history and offer dental treatments precisely and efficiently. We also deployed a SCRM system for better customer acquisition and long-term customer relationship management, delivering customized service experiences while elevating repurchase of our dental services.

Community-oriented branding and service delivery

Aligning with the national policy of tiered healthcare services and massive unmet demands from residents for accessible oral health management, community healthcare services have become an essential component of private healthcare services in China. According to Frost & Sullivan, the total revenue of private community healthcare services in China reached approximately RMB403.0 billion in 2024, accounting for 31.2% of the total revenue of private healthcare services in China. Due to the nature of dental services, residents generally require frequent visits to offline dental institutions for treatments including implantology services, orthodontics services or preventative dental care. Public dental services providers typically face challenges in responding to customers' demands with accessible and convenient service experience. As a result, private dental services providers in proximity to residents are well positioned to address the unmet oral health demands in communities. According to Frost & Sullivan, the revenue contributed by dental services accounted for approximately 10% of the total revenue generated from private community healthcare services in China.

Our dental institutions are strategically located in or adjacent to communities, effectively addressing to the unmet demands for dental services in the local communities. Following our strategic site selection criteria and utilizing our information technology systems, we conduct comprehensive online and offline market research to thoroughly assess the demographic characteristics, traffic pattern and location of other dental institutions in the surrounding area. As such, most of our dental institutions were established in or adjacent to communities with massive demands for dental services. We have also established clear quantitative criteria on rental expenses and GFA for new dental institutions in different areas, which enables rigorous control over up-front investment and operating expenses during business expansion. Therefore, our dental institutions typically have a GFA ranging from 300 sq.m. to 500 sq.m..

We have implemented a standardized customer relationship management system, with designated staff responsible for customer acquisition, service delivery and follow-up services, aiming to provide a seamless and intimate service experience. We have deployed an advanced SCRM system integrated with our HIS, enabling synchronized customer information for better customer acquisition and customer relationship management. We regularly organize a variety of oral health promotion activities, such as health lectures, science salons, and holiday greetings, maintaining our medical professionals' presence within local communities to optimize customer relationship management and marketing outreach, which facilitates our customer acquisition and retention on a continual basis.

Holistic supply chain management and centralized procurement improve our profitability and operational efficiency

We have established a holistic supply chain management system at our headquarters level, standardizing our procurement, utilization and stocking of our dental equipment and consumables and our supplier selection. In pursuit of standardized and organized supply chain management, we coordinate, consolidate and address the procurement demands across our dental service network through our interconnected Supply Chain System, HIS and other online operating systems.

Taking advantage of our long-term stable relationships with suppliers and standardized supply chain management, we gained greater bargaining power to procure quality dental consumables in bulk at favorable prices, pursuing better profitability. Our costs of consumables and customized products as a percentage of our total revenue decreased from 17.5% in 2022 to 17.0% in 2023, and further to 16.2% in 2024.

Strategic Partnership Program and employee stock ownership platforms motivating high-quality medical professionals and other talents, underpinning our business growth while building our dental service network into a talent entrepreneurial platform

We respect and cherish the contribution of medical, administrative and marketing talents to the prosperity of our dental service network. We have strategically adopted a Partnership Program to amass and maintain a loyal, professional and motivated talent team.

We adopted our Partnership Program in 2017 to attract and retain seasoned medical professionals as well as administrative and marketing talents, which constitutes an essential and solid foundation of our dental service network's operation and expansion. Centering around dentists and upholding the principle of "direct chain and direct partnerships (直營連鎖、直接合夥)," our Partnership Program efficiently propels both organic growth and strategic acquisitions, driving network expansion efficiently. Under the Partnership Program, we invite seasoned dental, administrative and/or marketing talents to become minority shareholders of dental institutions, fostering experience sharing and resource coordination, and creating synergistic value propositions between such talents and our organization. As the minority shareholders of the dental institutions, these talents are actively involved in the daily operation and management, ensuring strategic alignment with institutional growth objectives. Beyond salaries and performance-based bonuses, participating dentists receive dividend distributions, which were distributed to them from the distributable profits of the relevant dental institutions in the previous year, in strict compliance with applicable regulatory requirements and our dividend policy. Such dividend distributions are contingent upon the profitability of the relevant dental institutions, thus largely enhance their sense of belonging and motivation, while securing the stability of our talent team, especially the seasoned dentists. Our Partnership Program has become an ideal entrepreneurial platform for dentists. With win-win cooperation mechanism and confidence to our long-term growth, such talents deeply participate in the daily operations and spend unwavering efforts in deploying their expertise and strengths in dental treatment, corporate management or marketing and promotion. For the years ended December 31, 2022, 2023 and 2024, revenue from those dental institutions with dentists as the minority shareholders amounted to RMB120.5 million, RMB147.6 million, and RMB161.0 million, representing 29.4%, 33.4% and 39.6% of our total revenue for the same years, respectively.

We also initiated employee stock ownership platforms to incentivize our management and employees, including those outstanding dentists, and enhance their stickiness to our dental service network. See "History, Development and Corporate Structure — Our Major Corporate Development."

We believe a stable team of talents leads to smooth cooperation among medical professionals as well as effective support from administrative and marketing staff during daily operations, which enables us to offer trustworthy dental services with consistent service quality. This ultimately contributes to customer satisfaction, accumulated customer trust and long-term prosperity of our dental service network.

Well-established scalable and replicable business model benefiting from organic growth and strategic acquisitions

Preeminent profitability among private dental services providers

Our highly standardized and refined operations under the direct chain model contribute to our leading profitability among private dental services providers in China. Among all private dental services providers in China, we ranked third in terms of net profit generated in 2024.

Our remarkable profitability is attributable to our centralized and refined management capabilities. We have implemented differentiated and effective internal management measures for dental institutions in different operational scales, locations and development stages. To make the best use of medical resources, we allocate personnel and equipment for different dental institutions based on their actual metrics including GFA, average monthly income, number of customers and customer visits to maximize human resource and equipment efficiency. Such meticulous business management has been proven to be valid and effective during years of operations, which laid a solid foundation for our future expansion.

Robust organic growth momentum in newly established dental institutions

We have accumulated rich experience in establishing new dental institutions during the Track Record Period. Our new dental institutions established during the Track Record Period generally have a GFA of 300 sq.m. to 500 sq.m. and it generally took approximately 3 to 4 months at the soonest from site selection to commencement of operations, which was largely shorter than the industry average of approximately 9 to 12 months, according to Frost & Sullivan, primarily due to the close and efficient collaboration among our departments under our centralized management system. Substantially all of the dental institutions we established during the Track Record Period achieved significant growth in both revenue and profitability, with a monthly breakeven period of approximately 5 to 7 months on average. The monthly breakeven period of our new dental institutions has been shortened in recent year, primarily due to (i) the reduced procurement costs of dental consumables following the implementation of centralized procurement policies; and (ii) our more efficient customer acquisition benefiting from our strengthened brand influence. In particular, 2 of our new dental institutions established in 2024 even reached their monthly breakeven point in their first month of operations. According to Frost & Sullivan, it usually takes around 1 to 2 years for a new dental institution to reach the monthly breakeven point in Central China.

Proven track record in strategic acquisitions

Apart from establishing new dental institutions, we have also successfully acquired a number of dental institutions and integrated into our dental service network. Historically, we proactively pursued acquisition opportunities and successfully completed several acquisitions. For instance, in 2019, we acquired Zaoyang Hospital, which recorded continuous increase in gross profit margin thereafter. The gross profit margin of Zaoyang Hospital increased from 40.5% in 2022 to 45.8% in 2023, and further to 46.6% in 2024. Furthermore, in 2020, to strengthen our presence in Central China, we acquired Jingzhou Dazhong. Taking advantage of our experience and efforts in integrating brand, customers and dentist resources, the acquired dental institutions recorded continuous growth in profitability since our acquisition. In particular, from 2022 to 2024, the gross profit of Jingzhou Dazhong increased at a CAGR of 9.7%.

- *Standardized and systematic acquisition target evaluation*. We implement standardized and systematic due diligence and evaluation process to identify acquisition targets with a proven track record that can adapt to our standardized management. We strategically concentrate on geographic regions with mass unmet demands for dental services, and closely monitor the market competition and the availability of qualified dental service resources in the relevant regions. Following our well-established criteria, we conduct thorough due diligence on the financial and operational performance of the acquisition targets and comprehensively assess their existing medical resources, such as GFA, the number of dental chairs and the development of dental specialties.

- *In-depth post-acquisition integration to promote in-network synergies*. After acquisitions, we devote efforts in standardizing the management and enhancing the operational efficiency of the newly acquired dental institutions, pursuing in-depth integration rather than simple financial consolidation. We continuously integrate the acquired dental institutions in various aspects, such as supply chain consolidation, staff training, cultural alignment and unified management system, ensuring the acquired dental institutions can be effectively integrated into our dental service network and overall development. We then optimize the operations of acquired dental institutions through digitalizing information technology systems, and centralizing financial settlement to the headquarters level. Additionally, our Technical Committee provides technical supports for the daily operations of the acquired dental institutions in order to supplement their medical resources and elevate their medical skills. Our centralized management and meticulous cost control measures at the headquarters level constantly optimize the acquired dental institutions' financial and operational performance.

- *High-quality expansion empowered by our direct chain model.* There are numerous private participants in the private dental services industry in China. According to Frost & Sullivan, the number of private dental institutions in China amounted to approximately 99.3 thousand in 2024, among which less than 3.0% of dental institutions achieved direct chain operations. Compared to the few dental services providers operating under the direct chain model, the remaining private dental services providers in China are mainly standalone dentist practice with lower compliance standard and weak competitiveness and profitability. Benefiting from the rapid growth of the private dental services market in China, we are poised to further increase our market share and entrench our competitive advantages by expanding our dental service network under the replicable and standardized direct chain model.

Preeminent professional talent team led by renowned dental experts, with medical technologies as our core competitiveness

Well-established Technical Committee underpinning the advancement of our medical technologies

Since our inception, we have attracted a number of renowned dental experts to join our dental service network and work with us, including renowned chief experts with abundant clinical experience and management expertise. Led by chief experts, we also established a Technical Committee and its subcommittees, which enrich our medical resources and contribute to our trustworthy service quality. Together with its three subcommittees, the Technical Committee serves as our highest academic organization, propelling our technology innovation and advantageous specialty development. Multiple experts with remarkable academic contributions in the field of dentistry and/or rich experience in clinical practices have been gathered in such committee to advise on our technology innovation and offer training sessions. They also from time to time conduct on-site visits to our dental institutions, conduct joint consultations and give technical guidance, which activates the innovation and application of advanced technologies in our dental service network, strengthens our capabilities to deal with miscellaneous oral diseases or complex dental procedures while propelling the development of our dental specialties. See "— Medical Professionals — Our Technical Committees" for details of the composition of our Technical Committee and its subcommittees.

The robust technological support from our Technical Committee enables us to offer reliable and satisfied dental services. We prioritize treatment efficacy and safety during the whole dental diagnosis and treatment process, requiring all of our dental institutions to strictly adhere to our quality management system. Under our "three-level and four-tier" quality management system, our Quality Safety Management Committee (質量安全管理委員會) collaborates closely with our Medical Center (醫療中心) and dental institutions to improve service experience for customers and make our dental services more secure and reliable. See "— Medical Quality Control — Systematic Quality Management System" for details.

High-quality services and trustworthy quality control capabilities led to high customer satisfaction and reputable brand image in the industry. The total number of customer complaints we experienced during the Track Record Period only accounted for approximately 0.01% of the total customer visits to our dental service network, significantly lower than the industry average of approximately 1.0% during the same year, according to Frost & Sullivan. See "Business — Compliance and Legal Proceedings — Legal Proceedings — Medical Claims Solved through Mediation."

Concentrating on the development of talent team and cultivating general dentists with strengths in advantageous specialties

Underpinned by the collaboration of subcommittees of our Technical Committee, we have built a comprehensive dentist cultivation system that offers personalized and targeted training programs for dentists with different lengths of dental practice and diverse backgrounds recruited by us through different channels, improving their technical proficiency while enhancing our service capacity. We encourage chief dentists, associate-chief dentists and technical administrators practicing at our dental service network to expand their expertise beyond their primary specialties, guiding them to become excellent dentists with holistic dental expertise and strengths in selected specialties. This approach enables us to become comprehensive dental services provider with advantageous specialties. We also continuously recruit seasoned dental experts to expand our Technical Committee.

Cultivating dentists with multifaceted dental expertise and specialized skills and developing both the service spectrum and advantageous specialties of our dental institutions enable us to address diverse oral health demands from residents of different ages and health conditions, while showcasing the technical prowess and unique expertise of dentists practicing at our dental service network.

We provide dentists with diverse professional development opportunities and clear career advancement ladder. We offer regular vocational trainings, case discussions and various academic communication activities. We also organize medical professionals to participate in the joint consultation of complex cases, and advise on their career development and clinical practice. Furthermore, we are committed to technology innovation and its clinical application. As of the Latest Practicable Date, we had 10 registered utility model patents, which were material to our business, demonstrating our contributions to continuous advancements and innovations in the dental services industry in China.

With our long-standing dedication to developing talent team and cultivating dentists, we have amassed a group of excellent dentists in our dental service network. Among all dentists practicing at our dental service network as of December 31, 2024, over 13% of dentists had over ten years of industry experience as of the same date. As of December 31, 2024, dentists with qualifications at mid-end or above level accounted for over 57% of the total number of dentists practicing at our dental service network, which surpassed the industry average level, according to Frost & Sullivan. Our comprehensive development system enables us to retain high-caliber dentists and serve our growing customer base with superior dental services.

Unified management led by visionary and experienced management team utilizing outstanding professional and managerial expertise

We adopt a direct chain model with unified operation philosophy, operational management, service standards and brand image across our dental service network, where customers trust us, our medical professionals and services. Under our direct chain model, we have established a well-rounded centralized management structure from headquarters level to institutional level, covering multifaceted committees, centers, divisions and departments. See "— Our Unified Management of Direct Chain — Centralized Management with Tiered Responsibility."

From our headquarters level, we coordinate the medical resources and efficiently optimize resource allocation to pursue high operational efficiency and cost-effectiveness across our dental institutions. Such tiered and standardized management promotes clear allocation of responsibilities and precise risk control, enabling us to effectively manage our broad dental service network and achieve healthy development.

A management team with superior expertise, experience and industry insights

All of our key management personnel have expertise in healthcare or management, as well as extensive experience in corporate management and a successful track record in starting multiple new businesses. Meanwhile, our mid-level management personnel have strong execution capabilities. With accumulated theoretical knowledge and rich practice experience through systematic management training and daily operations, our mid-level management personnel also contribute to the effective management.

We believe that our success is in part attributable to our visionary and experienced management team that has strong operational capabilities and outstanding academic backgrounds.

In particular, the chairman of the Board, Mr. Yao, has profound industry knowledge and insightful observations in the healthcare industry with over 30 years of experience in business operations and corporate management. Mr. Yao previously held managerial roles at Xi' an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司), Zhuhai United Laboratories Co., Ltd. (珠海聯邦製藥股份有限公司) and Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司). Mr. Yao also served in various public and association roles, such as a member of the Fifth Council of the Chinese Stomatological Association (中華口腔醫學會) and a deputy to the Fifteenth People's Congress of Wuhan City and the Fourteenth People's Congress of Wuhan City. Mr. Yao is currently the vice president of the Sixth Council of Hubei Stomatological Association (湖北省口腔醫學會) and the vice chairman of the Pharmaceutical Profession Association of Hubei Province (湖北省醫藥行業協會). Mr. Yao was recognized as an outstanding member of Committee of the Chinese People's Political Consultative Conference of Hubei Province (中國人民政治協商會議湖北省委員會).

The vice chairman of the Board and our general manager, Ms. Shen, has over 30 years of experience in the healthcare industry and corporate management. Ms. Shen previously held managerial roles at Xi' an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司), Zhuhai United Laboratories Co., Ltd. (珠海聯邦製藥股份有限公司), Hubei Pukang Pharmaceutical Co., Ltd. (湖北普康醫藥有限公司), Hubei Wanjia Pharmaceutical Co., Ltd. (湖北萬佳醫藥有限公司) and Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司). Ms. Shen held positions at several public offices and associations throughout her career. She was a member of the Sixth Council of the Chinese Stomatological Association (中華口腔醫學會) and the vice director of the Private Dental Medical Branch of the Chinese Stomatological Association (中華口腔醫學會民營口腔醫療分會), a standing member of the Sixth Council of Hubei Stomatological Association (湖北省口腔醫學會) and a deputy to the Sixteenth People's Congress of Wuchang District (武昌區第十六屆人民代表大會). Ms. Shen was recognized as an outstanding member of Committee of the Chinese People's Political Consultative Conference of Wuchang District (中國人民政治協商會議武昌區委員會).

In addition, our executive Director and vice general manager, Mr. Guo Jiaping (郭家平), has deep professional knowledge and a reputable track record in the dental services industry of over 30 years. Mr. Guo mainly focuses on the medical management, clinical work and professional training in our dental service network. Before joining our Group, Mr. Guo was the chief physician in the clinical dentistry department of the predecessor of The General Hospital of Central Theater Command of Chinese People's Liberation Army (中國人民解放軍中部戰區總醫院). He had held a number of positions in professional associations at both national and provincial level.

See "Directors, Supervisors and Senior Management — Board of Directors — Executive Directors" for further details of their biographies.

Moreover, our senior consultant, chief expert of our Technical Committee and the honorary chief executive administrator of our Wuhan Dazhong Hospital, Mr. Zhou Xianlue (周先略), is primarily responsible for providing suggestions for our dental operations as well as guidance for our clinical practice. Mr. Zhou has rich expertise in oral implantology and maxillofacial surgery. With over 40 years of extensive experience in dental clinical practice and research, he has published over 50 academic papers and two books in the field of dentistry. He has gained Hubei Provincial Science and Technology Progress Awards (湖北省科學技術進步獎) several times for his research achievements. Mr. Zhou has been recognized as Expert with State Council's Special Allowance (國務院特殊津貼專家). He had held multiple positions in professional associations at both national and provincial level.

We believe that the diverse experience and expertise of our management team in healthcare, legal affairs, finance, and business operations will continue to drive our future growth trajectory and optimize our corporate strategy and management model. Under the leadership of our visionary and experienced management, we are constantly expanding our business in Central China.

BUSINESS STRATEGIES

We intend to implement the following strategies in pursuit of our vision.

Reinforce our dominant position in Central China, consistently increase our market share, and expand our dental service network through establishments and acquisitions

Establish new dental institutions to enhance our brand influence in Central China

- *Entrench our dominant position in Wuhan*. We have been preparing for establishing new dental institutions in Wuhan. Aligning with the market dynamics and overall development pace, we will continue to open new dental institutions to elevate our market share and competitiveness in the local market. To achieve this, we will designate a dedicated team to further optimize medical resource allocation and improve return on investment. Through establishing new dental institutions in Wuhan, we expect to further enhance our network coverage therein and foster synergies among dental institutions. We maintain a prudent approach for establishments and avoid significant up-front capital investment, while targeting profitability in their first month of operations.

- *Explore the dental services market in the third- and fourth-tier cities in Hubei province*. We will continue to observe market opportunities in the third- and fourth-tier cities across Hubei province, further addressing the unmet demands from local residents. Following our well-established internal procedures and criteria for new establishment, we prioritize densely populated regions with a stable customer base and available medical professionals. We expect to establish a viable business model accommodating to the dental services market in the third- and fourth-tier cities, utilizing our operational and managerial expertise to benefit residents while diversifying our revenue sources by of region.

- *Expand into markets outside Hubei province*. We will expand our dental service network into other cities in Central China by establishing new dental institutions in or adjacent to communities, developing our brand presence across Central China. We plan to expand to such markets mainly through joint ventures with seasoned dentists under our Partnership Program to rapidly increase our market share and penetration.

Expand market coverage and prudently evaluate acquisition targets in appropriate geographic regions

We will continue to identify and evaluate potential acquisition targets in Central China, pursuing opportunities that meet our acquisition criteria and align with our development strategies at an appropriate pace and with reasonable considerations.

Based on thorough market research, due diligence and prudent target evaluation, we carefully select acquisition targets in accordance with our established standards and internal procedures. During internal assessment, we generally focus on the acquisition targets' profitability, stability of existing medical resources (especially dentists), growth potential, cultural alignment, and network synergies.

See "— Our Future Expansion" for details of our future expansion through both new establishment and acquisition.

We maintain stringent performance monitoring of newly established or acquired dental institutions. We seamlessly integrate such dental institutions into our existing dental service network under the direct chain model and strengthen vertical management supervision at the headquarters level. Our Partnership Program and "three-level and four-tier" quality management system help us systematically and effectively monitor their service quality.

Persistently improve our dental service capabilities, cultivate advantageous specialties and develop our Technical Committee to optimize dental technologies and empower the professional growth of dentists

Adhering to the spirit of "rooted in medical and driven by technology (醫療本源、技術驅動)," we seek to solidify the standardization of our quality control system, delivering reliable and safe dental services to our customers. We will further improve our quality control management system, timely upgrade our internal measures and protocols to adapt to industry development, optimize our organizational structure and offer training sessions for our quality management personnel to ensure operational excellence.

We will also reinforce our talent cultivation and systematic training for medical professionals. Through comprehensive training programs, we expect to further enhance our dental technologies. We will develop a tutoring system, where experienced dental experts provide clinical and research guidance to young talents to continually improve their theoretical knowledge and clinical capacity, thereby raising the overall quality of our dental services. Apart from internal cultivation, we plan to expand our medical professional team through diverse recruitment channel, including campus recruitment at prestigious institutions, targeted online social recruitment for personnel with work experience and professional referral programs. We will be gradually elevating our recruitment standards on a larger scale, particularly focusing on graduates of resident standardization training and postgraduates for clinical training from top universities. We will also recruit excellent undergraduates from other universities to expand our talent pool. Additionally, we will continue to enhance the promotion system for medical professionals, providing them with promising welfare and long-term career development opportunities.

Moreover, we will upgrade dental equipment and learn the latest technological development in the dental services industry. By adopting new technologies, advanced equipment and dental materials, we expect to optimize the efficiency and effectiveness of our dental diagnosis and treatments, ultimately improving customers' satisfaction and our competitiveness.

Furthermore, we highly value our dentist resources, which we consider are the essential cornerstone for the long-term development of our dental service network. We place great importance to attracting, recruiting, cultivating and retaining dentists practicing at our dental service network. We plan to further incentivize medical professionals through developing our

Partnership Program. We strive to offer clear career trajectories, establish systematic talent cultivation mechanism and optimize remuneration structures for such medical professionals. We will develop our Partnership Program, design and implement long-term equity incentive plans and talent retention programs, with the aim to foster "co-creation, co-win and co-share (共創共贏共享)" culture with key medical professionals. We believe these sustainable mechanisms not only attract and retain seasoned medical professionals but also provide offer such medical professionals a promising platform for personal advancement.

Strengthen our brand building and boost our brand influence by enhancing customers' service experience and satisfaction

Strengthen customer acquisition in communities and accurately reach potential customers in the local area

We are committed to deepening our penetration into the communities through serving more residents with trusted and accessible dental services. With a strategic focus on communities with high population density, we plan to regularly organize brand promotion activities, such as free dental consultation services and health lectures for the enterprises and schools located in or adjacent to communities. Such proactive participation allows us to gain a deeper understanding of customer needs, while elevating our brand awareness and service penetration in the communities.

Diversify promotion channels

We will diversify our promotion channels to attract customers both online and offline, strengthening our brand influence and boosting our reputation among potential customers and medical professionals. We believe diverse brand promotion approaches, coupled with enhanced customer acquisition capabilities, will drive sustainable expansion of our dental service network.

Enhance customer service experience

We cherish customers' trust in us and spare no efforts to create satisfied customer experience. Looking forward, we expect to further upgrade service experience throughout our whole service process, covering pre-consultation stage, treatment stage and post-consultation stage, offering customers intimate and coherent service experience. We seek to enhance customer satisfaction through various aspects, such as comfortable treatment environment, advanced diagnosis and treatment facilities and shortened waiting time. We plan to designate oral health management consultants in our dental institutions to enable personalized interaction and customized service experience, thereby increasing customer retention and customer loyalty.

Strive to accelerate our digitalization and informatization to empower our business development

Digitalized diagnosis and treatment

We aim to propel the digitalization of the entire service process, mainly covering electronic medical records, digitalized diagnosis and treatment and online customer relationship management. Utilizing our integrated information technology systems, we endeavor to offer one-stop data-based treatment solutions accommodating to individual customer's oral health condition and personal preference.

- *Digitalized information management*. We plan to use various digital tools to enhance our digitalization. Through advanced digital platforms, we systematically collect and archive medical information, ensuring standardized record management. Based on the comprehensive patient history records, we are able to deliver streamlined service with personalized treatment protocols and real-time patient access to medical records.

- *Digitalized clinical technologies*. We will leverage digital analysis technologies to tailor our dental services and develop the optimal treatment plans for customers.

- *In-house big data analysis and application capabilities*. In the future, we expect to deploy an advanced platform to assess and identify potential oral health issues for customers through in-depth analyses on historical medical records. Such platform will assist dentists in assessing the severity and specific type of oral diseases and designing personalized treatment plans.

Digitalized management

In pursuit of digitalized and modern management, we plan to further propel the integration of our information technology systems with data-based operational risk management. We have been utilizing a matrix of information technology systems to visualize our operational and financial performance and facilitate our management's data-based decision making. We expect to further digitalize our information collection process and develop our big data operational risk management. This helps our management understand our dental institutions' business performance on a real time basis, thereby improving our service quality, customer experience and internal control.

We expect to further develop our information integration capabilities and benefit from modern and digitalized management. Informative reports on operational and financial performance are crucial for decision-making and modern management. We will further elevate the information integration and analysis function of our information technology systems, leveraging data-based analysis to rationalize our business plans and timely adjust our operational and financial management.

Digitalized marketing

We plan to upgrade our information technology systems to enhance marketing data analysis capabilities, explore collaboration with third-party online platforms to reach more targeted customers and continuously expand our customer base effectively and cost-efficiently.

OUR DENTAL SERVICES

Adhering to the spirit of "rooted in medical and driven by technology (醫療本源、技術驅動)," we are committed to delivering trustworthy and accessible dental services to address customers' diverse needs along their life path through our broad dental service network across Central China.

Since the establishment of our first dental institution in 2007, we have established ourselves as a high-quality dental services provider with abundant technologies, expertise and experience accumulated across all dental specialties. Over the years, we have been strategically focusing our dental services on addressing the mass market demands, maintaining strong presence in communities throughout densely populated Central China. We amass and integrate medical resources through the direct chain model, and efficiently reach and serve customers of diverse demographics through our broad dental service network, addressing their oral health needs. With experienced dentists and advanced technology, we endeavor to provide comprehensive and customized dental services catering to customers' personal conditions, creating a convenient and intimate service experience.

We provide customers with a comprehensive range of dental services, including general dentistry services, implantology services and orthodontics services. The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
General dentistry services	212,526	51.9	237,088	53.7	217,321	53.4
Implantology services	116,728	28.5	122,984	27.8	115,647	28.4
Orthodontics services	80,190	19.6	81,769	18.5	74,115	18.2
Total	**409,444**	**100.0**	**441,841**	**100.0**	**407,083**	**100.0**

General Dentistry Services

General dentistry services generally refer to oral preventive care, treatment of regular oral diseases, and restorative services, encompassing full process from prevention, diagnosis to treatment, with the aim to provide customers with a one-stop oral health solution. As a customer-centric dental services provider located in densely populated areas and adjacent to communities, we focus on the daily oral health of our customers. Through regular oral health management and early intervention of dental diseases, we help customers mitigate the risks of worsening symptoms and avoid costly treatments of serious diseases. As healthy teeth and gums improve the comfort, appearance and confidence of customers, we believe regular oral health management not only tackles customers' basic and general dental problems but also enhances their overall quality of life.

Our general dentistry services mainly cover (i) prosthodontics; (ii) oral medicine; (iii) oral surgery; and (iv) pedodontics.

- ***Prosthodontics***. Prosthodontics is a specialty of dentistry that provides diagnoses and treatments on tooth defects, tooth loss and maxillofacial defects. Our prosthodontics services aim to restore customers' oral function and aesthetics through various restorative methods, thereby improving their life quality. Particular treatment methods are typically determined by customers' specific conditions and demands, based on dentists' professional diagnosis. Our prosthodontics services encompass restoration of dental defects, restoration of tooth defects, restoration of tooth loss, periodontal disease-related restoration, maxillofacial defect restoration, cosmetic restoration, implant restoration, digital prosthodontics, occlusal reconstruction, and restoration supported by multidisciplinary collaboration. Our prosthodontic treatments are characterized by minimally invasive treatments, high aesthetics standards, and commitment to providing natural-looking, comfortable and lasting results. The main dental equipment and consumables used in our prosthodontic treatments include electronic facebows, intraoral scanners, dental impression materials, dental crowns, dental bridges and dentures. Typically, our prosthodontics services take two weeks to two months, depending on the types of denture, materials used, customization required and technology involved.

- ***Oral medicine***. Oral medicine is a specialty of dentistry that deals with the most common oral diseases, including teeth hard tissue diseases, pulp diseases, periapical diseases, periodontal diseases and oral mucosal diseases. Oral medicine aims to preserve the original organs and maintain their natural functions. Our service offerings mainly include root canal treatments, root canal retreatments, dental filling, microscope-assisted root canal treatments, aesthetic filling for anterior teeth and painless teeth cleaning. The main dental equipment and consumables for our oral medicine services include dental microscopes, intraoral scanners, ultrasonic dental cleaners, endodontic files, root canal irrigants, resins and dental scalers. The duration of our oral medicine services varies from 1 day to approximately 10 days, depending on the severity of diseases, complexity of treatment procedure and technological requirements.

- ***Oral surgery***. Oral surgery is a specialty of dentistry that deals with the diagnosis and surgical treatment of diseases, injuries and defects of mouth, jaw, and associated facial structures. Our oral surgery typically covers painless tooth extraction, minimally invasive tooth extraction, extraction of complex impacted teeth, alveolar surgery, surgical correction of oral developmental deformities and removal of maxillofacial cysts. The main dental equipment and consumables for our oral surgery typically consist of surgical drills, minimally invasive dental elevators, dental forceps, scalpels, retractors, sutures, along with anesthetics, gauze, etc.

- ***Pedodontics***. Pedodontics is a specialty of dentistry that focuses on the diagnosis and treatment of oral health issues of children. Our pediatric dental services include dental examinations, preventative teeth treatments, cavity fillings and other routine dental services accommodating the unique needs of children. Our pediatric dental services focus on both prevention and treatment, fostering good oral health habits through effective communication with children and their parents. During treatment, medical professionals pay special attention to children's physical growth stages, psychological state and behavioral patterns, to ensure the safety and effectiveness of dental treatment. We typically use dental equipment and consumables tailored to children's teeth, such as pedodontics forceps, pediatric brackets and bands, as well as other general dental equipment and consumables during the provision of pedodontics services. We also provide treatment rooms and play areas designed for children, featuring cartoon decorations and child-friendly interactive methods to help anxious children relax during dental treatment.

For the years ended December 31, 2022, 2023 and 2024, we recorded 520,961, 549,907 and 516,570 customer visits to general dentistry services, respectively, and the average spending per customer visit for general dentistry services was RMB408, RMB431 and RMB421, respectively, for the same years.

For the years ended December 31, 2022, 2023 and 2024, revenue from general dentistry services amounted to RMB212.5 million, RMB237.1 million and RMB217.3 million, respectively, representing 51.9%, 53.7% and 53.4%, respectively, of our total revenue for the same years.

Implantology Services

Implantology is a specialty of dentistry that deals with the tooth replacement, which involves implanting artificial teeth root (implants) into the alveolar bone to support the restoration of missing teeth. Our implantology treatments utilize different types of dental equipment and consumables, mainly including cone beam computed tomography machines, implant machines, ultrasonic bone scalpels, implant membrane tacks, implant fixtures, bone grafts, abutments, drills and other dental tools for implants. Our implantology services aim to provide customers with a teeth replacement solution to replace the natural teeth with implants and achieve improved functionality and aesthetics. Through precise surgery and professional care, we can achieve successful implantation with long-term stability of the implants.

We apply multiple advanced implantology technologies, such as robotic-assisted implant, digital surgical guide technology (數字化導板技術), dynamic navigation technology (動態導航技術), the All-on-4 implant, and V-II-V technique. These technologies enhance the precision, efficiency and success rate of implantology procedures, thereby improving service experience and customer satisfaction. In particular, the All-on-4 implant and V-II-V technique enable immediate implant placement and restoration, while preserving oral soft tissues and bone tissues, minimizing surgical trauma and shortening the whole treatment procedure.

- ***Digital surgical guide technology***. Digital surgical guide technology is an auxiliary tool used in dental implant surgery, designed based on customers' three-dimensional oral data (such as CT data, dental arch data, etc.) and manufactured using three-dimensional printing technology. We utilize digital surgical guide technology to design and fabricate custom guide for our dental implant surgeries. Such custom guides help medical professionals precisely place the implants according to pre-planned locations, improve implant accuracy, achieve optimal alignment, and minimize surgical risks for our customers.

- ***All-on-4 implant***. All-on-4 implant technology is an advanced dental implant technology that restores edentulous arch by implanting four implants in the upper or lower jaw. We adopt the All-on-4 implant technology to provide fixed dentures with greater comfort and convenience for edentulous customers. Compared with the traditional treatment methods, All-on-4 implant technology uses only four implants to support the arch restoration, eliminating the need for bone grafting, largely shortening the treatment time and achieving immediate and ideal implant results.

- ***Robotic-assisted implant***. Our innovative robotic-assisted implant is guided by digital surgical guides and infrared optical positioning. We are committed to improving the implant surgery process, by using robotic systems to assist dentists in placing implants based on comprehensive oral data analysis and well-designed implant plans, minimizing incisions and optimizing positioning. As an emerging high-precision technology that integrates computer-aided design, computer-aided manufacturing, robotics and three-dimensional imaging to achieve precise implant placement, robotic-assisted implant technology enhances surgical accuracy, reduces operation time, improves customers' comfort during treatment and lowers the risk of complications.

- ***Dynamic navigation technology***. Leveraging clinical image visualization and spatial coordinate system positioning, dynamic navigation technology provides medical professionals with real-time and precise guidance during dental implant surgeries. Through dynamic navigation, medical professionals can observe real-time progress of the procedure on the monitor, monitor the movement of surgical instruments in real-time and make efficient adjustments on implant placement, which provides flexibility and improves accuracy during implant process, allowing customers to enjoy reliable and sophisticated implantology services.

- ***V-II-V technology***. We employ V-II-V technology during implantology services. Specifically, we leverage vertical and angled implantology approaches, as well as trans-pterygoid approaches to provide implantology services for edentulous customers with severe maxillary bone defects. This reduces the challenges associated with complex bone augmentation, while shortening the time length of implantology procedures.

Our implantology services generally last for 3 months to 12 months, depending on the severity of bone loss, bone density and quantity, number of implants, type of techniques, the complexity of the surgical procedure, customization of the prosthesis, such as crowns or bridges, and technological involvement.

National Centralized Procurement

In recent years, the PRC government has been propelling the centralized procurement of dental implants and strengthening the pricing supervision of dental institutions' implantology services, with the aim to rationalize and promote the transparency in the pricing of dental implantology consumables and services across the dental services industry in China. In September 2022, the National Healthcare Security Administration (國家醫療保障局) promulgated the *Notice of the National Healthcare Security Administration on Conducting Special Governance of Medical Service Charges and Consumable Prices for Dental Implants* (《國家醫療保障局關於開展口腔種植醫療服務收費和耗材價格專項治理的通知》). Since then, the government authorities at both national and provincial level issued a series of policies on effectively implementing centralized procurement and pricing management for dental implants. See "Regulatory Overview — Regulations on the Reform of Medical Institutions — Notice on Conducting Special Governance of Medical Service Charges and Consumables Price for Dental Implants."

For further details of centralized procurement policies, see "Regulatory Overview — Regulations on the Reform of Medical Institutions."

These policies enhanced the general public awareness and willingness to seek implantology services at dental institutions. As a result, we have observed an increasing number of customers gaining access to more affordable dental services. The number of implant teeth increased from 13,797 in 2022 to 20,485 in 2023. These policies have also reduced our procurement costs of implants by approximately 15% from 2022 to 2023. In response to the implementation of centralized procurement policies in Hubei and Hunan provinces as well as the fierce market competition under the downward pricing pressure brought by such policies, we made pricing adjustments, reducing the fees for implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023. Following such pricing adjustment, the average spending per customer visit for our implantology services reduced from RMB1,953 in 2022 to RMB1,562 in 2023, while the average spending per implant tooth reduced from RMB8,460 in 2022 to RMB6,004 in 2023. Taking advantage of our comprehensive dental specialty deployment, improving resource utilization efficiency, as well as the centralized management and economies of scale of our service network, we expect to mitigate the negative impact of these policies on our overall profitability.

For the years ended December 31, 2022, 2023 and 2024, the number of customer visits to our implantology services amounted to 59,763, 78,759 and 86,810, respectively, and the average spending per customer visit for implantology services was RMB1,953, RMB1,562 and RMB1,332, respectively, for the same years. For the years ended December 31, 2022, 2023 and 2024, the number of implant teeth amounted to 13,797, 20,485 and 20,055, respectively, and the average spending per implant tooth was RMB8,460, RMB6,004 and RMB5,767 respectively, for the same years.

For the years ended December 31, 2022, 2023 and 2024, revenue from implantology services amounted to RMB116.7 million, RMB123.0 million and RMB115.6 million, respectively, representing 28.5%, 27.8% and 28.4%, respectively, of our total revenue for the same years.

Orthodontics Services

Orthodontics is a specialty of dentistry that focuses on the diagnosis, prevention and treatment of dental and jawbone developmental abnormalities. These abnormalities include misaligned teeth, abnormal occlusion and irregularities in the size, shape and position of the jawbone. As an important specialty of dentistry, orthodontics not only focuses on the aesthetic alignment of teeth but also, more importantly, aims to restore and maintain normal function of mouth, such as chewing, speaking and facial aesthetics. Our orthodontic treatments use a range of dental equipment and consumables, mainly including metal brackets, ceramic brackets, clear aligners and other appliances.

During the orthodontics services, the dentist chooses one or more fixed or removable dental braces according to the specific situation of each customer to achieve ideal treatment outcomes. Our orthodontics services demonstrate the following competitive advantages:

- ***Optimal orthodontics plan customized for customers in diverse oral conditions***. We tailor our orthodontics services and develop the optimal treatment plan for customers mainly based on (i) customers' age and jaw development, which are crucial in determining the treatment plan; (ii) severity and specific type of the malocclusion, such as maxillary protrusion, mandibular protrusion, crossbite and open bite; (iii) customers' oral health condition. We generally recommend that customers address tooth decay or gum problems before the orthodontics process; (iv) customers' preferences and treatment goals. We pay attention to their specific goals, such as improving bite function, enhancing smile aesthetics or addressing other issues, and preferences for treatment options, such as clear aligners or traditional fixed braces; and (v) the application of advanced dental equipment and tools.

- ***Refined and digitalized orthodontic treatment.*** We have introduced cephalometric analysis systems, digitalized intraoral scanners, chairside precision positioning systems, to perform medical measurements on 3D cephalograms generated by the CT scanner. Utilizing its connection with our HIS, the cephalometric analysis system digitalizes the diagnosis of customers' malocclusions with higher efficiency and accuracy.

Typically, our orthodontics services include multiple treatment sessions lasting from one year to three years, depending on the severity of malocclusions, type of orthodontic consumables, extent and frequency of adjustments, customers' adherence to the treatment plan and technical complexity involved.

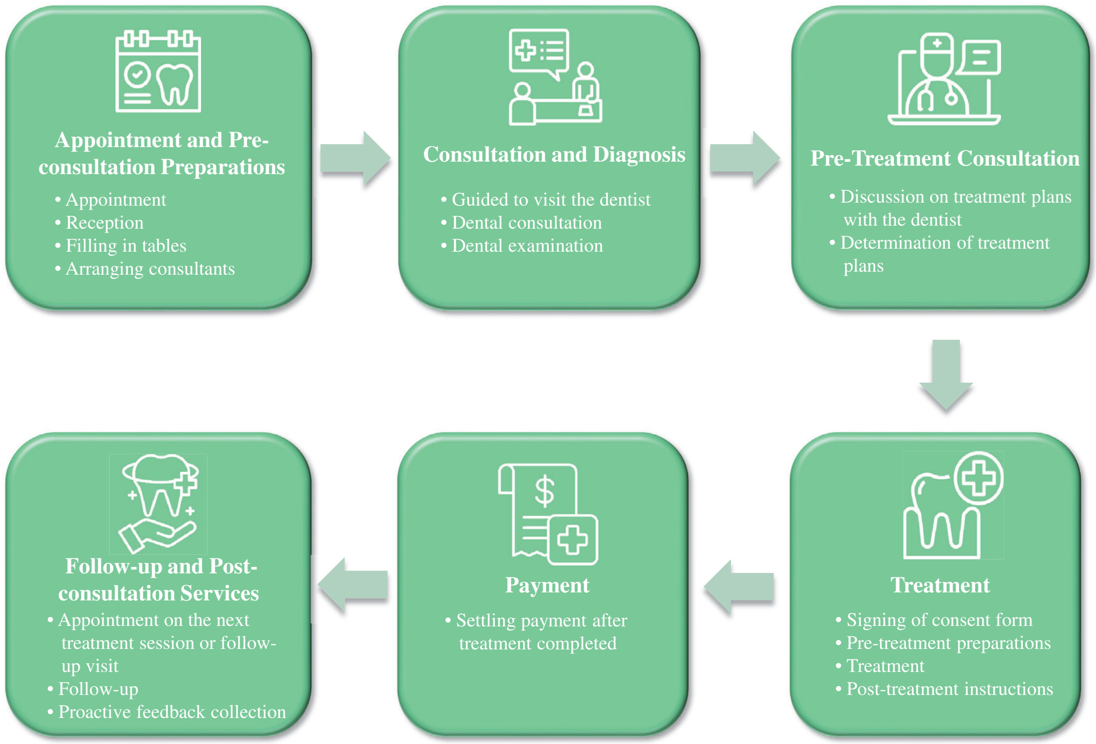
For the years ended December 31, 2022, 2023 and 2024, we recorded 127,927, 140,143 and 145,252 customer visits to our orthodontics services, respectively, and the average spending per customer visit for orthodontics services was RMB627, RMB583 and RMB510, respectively, for the same years. The decrease of such spending from 2022 to 2023 was mainly caused by increased customers' follow-up visits after the pandemic to complete the orthodontics treatment in previous years. The decrease of such spending from 2023 to 2024 was mainly as a result of (i) our price reduction of approximately 15% to 20% to certain orthodontics services using clear aligners in response to customers' consumption downgrade during the slower-than-expected post-pandemic economic recovery. Such pricing adjustment was underpinned by our effective cost control and negotiation of favorable terms with key suppliers for high-quality dental consumables; and (ii) reduced customer visits by new customers mainly resulting from customers' consumption downgrade, which led customers to defer non-essential expenditures such as consumption-oriented orthodontics services as they are typically considered non-urgent and demand-driven, unlike essential, disease-driven dental treatments, and our relatively conservative marketing strategy outside Wuhan in reaction to slower-than-expected post-pandemic economic recovery.

For the years ended December 31, 2022, 2023 and 2024, revenue from orthodontics services amounted to RMB80.2 million, RMB81.8 million and RMB74.1 million, respectively, representing 19.6%, 18.5% and 18.2%, respectively, of our total revenue for the same years.

Our Standardized Service Steps

To better control the quality of our clinical practices and monitor the service progress and outcomes of our entire dental service network, we have streamlined and standardized our service steps. We prioritize customers' service experience throughout their whole visits to our dental institutions. We generally designate oral health management consultants in our dental institutions, who work closely with our medical professionals to guide service steps in a timely manner and promote a seamless service experience, addressing oral health needs in a one-stop manner. See "— Our Customers — Broad Customer Base with Intimate Customer Experience" for details.

The following flow chart illustrates key steps of our dental services.



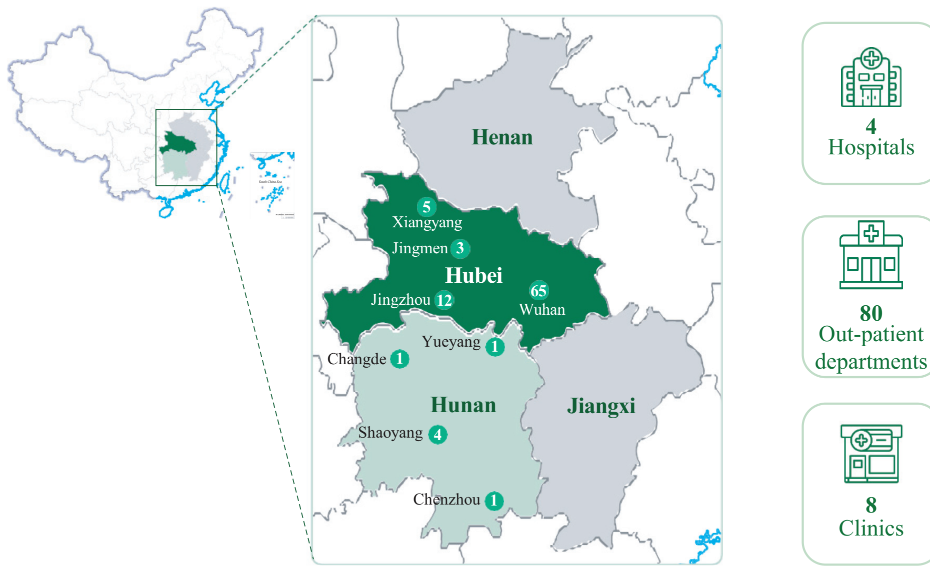
OUR DENTAL SERVICE NETWORK

Since our inception in 2007, we have established a cross-regional dental service network consisting of 92 dental institutions in operation as of the Latest Practicable Date, including 4 dental hospitals, 80 dental out-patient departments and 8 dental clinics, covering 8 cities in 2 provinces in China. Through these dental institutions, we provide a full range of dental services to customers with diverse dental health needs. As a private dental services provider in Central China with a focus on Hubei and Hunan provinces, we are well-positioned to promote the oral health of the public through our expanding dental service network.

Geographic Coverage of Our Dental Service Network

Set out below is an illustration of the geographic coverage and service capacity of our dental service network as of the Latest Practicable Date.

Our Dental Service Network



Central China

The following table sets forth the number of our dental chairs by region as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Hubei province	**577**	**630**	**627**	**644**
Wuhan	400	453	468	489
Other cities in Hubei province	177	177	159	155
Hunan province	**68**	**71**	**75**	**73**
Total	**645**	**701**	**702**	**717**

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by region for the years indicated:

	Year ended December 31,											
	2022				2023				2024			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Wuhan	290,948	71.1	118,882	40.9	316,892	71.7	133,976	42.3	290,404	71.3	116,681	40.2
Other cities in Hubei province	74,308	18.1	18,128	24.4	80,350	18.2	20,498	25.5	73,961	18.2	22,204	30.0
Hunan province	41,773	10.2	11,391	27.3	44,600	10.1	13,752	30.8	42,718	10.5	13,455	31.5
Total[(1)]	**409,444**	**100.0**	**148,474**	**36.3**	**441,841**	**100.0**	**168,226**	**38.1**	**407,083**	**100.0**	**152,340**	**37.4**

Note:

(1) Apart from dental institutions in Hubei and Hunan provinces, historically, we operated two dental institutions in Anhui province, which were voluntarily disposed in May 2022 following our thorough evaluation of market conditions and alignment with our future business strategies. In 2022, our revenue generated from dental institutions in Anhui province amounted to RMB2.4 million, representing 0.6% of our total revenue for the same year.

Composition of Our Dental Service Network

Dental institutions are generally categorized into dental hospitals, dental out-patient departments and dental clinics, as specified in their Medical Institution Practicing Licenses. Each of these three types of dental institutions is subject to distinct regulatory requirements and standards. See "Industry Overview — The Dental Services Market in China — Participants of Dental Services Market in China" for details. As of the Latest Practicable Date, we had 4 dental hospitals, 80 dental out-patient departments and 8 dental clinics in operation in our dental service network. All dental hospitals operated by us during the Track Record Period and up to the Latest Practicable Date were Class II dental hospitals, except for Chenzhou Hospital, which had not been classified as of the Latest Practicable Date.

Our dental hospitals, dental out-patient departments and dental clinics all target residents of all ages in communities, generally providing general dentistry services, implantology services and orthodontics services with ease of access. In our dental service network, a dental hospital typically covers an area of 1,300 sq.m. to 2,000 sq.m., a dental out-patient department typically covers an area of 200 sq.m. to 1,000 sq.m, while a dental clinic typically covers an area of 200 sq.m. to 500 sq.m.. These three types of dental institutions are cohesively integrated and operated under a direct chain model, forming a unified dental service network supported by a centralized management structure.

The following table sets forth the movement in the number of dental chairs across our various types of dental institutions during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Number of dental chairs at the beginning of the year	676	645	701	702
– Dental hospitals	128	89	89	87
– Dental out-patient departments	499	505	560	561
– Dental clinics	49	51	52	54
Number of new dental chairs during the year	47	63	46	52
– Dental hospitals	1	–	–	–
– Dental out-patient departments	44	61	43	47
– Dental clinics	2	2	3	5
Number of reduced dental chairs during the year[1]	(78)	(7)	(45)	(37)
– Dental hospitals	(40)	–	(2)	–
– Dental out-patient departments	(38)	(6)	(42)	(31)
– Dental clinics	–	(1)	(1)	(6)
Number of dental chairs at the end of the year	**645**	**701**	**702**	**717**[2]

Notes:

(1) Representing decommissioned dental chairs due to their service life expiration and reduced dental chairs following our disposal of dental institutions. The average service life of our dental chairs generally ranges from 5 to 10 years.

(2) As of the Latest Practicable Date, our dental hospitals, dental out-patient departments and dental clinics had 87, 577 and 53 dental chairs, respectively.

We are committed to steadily growing our market share and expanding our dental service network through both organic growth and strategic acquisitions. Taking into account market dynamics and the overall development pace, we will continue to establish new dental institutions in Wuhan while pursuing acquisitions of dental institutions outside Wuhan. We prioritize new establishment in Wuhan to leverage our well-established brand recognition and accumulated dentist resources in the city, enhancing local residents' access to reliable dental services, while expanding our service network to achieve greater economies of scale. Besides, when proper collaboration opportunities with seasoned dentists arise, we may also explore acquisitions in Wuhan and new establishments outside Wuhan. In the next five years, we expect to prioritize the expansion of dental out-patient departments, with a secondary focus on dental hospitals to satisfy unmet demands across a broader service radius, foster dental research, and facilitate experience sharing, reinforcing our dominant position in Central China. Based on our existing utilization of dental resources and insights into the local customers' demands, we will prioritize the expansion of dental out-patient departments as the operational scale and dental resources available to such type of institutions enable us to effectively address unmet customers' demands while achieving cost-efficient expansion and operations. Please see "Future Plans and Use of Proceeds."

Development Stage of Our Dental Institutions

Taking advantage of our growing brand influence and rich experience in operating dental institutions under a direct chain model, we maintain an expanding dental service network. We categorized our dental institutions based on the historical operational and financial performance of dental institutions for better in-network resource coordination and allocation. Our dental institutions with an operating history of less than two years within our dental service network are at their initial development stage (the "**initial stage**"), dental institutions with an operating history of two years to six years within our dental service network are ramping up (the "**ramp-up stage**") and dental institutions with an operating history of over six years within our dental service network are relatively matured (the "**matured stage**"). As of the Latest Practicable Date, we had 20 dental institutions at the initial stage, 39 dental institutions at the ramp-up stage and 33 dental institutions at the matured stage. Our dental institutions move from initial stage to ramp-up stage and further to matured stage along with their business growth, witnessing increasing customer visits, improving medical resource utilization and strengthening revenue streams, which pave the way for greater economies of scale and in-network synergies.

The following table sets forth the movement in the number of our dental institutions in operation by type and development stage during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Number of dental institutions at the beginning of the year	77	74	81	86
– Dental hospitals	6	4	4	4
– Dental out-patient departments	64	63	70	75
– Dental clinics	7	7	7	7
Number of newly established dental institutions	5	4	6	8
– Dental hospitals	–	–	–	–
– Dental out-patient departments	5	4	6	8
– Dental clinics	–	–	–	–
Number of newly acquired dental institutions	–	3	–	–
– Dental hospitals	–	–	–	–
– Dental out-patient departments	–	3	–	–
– Dental clinics	–	–	–	–
Number of dental institutions disposed by us during the year[(1)]	(8)	–	(1)	(2)
– Dental hospitals	(2)	–	–	–
– Dental out-patient departments	(6)	–	(1)	(2)
– Dental clinics	–	–	–	–
Number of dental institutions at the end of the year	**74**	**81**	**86**	**92**[(2)]
– Initial stage	16	12	13	20
– Ramp-up stage	39	44	42	39
– Matured stage	19	25	31	33

Notes:

(1) We voluntarily terminated the operations of eight, one and two dental institutions in 2022, 2024 and during the period subsequent to December 31, 2024 and up to the Latest Practicable Date, respectively, based on our evaluation on the market condition and future business strategies. Before our disposal of such dental institutions, we generally notify customers of the locations and dentist information of our other dental institutions in nearby regions, ensuring the continuity and consistency of our dental services.

Of the eight institutions terminated operations and disposed by us in 2022, four were disposed due to their suboptimal financial performance, while the remaining four were disposed after comprehensive consideration of our regional development priorities, local market demands and resource allocation within our dental service network. Revenue from these eight dental institutions in 2022 accounted for approximately 1.8% of our total revenue in the same year. Our gross profit from these dental institutions amounted to approximately RMB0.2 million in 2022. As a result of such disposal, we recognized gains on disposal of subsidiaries of RMB1.6 million in total in 2022.

(2) In April 2025, one of our dental out-patient departments was reclassified as a dental clinic. As of the Latest Practicable Date, we had 4 dental hospitals, 80 dental out-patient departments and 8 dental clinics in operation in our dental service network.

The following table sets forth the number of dental chairs in our dental institutions of different development stages as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Initial stage as of the end of the year	100	85	81	122
Ramp-up stage as of the end of the year	345	364	337	297
Matured stage as of the end of the year	200	252	284	298
Total	**645**	**701**	**702**	**717**

The following table sets forth the revenue, gross profit and gross profit margin of our dental institutions at different development stages for the years indicated:

	Year ended December 31,											
	2022				2023				2024			
	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin	Revenue	% of total revenue	Gross profit	Gross profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Initial stage as of the end of the year	34,628	8.5	801	2.3	32,185	7.3	8,742	27.2	26,723	6.6	6,972	26.1
Ramp-up stage as of the end of the year	217,167	53.0	77,316	35.6	203,772	46.1	63,534	31.2	181,292	44.5	56,787	31.3
Matured stage as of the end of the year	157,649	38.5	70,357	44.6	205,884	46.6	95,950	46.6	199,068	48.9	88,581	44.5
Total	**409,444**	**100.0**	**148,474**	**36.3**	**441,841**	**100.0**	**168,226**	**38.1**	**407,083**	**100.0**	**152,340**	**37.4**

The following table sets forth the number of our dental institutions[1] that recorded gross profit or gross loss for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Number of dental institutions recorded gross profit	72	74	77
Number of dental institutions recorded gross loss[2]	9	7	10

Notes:

(1) The aggregate number of profit-making and loss-making dental institutions did not equal to the total number of our dental institutions as of the end of each year, due to our establishment, acquisition and/or disposal of dental institutions during the relevant year.

(2) 21 dental institutions in total recorded gross loss during the Track Record Period, among which five dental institutions recorded gross loss in two years. With respect to these five dental institutions, two dental institutions recorded gross loss in 2022 and 2023, one dental institution recorded gross loss in 2023 and 2024, while the remaining two recorded gross loss in 2022 and 2024. As of the Latest Practicable Date, two of them achieved profit turnaround, two were voluntarily disposed by us, while the remaining one outside Wuhan was still in the loss-making position, primarily due to decrease in customer visits as a result of its conservative marketing strategy in reaction to slower-than-expected post-pandemic economic recovery.

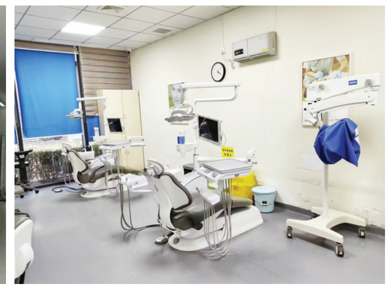
During the Track Record Period, a total of 21 of our dental institutions recorded gross loss. In particular, 18 newly established and 3 newly acquired dental institutions recorded gross loss due to the upfront investment during their preparation or ramp-up stage. For all dental institutions that recorded gross loss in 2022, their loss position was also caused by decrease in customer visits to such dental institutions caused by local travel restrictions during the COVID-19 pandemic.

For the year ended December 31, 2023, among the nine dental institutions recorded gross loss in the previous year, (i) four dental institutions achieved profit turnaround, (ii) three dental institutions were voluntarily disposed by us, while (iii) the remaining two were still in the loss-making position, among which one had substantial upfront investment at its ramp-up stage, while the other dental institution became an independent legal entity in 2023, adopting standalone financial reporting and assuming its own lease costs, resulting in its loss-making position. For the year ended December 31, 2024, among the seven dental institutions recorded gross loss in the previous year, (i) six dental institutions achieved profit turnaround, and (ii) the remaining one was voluntarily disposed by us. As of the Latest Practicable Date, among the 10 dental institutions recorded gross loss for the year ended December 31, 2024, (i) three dental institutions achieved profit turnaround, (ii) two dental institutions were voluntarily disposed by us, while (iii) the remaining five were still in the loss-making position, among which three dental institutions had substantial upfront investment at their ramp-up stage and the remaining two outside Wuhan implemented conservative marketing strategies in reaction to slower-than-expected post-pandemic economic recovery.

Business Highlights of Our Representative Dental Institutions

Set forth below is the summary information of our representative dental institutions.

Wuhan Dazhong Hospital



Overview and Highlights

Wuhan Dazhong Hospital is a Class II for-profit dental hospital we established in Wuhan, Hubei province in 2014. As a Medical Insurance Designated Medical Institution, Wuhan Dazhong Hospital offers reliable and accessible dental services.

Wuhan Dazhong Hospital is the largest dental institution within our dental service network in terms of revenue contribution during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024, our revenue derived from Wuhan Dazhong Hospital represented 6.6%, 6.6% and 6.2%, respectively, of our total revenue for the same years. For the years ended December 31, 2022, 2023 and 2024, Wuhan Dazhong Hospital recorded 35,032, 35,606 and 32,634 customer visits, respectively. The decrease in customer visits in 2024 was mainly due to the decrease in customer visits of general dentistry services, as Wuhan Dazhong Hospital had promotional campaigns on general dentistry services in 2023.

The following table sets forth the revenue, gross profit and gross profit margin of Wuhan Dazhong Hospital for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Revenue *(RMB'000)*	26,959	28,994	25,174
Gross profit *(RMB'000)*	12,548	13,564	11,517
Gross profit margin *(%)*	46.5	46.8	45.8

Dental Service Capacity and Offering

Wuhan Dazhong Hospital deploys comprehensive specialties, serving customers with diverse oral health demands. Its specialties cover general dentistry services, implantology services and orthodontics services, which are underpinned by advanced dental equipment, such as computer-aided design/computer-aided manufacturing all-ceramic restoration system and operating microscope. Implantology services and orthodontics services have been positioned as its key specialties. Wuhan Dazhong Hospital is committed to promoting specialty cultivation, enhancing diagnosis and treatment capacity and stimulating the experience sharing among dentists. Wuhan Dazhong Hospital has established multiple digitalized dental centers, including, among others, Oral Digital Aesthetic Prosthodontics Center (口腔數字化美學修復中心), Oral Digital Implantology Center (口腔數字化種植中心), Pediatric Dental Treatment and Early Orthodontic Center (兒童牙病診療與早矯中心) and Oral Digital Orthodontic Center (口腔數字化正畸中心). Such centers propel the application of advanced technologies during dental diagnosis and treatment, such as 3D data collection technology, mathematical modeling technology, computer-aided design technology and computer-aided manufacturing technology.

With a GFA of 1,751 sq.m., Wuhan Dazhong Hospital had 27 dental chairs as of December 31, 2024. Wuhan Dazhong Hospital has attracted and retained plentiful seasoned dentists with expertise and experience in dental services. As of December 31, 2024, 11 dentists were practicing at Wuhan Dazhong Hospital, among whom 3 dentists were chief dentists or associate-chief dentists. Wuhan Dazhong Hospital has an Expert with State Council's Special Allowance (國務院特殊津貼專家). As of the same date, 19 other medical professionals were practicing at such dental institutions.

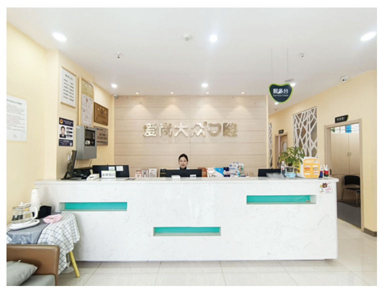
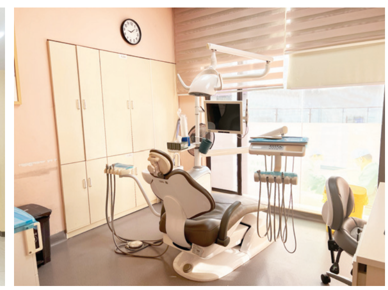
Wuhan Dazhong Hospital has made profound contributions to our talent cultivation and specialty development. Under the well-rounded dental tutoring system, young dentists receive precious clinical and research guidance from experienced mentors at Wuhan Dazhong Hospital. In pursuit of higher service quality and capacity, we also arrange periodic training sessions, where dental experts from Wuhan Dazhong Hospital share their experience and professional techniques to other dentists practicing at our dental service network.

Our Effective Management and Operation

We have utilized our centralized and standardized direct chain model, tiered management structure and proficient medical professionals to empower the operations of Wuhan Dazhong Hospital since its inception. In particular, we have established a tiered management structure at Wuhan Dazhong Hospital to modernize management at both the institutional level and specialty level.

As its dedicated efforts to improve the service quality and customer satisfaction, Wuhan Dazhong Hospital has implemented various measures: (i) a tiered tutoring system, which forms a one-to-one twinning mentorship among dentists at senior, mid-level and junior levels, thereby improving the overall clinical service capacity of dentists practicing at Wuhan Dazhong Hospital; (ii) professional training sessions, which enrich the professional knowledge and elevate the clinical skills of dentists through training and examinations; (iii) frequent assessments and internal reviews, where both the management and dentists identify strengths and areas for improvement, develop proper solutions to enhance service capacity and solidify their basic skills; (iv) experience sharing, through which young dentists gain knowledge and experience from senior experts through complex case analysis, joint consultations, face-to-face discussions and chairside real-time guidance; and (v) academic study, where dentists collect and review cases, write essays and communicate with senior dentists, to accumulate clinical experience and theoretical knowledge.

Nanhu Dadao Out-patient Department

Overview and Highlights

We established Nanhu Dadao Out-patient Department, a for-profit dental out-patient department in Wuhan, Hubei province in 2017. Nanhu Dadao Out-patient Department is a Medical Insurance Designated Medical Institution. During the Track Record Period, Nanhu Dadao Out-patient Department demonstrated vibrant growth with an accumulated reputation among customers. With years of operations, Nanhu Dadao Out-patient Department has amassed a significant customer base.

The following table sets forth the revenue, gross profit and gross profit margin of Nanhu Dadao Out-patient Department for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Revenue *(RMB'000)*	9,120	9,135	8,561
Gross profit *(RMB'000)*	4,630	4,970	4,555
Gross profit margin *(%)*	50.8	54.4	53.2

Dental Service Capacity and Offering

Nanhu Dadao Out-patient Department provides comprehensive dental services, serving customers with diverse needs in oral health. Implantology services and orthodontics services have been positioned as its key specialties. With a GFA of 360 sq.m., the out-patient department had nine dental chairs, four dentists and seven other medical professionals as of December 31, 2024. Nanhu Dadao Out-patient Department has a group of outstanding dentists with extensive knowledge and experience in dental services.

Nanhu Dadao Out-patient Department is equipped with modern diagnosis and treatment equipment, such as dental cone beam computed tomography machines and intraoral impression scanners. Supported by advanced equipment and advanced dental technologies, customers receive precise dental examinations and appropriate treatments at Nanhu Dadao Out-patient Department.

Our Effective Management and Operation

We have strived to modernize our operations and promote the orderly flow and optimal allocation of medical resources in dental institutions, through which we improve cost-efficiency while enhancing profitability across our dental service network. Nanhu Dadao Out-patient Department seeks to enhance its service quality and customer experience through periodic internal review and discussions among medical professionals and supporting staff, striving to from time to time optimize business procedures, streamline organizational structure and update the internal assessment standards. We address the weakness identified from internal review and customers' feedback to pursue higher cost-efficiency in such out-patient department. Benefiting from our well-established operation model and improved service experience, Nanhu Dadao Out-patient Department had built a stable customer base. The number of customer visits to Nanhu Dadao Out-patient Department increased throughout the Track Record Period. For the years ended December 31, 2022, 2023 and 2024, Nanhu Dadao Out-patient Department recorded 12,886, 14,270 and 14,960 customer visits, respectively.

Zaoyang Hospital

Overview and Highlights

Zaoyang Hospital is a Class II for-profit dental hospital in Zaoyang, Hubei province. As a Medical Insurance Designated Medical Institution, Zaoyang Hospital offers comprehensive dental services and utilizes advanced dental equipment. In 2019, we acquired Zaoyang Hospital to explore our business opportunities in regions outside Wuhan. Our acquisition of Zaoyang Hospital and the following integration initiatives expanded the geographic coverage of our dental service network, enabling more customers to benefit from our preeminent dental services. Customer visits to Zaoyang Hospital increased from 16,695 in 2022 to 20,233 in 2023 and further to 21,348 in 2024, primarily due to the continuous increase in customer visits of orthodontics services as a result of improved service quality with the expansion of dental expert team.

The following table sets forth the revenue, gross profit and gross profit margin of Zaoyang Hospital for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Revenue *(RMB'000)*	7,405	8,747	8,505
Gross profit *(RMB'000)*	2,999	4,001	3,960
Gross profit margin *(%)*	40.5	45.7	46.6

For the years ended December 31, 2022, 2023 and 2024, our revenue derived from Zaoyang Hospital amounted to RMB7.4 million, RMB8.7 million and RMB8.5 million, representing 1.8%, 2.0% and 2.1%, respectively, of our total revenue for the same years. During the same years, the gross profit of Zaoyang Hospital amounted to RMB3.0 million, RMB4.0 million and RMB4.0 million, respectively.

Service Capacity and Offerings

Zaoyang Hospital provides comprehensive dental services and regards implantology services and orthodontics services as its key specialties. With a GFA of 1,382 sq.m., such hospital had 20 dental chairs, 6 dentists and 10 other medical professionals as of December 31, 2024. Zaoyang Hospital has attracted a number of experienced dentists with extensive theoretical knowledge and clinical skills in dental services. Zaoyang Hospital has been equipped with a full suite of advanced dental cone beam computed tomography machines and piezosurgery.

Our Effective Integration Efforts

Since our acquisition in 2019, we have empowered the operations of Zaoyang Hospital. In particular, we improved both service capacity and service quality of Zaoyang Hospital by arranging training sessions for dentists and introducing dental experts to practicing at this hospital. We also standardized the operations of Zaoyang Hospital, enabling the hospital to benefit from our centralized management and direct chain operations. We extend our "three-level and four-tier" quality management system to cover Zaoyang Hospital, optimizing its service quality through tiered quality management. We also utilize our brand influence and introduce diverse promotion methods to empower Zaoyang Hospital's customer acquisition. As a testament to our effective integration efforts, Zaoyang Hospital recorded prominent growth since our acquisition. The gross profit margin of Zaoyang Hospital increased from 40.5% in 2022 to 45.7% in 2023 and further to 46.6% in 2024.

Key Operational Performance of Our Dental Service Network

The following table sets forth key operational performance indicators of our dental service network for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Customer visits	**708,651**	**768,809**	**748,632**
Number of dental chairs as of the end of the year	**645**	**701**	**702**
– Dental hospitals	89	89	87
– Dental out-patient departments	505	560	561
– Dental clinics	51	52	54
Number of customer visits per dental chair	**1,099**	**1,097**	**1,066**
Average spending per dental chair *(RMB'000)*	**635**	**630**	**580**
– Dental hospitals	720	752	714
– Dental out-patient departments	642	623	573
– Dental clinics	412	496	434
Average utilization rate of dental chair(1) *(%)*	**50.9**	**50.8**	**49.4**
Number of dentists as of the end of the year(2)	**287**	**294**	**280**
Number of customer visits per dentist	**2,495**	**2,647**	**2,608**
Average spending per dentist *(RMB'000)*	**1,442**	**1,521**	**1,418**
Average utilization rate of dentists(3) *(%)*	**81.5**	**86.5**	**85.2**

Notes:

(1) Representing the actual number of customer visits per dental chair during the relevant year as a percentage of the maximum visit capacity per dental chair of our dental institutions in the same year. The maximum visit capacity per dental chair represents the theoretical maximum number of customer visits of each dental chair during the relevant year, which is calculated based on (i) estimated 60 minutes per visit; (ii) the maximum number of servicing hours of dental chairs being approximately 6 hours per clinic day, taking into account the preparation time for each customer visit; and (iii) the average number of days in operations. Accordingly, each dental chair can theoretically accommodate up to 6 customer visits on each day in operations.

(2) Including (i) dentists employed by us, representing the dentists entered into labor contracts (勞動合同) with us and work full-time in our dental institutions; and (ii) dentists in collaboration with us, representing the dentists entered into service contracts (勞務合同) with us, typically including multi-site practice dentists who work part-time in our dental institutions and rehired dentists after their retirement who work full-time or part-time in our dental institutions.

(3) Representing the actual number of customer visits per dentist during the relevant year as a percentage of the maximum service capacity of our dentists in the same year. The maximum service capacity of our dentists represents the theoretical maximum number of customer visits of each dentist can serve during the relevant year, which is calculated based on: (i) estimated 45 minutes per visit; (ii) the maximum number of servicing hours of dentists being approximately 7.5 hours per clinic day; and (iii) 300 working days on average per year. Accordingly, each dentist can theoretically accommodate up to 10 customer visits on each working day. According to Frost & Sullivan, such calculation method is generally in line with the industry norm, based on expert interviews and research on the prospectus and annual reports of major dental services providers to confirm that the same calculation method for such rate (i.e. formula and the assumption used therein, including the industry average (a) time spent by dentists for a single customer visit, (b) dentists' servicing hours per day and (c) dentists' working days per year) is adopted by major industry peers. The industry average utilization rate of dentists in the private dental services industry in China was approximately 60%, 65% and 65% in 2022, 2023 and 2024, respectively, according to the same source.

Our top 20 dental institutions in terms of revenue contributed the majority of our revenue. For the years ended December 31, 2022, 2023 and 2024, revenue from these dental institutions represented 52.4%, 50.0% and 47.2%, respectively, of our total revenue for the same years.

OUR UNIFIED MANAGEMENT OF DIRECT CHAIN

Over years of operations, we have upheld the operation philosophy of "rooted in medical and driven by technology, standardized management and healthy development (醫療本源、技術驅動、規範管理、健康發展)." To this end, we coordinate medical resources across our entire dental service network to implement stringent quality control covering the whole working process of all staff. We strive to refine our direct chain operations and deliver reliable dental services to customers with cost-effective corporate management.

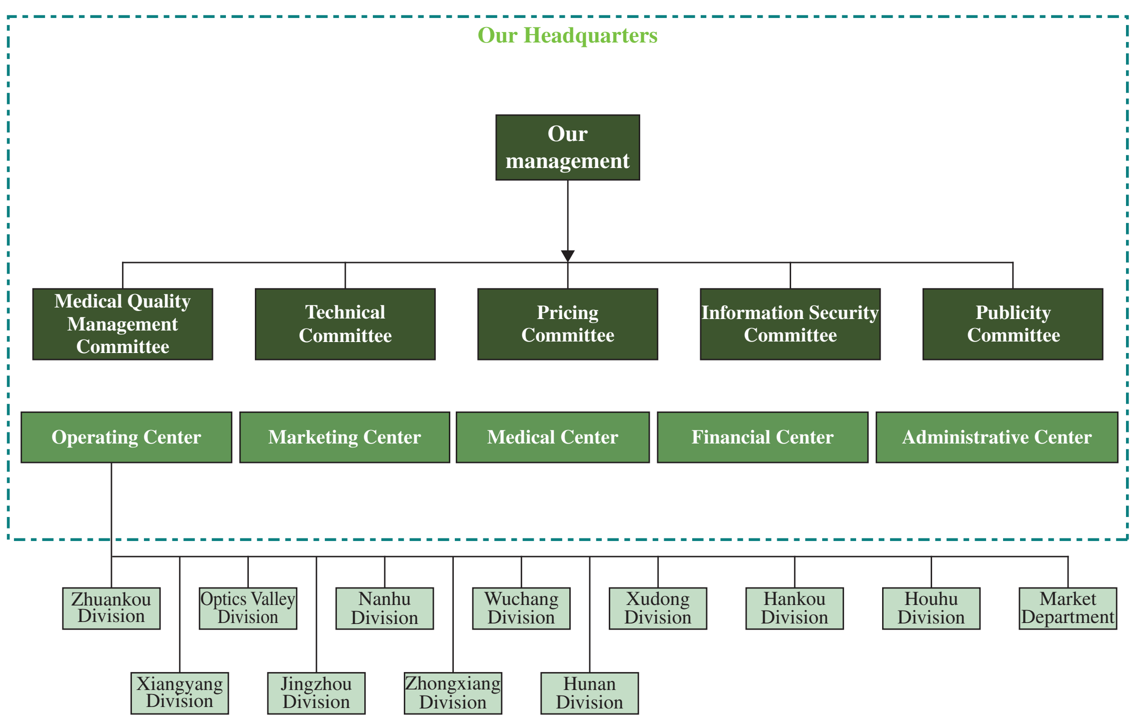
Direct Chain Model

We adopt a direct chain model with unified operation philosophy, operational management, service standards and brand image across our dental service network. This uniformity helps us maintain consistent service quality, which is crucial for building and sustaining customer trust and loyalty. The direct chain operations under our centralized management propel the orderly flow and optimal allocation of medical resources among our headquarters and dental institutions, which enables us to timely accommodate variations in market demands while fostering synergies among our dental institutions. We integrate medical resources and streamline the resource allocation process to improve operational efficiency and promote cost-effectiveness. Under the direct chain model, we are able to replicate our successful standardized operations to newly established or acquired dental institutions. As such, we have effectively expanded our presence to different regions in Central China and largely broadened our customer base. We also benefit from the increasing economies of scale brought by such model during procurement and customer acquisition, which drives our profitability. Meanwhile, our brand recognition has been intensified as the direct chain model creates a consistent brand image across all of our dental institutions, where customers trust us, our medical professionals and services.

We choose to develop our dental service network under the direct chain model based on our keen observations of the industry. According to Frost & Sullivan, compared with other business models, such as licensing, franchising and financial investment, the direct chain model generally has the following advantages: (i) direct control over daily operations to ensure the adherence to unified standards; (ii) comprehensive management on clinical practices and customer services to achieve whole-process quality control; (iii) better protection of brand image and reputation to avoid negative publicity caused by poor performance; (iv) stronger motivation to upgrade the services and adapt to the latest industry trend as a result of deeper sense of belonging; and (v) direct benefits from the operations without heavy reliance on the capability and integrity of the franchisees or licensees.

Centralized Management with Tiered Responsibility

We adopt centralized management in a tiered structure within our dental service network.



At our headquarters level, we have established Medical Quality Management Committee (醫療質量管理委員會), Technical Committee (技術委員會), Pricing Committee (價格委員會), Information Security Committee (信息安全委員會) and Publicity Committee (宣傳委員會). Meanwhile, we have established five centers at the headquarters level, namely Operating Center (運營中心), Medical Center (醫療中心), Marketing Center (營銷中心), Financial Center (財務中心) and Administrative Center (行政中心). These centers closely scrutinize and coordinate their subordinate functional departments by organizing regular meetings and optimizing the internal management measures, guidelines, procedures and work plans based on insights into the industry and regulatory environment. The functional departments under such centers take multiple responsibilities, including, among others, formulating operation schedules and standardizing workflows, formulating budgets, as well as organizing trainings and daily internal quality review.

Our headquarters-level departments oversee our dental institutions through a vertically integrated management structure, working in close coordination under our robust internal management measures. This structure encompasses key functions including quality control, operational management, marketing, customer relationship, financial management, procurement, human resources and compliance. Tiered deployment of centers and departments helps us effectively monitor the implementation of internal policies and measures, while minimizing inefficiencies caused by information gaps or unconscionable resource allocation. Benefiting from the vertical management approach, we clearly set the responsibilities of each tier and control risks arising from both clinical operations and corporate management, forming a closed-loop management covering the "Plan, Do, Check and Act" process of operations.

Systematic Talent Retainment and Incentivization

Partnership Program

We place significant importance on our dentist resources, recognizing them as the essential cornerstone for the long-term success of our dental service network. Upholding the principle of "direct chain and direct partnerships (直營連鎖、直接合夥)," we have adopted a Partnership Program designed for attracting seasoned medical professionals, as well as administrative and marketing talents to join and grow with us. Through such program, we mainly attract and invite seasoned dentists to become minority shareholders of our new dental institutions, fostering shared benefits and mutual trust. We typically invite dentists who meet the following requirements to participate in our Partnership Program: (i) mid-end level (中級職稱) (attending dentists) or above, or obtained the physician qualification certificates for over five years; (ii) highly-skilled in dental services with technical strengths in particular specialties or experience in marketing and management; and (iii) aged between 35 to 55. Additionally, we typically invite administrative and marketing talents who are recommended by dentists and have experience in corporate management and promotional activities. Being the minority shareholders of the dental institutions, these talents not only explore their operational and managerial potential but also align their interests with ours, sharing our values and vision. With loyalty and strong commitment to our growth, these talents actively participate in the daily operation and management, and recommend the candidate of directors, supervisors and general managers of the relevant dental institutions. Our remuneration for dentists that became minority shareholders of our dental institutions comprise (i) base salaries, (ii) performance-based bonuses, and (iii) dividend distributions as their equity return for being shareholders of our dental institutions, which are proportional to their shareholding in the relevant dental institutions. Compared with other dentists practicing at those dental institutions that receive base salaries and performance-based bonuses, such shareholder dentists are also stimulated by the dividend distributions, which were distributed to them from the distributable profits of the relevant dental institutions in the previous year, in strict compliance with applicable regulatory requirements and our dividend policy. Since the commencement of Partnership Program in 2017 and up to the Latest Practicable Date, our relevant dental institutions maintained a relatively stable dividend payout pattern. As of December 31, 2022, 2023 and 2024, 24, 32 and 37 dentists were minority shareholders of our dental institutions under the Partnership Program, respectively. For the years ended December 31, 2022, 2023 and 2024, the dividend distributions paid to dentists that were minority shareholders of our dental institutions amounted to RMB2.6 million, RMB5.2 million and RMB9.5 million, respectively. According to Frost & Sullivan, during the Track Record Period, the level of our base salaries and performance-based bonuses for our dentists that were minority shareholders of our dental institutions, was comparable to that paid by other private dental services providers in Hubei and Hunan provinces for dentists with similar practicing experience and qualifications.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any financial assistance, loan and other salary arrangement with the dentists that were minority shareholders of our dental institutions. We expect no material change in our remuneration policy for dentists for the year ending December 31, 2025.

Since its commencement in 2017, our Partnership Program has demonstrated strong vitality, contributing to the steady growth of our dental institutions and fueling the expansion and profitability of our dental service network.

Employee Stock Ownership Platforms

To incentivize our management and employees and foster their long-term engagement, we initiated three employee stock ownership platforms successively, through which key employees, especially seasoned dentists, became our indirect shareholders and benefited from our business growth. In particular, we established Wuhan Xinglin in October 2014, and Wuhan Taolin and Wuhan Zhulin in July 2017, offering our management and employees with opportunities to acquire a proprietary interest in our Company. See “History, Development and Corporate Structure — Our Major Corporate Development.”

Digitalized and Modernized Service Network

We have developed and equipped diverse information technology systems to digitalize and modernize our dental service network. See "— Information Technology Systems" for details of our deployment of information technology systems.

Information technology systems not only streamline our daily operations but also visualize our business performance to support our management's data-based decisions. Leveraging HIS, our proprietary online system integrated our supply chain system, marketing middle platform and SCRM system, we have significantly reduced certain processing time for our medical professionals by digitalizing medical records, standardizing customer management and synchronizing information within our dental institutions, allowing them to focus more on dental practices. We have fully deployed information technology systems, covering multiple aspects of corporate management, such as operational performance analysis, marketing and customer acquisition, customer relationship management, supply chain and finance. Through this initiative, our staff can efficiently access operational and financial information and use quantitative indicators to gain better insights into business operations, promoting precise management and optimal resource allocation for dental practices.

We are committed to further digitalizing our management and optimizing medical resource allocation based on upgraded information technology systems, to improve our service quality and operational efficiency on a continuing basis. Please see "Future Plans and Use of Proceeds."

MEDICAL PROFESSIONALS

Medical professionals practicing at our dental service network generally comprise dentists and other medical professionals. Our dental service network integrates abundant high-caliber medical professionals with stable relationships with us, which are vital to our service capacity and quality.

There were 280 dentists in total practicing at our dental service network as of December 31, 2024, comprising (i) 245 dentists employed by us, representing the dentists entered into labor contracts (勞動合同) with us and work full-time in our dental institutions; and (ii) 35 dentists in collaboration with us, representing the dentists entered into service contracts (勞務合同) with us, typically including multi-site practice dentists who work part-time in our dental institutions and rehired dentists after their retirement who work full-time or part-time in our dental institutions. We generally do not set limitations on ages to dentists practicing at our dental service network, which complies with the applicable PRC laws and regulations. Multi-site practice dentists are entitled to provide consultation and diagnosis services in our dental service network after completing their multi-site practice registration. All multi-site practice dentists are registered qualified dentists and have obtained requisite approvals and registration for multi-site practice. The service time and frequency of multi-site practice dentists are generally determined based on the negotiation between such dentists and the relevant dental institutions they practice in.

Salient terms of labor contracts we entered into with dentists employed by us are as follows:

- *Duration*: Typically three years and renewable upon parties' mutual consent.
- *Dentists' service arrangement*: Dentists are contractually obligated to practice exclusively at our dental institutions in the designated city, unless they obtain prior written consent from us for part-time engagements elsewhere.
- *Remuneration*: The compensation packages of such dentists typically consist of a fixed base salary and performance-based bonus. We pay compensation and social insurance and housing provident fund contributions for such dentists on a monthly basis.
- *Termination*: Both parties can terminate the contracts in certain circumstances. In particular, such contracts can be terminated by us under specific circumstances, including (i) failure by dentists to provide necessary on-boarding information within 30 days; (ii) submission of false personal information during the job application process; (iii) severe violations of internal policies by dentists; and (iv) mutual agreement. Additionally, the contract may be terminated by dentists under circumstances including: (i) provision of a 30-day prior notice, or a three-day prior notice during the probation period; and (ii) insufficient remuneration payment by us.

Salient terms of service contracts we entered into with dentists in collaboration with us are as follows:

	Multi-site practice dentists	**Rehired dentists**
• *Duration:*	• generally at least one year	• typically five years, renewable annually
• *Dentists' service arrangement:*	• part-time	• full-time or part-time
	• such dentists provide dental services to our customers in the designated city on fixed days each week as stated in their service contracts with us	
• *Remuneration:*	• typically a performance-based remuneration, with a minimum remuneration for each day practicing at our dental service network	• typically a fixed base salary and performance-based bonus
	• we pay such dentists compensation packages on a monthly basis. We are not required to make social insurance and housing provident fund contributions for such dentists	
• *Termination:*	• service contracts shall be modified or terminated by mutual consent if material changes render performance unfeasible	

There were 469 other medical professionals practicing at our dental service network as of December 31, 2024, typically including 468 full-time nurses, radiographers and dental assistants, as well as 1 part-time dental assistant. Dental assistants practicing at our dental service network primarily comprise medical graduates who work at our dental service network as assistants to the dentists. The assistants need to work for at least one year and successfully obtain the physician qualification certificates (醫師資格證書) or assistant physician qualification certificates (助理醫師資格證書) before taking up the role of qualified dentists or qualified assistant dentists (執業助理牙醫).

Qualification of Medical Professionals

Under the evaluation system of professional ranks of medical professionals (衛生專業技術人員職稱評價體系) in China, professional ranks for dentists include: (i) junior level qualification (初級職稱) for (a) those obtained assistant physician qualification certificates, as feldshers (醫士); and (b) those obtained physician qualification certificates, as physicians (醫師); (ii) mid-end level qualification (中級職稱) for attending dentists who passed the national examination; and (iii) senior level qualification (高級職稱) for (a) associate-chief dentists; and (b) chief dentists. As of December 31, 2024, among all dentists practicing at our dental service network, there were 11 chief dentists, 19 associate-chief dentists and 132 attending dentists, together representing over 57% of the total number of dentists.

To dynamically manage and allocate dentists in our dental institutions, we regularly review the qualifications and profiles of dentists to arrange appropriate practice training and remind eligible dentists to timely apply for their next professional ranks. As of December 31, 2024, each of the dentists practicing at our dental service network had obtained the physician qualification certificate. As of the same date, each of the other medical professionals practicing at our dental service network had obtained requisite qualification certificate for his or her respective medical practice. We monitor the qualification registration and licensing records of medical professionals to ensure that all medical professionals practicing at our dental service network comply with all applicable PRC laws and regulations, in particular, the practice of each medical professional is within the scope of his or her qualification and license. We generally do not maintain medical liability insurance for dentists practicing at our dental institutions, considering (i) there is no statutory requirement for our dental institutions to maintain such insurance coverage; and (ii) it is not a common industry practice for private dental services providers in China to maintain such insurance, according to Frost & Sullivan. See "Risk Factors — Risks Relating to Our Business and Industry — We may not carry adequate insurance for dentists to address the exposures to medical liabilities that may arise in our business. Any claims beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources."

Prestigious Dentists with Industry Recognition

Our dental service network embraces numerous venerable dentists with honorary titles. Among dentists practicing at our dental service network as of December 31, 2024, over 32% of dentists were the members of industry associations at the municipal level or above. In addition, as of the same date, seven dentists practicing at our dental service network were accredited as "Reliable Dentist Trusted by the Public (老百姓信賴的好牙醫)," a municipal level award for outstanding dentists that have well-recognized reputation in the dental services industry in Wuhan.

Recruitment, Management and Cultivation of Medical Professionals

Modern management, systematic training, on-the-job tutoring, competitive employee benefits as well as rewarding Partnership Program and employee stock ownership platforms make us remain attractive to talents, especially medical professionals. We attract medical professionals to join and work with us through multiple channels. To be specific, we recruit young talent through campus recruitment each year. We hold spring and autumn campus recruitment talks at selected universities or colleges in Hubei province to attract outstanding graduates mainly majoring in stomatology, nursing and accounting. We have been accredited as a "Practicing and Training Base for University Students in Wuhan (武漢市大學生實習實訓基地)" by Wuhan Municipal Bureau of Human Resources and Social Security (武漢市人力資源和社會保障局). To increase our visibility to experienced dentists, we periodically participate in academic seminars, conferences and symposia in the industry. We also engage medical professionals through online social recruitment channels and referrals. When evaluating and recruiting a new medical professional, we typically assess, among others, their academic background, professional qualifications, clinical experience, communication skills, technical skills and relevant experience.

To enhance risk control of our dental treatments and realize differentiated management of medical professionals, we classify (i) our dental treatments into Level I, Level II, Level III and Level IV mainly based on the complexity of techniques and resources involved; and (ii) dentists practicing at our dental service network into four grades mainly based on their years of practice, professional ranks, experience in specialized training and proficiency in dental technologies of their respective specialties. We clearly define the particular type and level of dental treatments that each grade of dentists can proceed, with the aim to offer customers reliable and safe dental services, control service quality and minimize risks arising from dentists' non-proficiency or inexperience. This classification system creates clear trajectories of career development for dentists and incentivizes them to achieve better performance.

We encourage experience sharing among medical professionals and regularly deliver organized training sessions to support their professional growth. Our well-designed training system for medical professionals typically consists of a matrix of pre-job training, basic theory, knowledge and skill training, advanced training, specialty training, on-the-job training and academic activities, cultivating a pipeline of medical professionals to elevate our service quality. As of December 31, 2024, 59 dentists passed the professional rank examinations after participating in our training sessions. We also from time to time provide external communication and development opportunities for medical professionals, such as advanced studies, specialized training and international academic conferences.

Compensation and Rewards for Medical Professionals

Dentists employed by us get compensated pursuant to their respective labor contracts with us and typically receive base salaries and performance-based bonuses on a monthly basis, while those dentists in collaboration with us get compensated pursuant to their respective service contracts with us and typically receive service fees on a monthly basis.

Deploying rewarding Partnership Program and employee stock ownership platforms helps us enhance the working efficiency and sense of belonging of dentists practicing at our dental service network. See "— Our Unified Management of Direct Chain — Systematic Talent Retainment and Incentivization" for details of our Partnership Program and employee stock ownership platforms.

Our Technical Committees

Well-established technical committees contribute to our trustworthy services and excellent track record in the dental services industry. We cherish the expertise and experience of seasoned dentists amassed in our dental service network and have established a Technical Committee responsible for the overall planning, guidance and monitoring of our technological advancement and business development. Our Technical Committee comprises three subcommittees.

- *Expert Committee (專家委員會)*. As the consulting and advisory body of our Technical Committee, our Expert Committee consists of senior experts with remarkable contributions in the field of dentistry and/or rich experience in clinical practices. These experts join our Expert Committee after their retirement. They advise on our technological advancement and conduct training sessions. They also from time to time visit our dental institutions, conduct joint consultations and offer technical guidance on the treatment of miscellaneous oral diseases or complex dental procedures;

- *Technical Administrator Committee (技術總監委員會)*. As the executing arm of our Technical Committee, our Technical Administrator Committee consists of dentists practicing at our dental service network with technical strengths and sufficient experience. These dentists collaborate and innovate leveraging their experience accumulated from daily diagnosis and treatment and promote the application of new technologies within our dental service network. They also provide trainings and participate in joint consultation on various oral diseases or complex dental procedures; and

- *Professional Committee (專業委員會)*. As the specialized body of our Technical Committee, responsible for the development of different dental specialties. It consists of six subcommittees: implantology committee, prosthodontics committee, orthodontics committee, oral medicine committee, oral surgery committee and dental nursing committee. Our Professional Committee drives the cultivation of advantageous specialties and the comprehensive development of our multidisciplinary dental service capacity.

Among medical professionals in our Technical Committee as of the Latest Practicable Date, approximately 92.0% of them work full-time in our dental institutions, while the remaining medical professionals work with us on a part-time basis, including both multi-site practice dentists and rehired dentists after their retirement. Seasoned medical professionals closely coordinate with each other in these committees during our daily operations, thereby improving our service quality, activating the experience sharing among dental institutions in our dental service network, and reinforcing our leading position in the industry.

Composition of Our Experienced and Stable Dentist Team

High-caliber dentist resources lay the solid foundation for the development of our dental service network and entrench our competitiveness. Among all dentists practicing at our dental service network as of December 31, 2024, over 13% of dentists had over ten years of industry experience as of the same date. As of December 31, 2024, dentists with qualifications at mid-end or above level accounted for over 57% of the total number of dentists practicing at our dental service network, which surpassed the industry average level, according to Frost & Sullivan.

We spent dedicated efforts in attracting, retaining and managing dentists. Capitalizing on our diversified compensation and rewards, we maintain a stable and broad dentist team. For the years ended December 31, 2022, 2023 and 2024, the retention rate of dentists practicing at our dental service network for over three years was approximately 87%, 89% and 90%, respectively. Such retention rate is calculated based on the number of dentists practicing at our dental service network for over three years since the beginning of the relevant year and up to the end of the same year, divided by the number of dentists practicing at our dental service network for over three years at the beginning of the same year. As of December 31, 2022, 2023 and 2024, we had 168, 203 and 183 dentists that had practiced at our dental service network for three years or above, respectively, representing 59%, 69% and 65% of the total number of dentists for the same years. Among these dentists, over 87% were full-time dentists employed by us and over 48% were dentists with mid-end or senior level qualifications.

The following table sets forth the movement in the number of dentists practicing at our dental service network during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Number of dentists at the beginning of the year	281	287	294	280
Number of dentists newly joined our dental service network during the year	40	64	43	11
Number of dentists terminated practicing at our dental service network during the year	(34)	(57)	(57)	(42)
Number of dentists at the end of the year	**287**	**294**	**280**	**249**

We were not subject to reliance on any particular dentist during the Track Record Period. Revenue contributed by our top 10 dentists in each year during the Track Record Period in terms of revenue contribution as a percentage of our total revenue ranged from approximately 13% to approximately 15%, while the revenue contributed by our top one dentist in terms of revenue contribution as a percentage of our total revenue was approximately 2.0%. All of such top dentists in terms of revenue contribution have extensive expertise and rich clinical experience in dental services.

OUR FUTURE EXPANSION

Going forward, we plan to expand our dental service network by (i) upgrading existing dental institutions; (ii) establishing new dental institutions; and (iii) acquiring for-profit dental institutions.

Organic Growth

Upgrading the Existing Dental institutions

Our proven track record and highly scalable business model enable us to serve a broad customer base. In line with our business growth, we plan to upgrade the facilities and dental equipment at our dental institutions and renovate our dental institutions progressively. Through upgrading our existing dental institutions, we aim to enhance the service capacity while improving customers' satisfaction during their visits to our dental institutions. In the following three years, we expect to upgrade and renovate our dental institutions in Wuhan, and procure new dental equipment to replace the dental equipment that have been used for years. We plan to finance these upgrades primarily by the proceeds from the Global Offering, and, if necessary or desirable, with our internal financial resources and/or bank borrowings.

New Establishment

To further broaden our dental service network and elevate our service capacity, we expect to establish new dental institutions. We have extensive experience in establishing new dental institutions. We tend to attract and invite seasoned dentists to become minority shareholders of our new dental institutions to align their interests with us. We will prudently implement the establishment plan, leveraging our managerial and operational experiences while avoiding significant up-front capital investment. In particular, we plan to establish approximately 80 to 100 new dental institutions in Central China in the next five years. Each of the new dental institutions is expected to occupy approximately 300 sq.m. to 500 sq.m. with approximately 6 to 20 dental chairs. Establishing a new dental institution generally involves several steps, including selecting and determining the major responsible individuals or partners, completing the internal approval process, entering into agreement, choosing a site, designing and decorating the premises, recruiting necessary personnel, acquiring equipment and supplies to the extent necessary, securing regulatory approvals, marketing and promotion to establish awareness, and commencing operations. According to our past experience, such process generally takes approximately three to four months at the soonest.

A new dental institution reaches monthly breakeven when it begins to record monthly net profit. The payback period for a new dental institution represents the time that it takes for the accumulated operating cash flow attributable to our Company from the relevant dental institution to cover the initial investment. During the Track Record Period, all dental institutions established by us were out-patient departments. The following table sets forth the average and range of breakeven period and investment payback period for out-patient departments established by us during the Track Record Period and reached monthly breakeven or covered the initial investment as of the Latest Practicable Date.

	Breakeven period		Investment payback period(1)	
	Average period	Range of period	Average period	Range of period
	(Months)			
Dental out-patient departments	5	1 to 8	15	5 to 25

Note:

(1) Representing the time period for the accumulated operating cash flow attributable to our Company from the newly established dental institutions to cover our investment.

As of the Latest Practicable Date, we had 65 dental institutions established by us, among which 55 dental institutions had already reached monthly breakeven and the operating cash flow attributable to our Company from 46 dental institutions covered our initial investment. Based on our previous operating experience, we estimate that the monthly breakeven period for our new dental institutions, which typically occupy approximately 300 sq.m. to 500 sq.m. with approximately 6 to 20 dental chairs, to be 5 to 7 months, benefiting from our rich experience and prudent up-front capital investment. We estimate that the investment payback period for our new dental institutions to be approximately 15 months to 24 months from commencement of operations. However, the monthly breakeven periods and the investment payback periods may be further affected by the specific characteristics of a dental institution, such as its service capacity, initial investment, the coverage of its service offerings, competitive landscape and variation in the local economy and municipal road planning.

We plan to finance the above intended investment in establishment primarily by the proceeds from the Global Offering, and, if necessary or desirable, with our internal financial resources and/or bank borrowings.

See "Risk Factors — Risks Relating to Our Business and Industry — Establishing new dental institutions involves multiple risks and could cause fluctuations in our short-term financial performance. Dental institutions newly commenced operations may not achieve normal operation as anticipated, which could materially and adversely affect our business and results of operations."

Strategic Acquisition

During the Track Record Period, we have conducted strategic acquisitions of dental hospitals, dental out-patient departments and dental clinics, through which we accumulated experiences. As part of our future expansion plan, we will continue to pursue acquisition opportunities of offline dental institutions and target profit-making dental institutions or those with growth potential.

We have standardized our acquisition procedure, which enables us to integrate the newly acquired dental institutions into our dental service network with streamlined steps and improved efficiency. Acquiring a dental institution generally involves a number of steps, including target evaluation and selection, negotiation on the acquisition, due diligence, acquisition planning and scheduling, internal approval process, entering into acquisition agreement, change of industrial and commercial registration, setting operational plans and targets, recruitment of necessary personnel and determining the salaries, preparation for operations, and commencement of operations. To maintain a unified brand image, we typically re-brand the acquired dental institutions to align with our existing standards and decoration.

Before making the acquisition decision, we systematically review and screen potential acquisition targets. We believe our previous operating experience will aid us in identifying suitable acquisition opportunities and successfully integrating newly acquired dental institutions into our existing dental service network. We mainly focus on the targets with reasonable operational scale and a stable team of dentists, which we believe will enable us to rapidly replicate our success. To stay well informed on potential suitable targets, our management keeps in close touch with market participants and reviews due diligence report of the potential targets. We evaluate a potential acquisition target thoroughly, typically based on the following criteria.

- location, traffic convenience, rental level, population density, local economic environment and consumption level;

- geographic distribution of local communities and dental institutions, and brand awareness among local residents;
- service capacity, such as number of dentists and other medical professionals, number of dental chairs in operation, GFA, existing medical facilities and equipment, scope of dental service offerings;
- historical monthly revenue, profit margin and other financial performance metrics;
- required licenses and permits for operations, existing qualifications and historical regulatory compliance;
- professional reputation, taking into consideration the background and scale of the professional team;
- estimated initial investment amount required to conduct decoration, brand-building and infrastructure improvement;
- ongoing operating expenses and capital requirements, as well as potential returns and estimated future value; and
- compatibility with our corporate culture and dental service network.

We seek and assess the potential acquisition targets with a market-oriented vision and a strategic geographic focus on Central China when appropriate opportunities arise. The actual number of acquisition targets will depend on the then market condition, negotiation results and scale and consideration of the actual acquisition. We plan to acquire approximately 40 to 65 dental institutions in the next five years, through acquiring the majority equity interests of the acquisition targets.

We plan to finance the above intended acquisitions by the proceeds from the Global Offering, and, if necessary or desirable, with our internal resources and/or bank borrowings. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement with respect to future acquisitions and had not identified any definite acquisition targets that meet our criteria.

During the Track Record Period, all dental institutions acquired by us were out-patient departments. The following table sets forth the breakeven period and average and range of investment payback period for dental out-patient departments acquired by us during the Track Record Period and covered the initial investment as of the Latest Practicable Date.

	Breakeven period	Investment payback period(1)	
		Average period	Range of period
		(Months)	
Dental out-patient departments	N/A(2)	18	9 to 23

Notes:

(1) Representing the time period for the accumulated operating cash flow attributable to our Company from the acquired dental institutions to cover our investment. We evaluate the acquisition investment payback based on the acquisition consideration, which is heavily influenced by acquisition terms derived from commercial negotiations.

(2) During the Track Record Period, all dental institutions acquired by us were profit-making before being acquired.

See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to complete future acquisitions or enhance post-acquisition performance as expected, which could adversely affect our business, financial condition and prospects."

We may face uncertainties and challenges in implementing our expansion plans for upgrading, establishing or acquiring dental institutions. In particular, we may fail to identify suitable opportunities to further expand our dental service network, negotiate commercially acceptable terms for such expansion, or successfully integrate businesses into our existing dental service network. The execution of expansion plans is inevitably subject to the then social and economic conditions and we may make reasonable adjustments accordingly for our best interests. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to identify expansion opportunities or execute our expansion plans and our expansion strategies are subject to uncertainties and risks. This may materially and adversely affect our business, financial condition, results of operations and prospects."

OUR CUSTOMERS

Our customers during the Track Record Period were individuals in the PRC who received dental services at our dental institutions. Our comprehensive dental services cover a broad range of customers in all age groups. Reliable treatment quality combined with satisfied customer experience drives the continuous growth of customer loyalty and the expansion of our customer base. For the years ended December 31, 2022, 2023 and 2024, we served 276,310, 296,859 and 283,640 customers in 708,651, 768,809 and 748,632 customer visits, respectively.

Given the dispersed base of our customers, we do not have any customer concentration risk. Our business and profitability are not materially dependent on any single individual customer. None of our individual customers accounted for more than 0.1% of our total revenue for each year during the Track Record Period.

All of our five largest customers in each year of the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers in each year of the Track Record Period.

Payment Methods

Customers are generally required to pay their medical bills before receiving our dental services. Customers can choose to pay our dental institutions in online payments via third-party payment platforms, such as WeChat or Alipay, cash, or bank cards (including debit cards and credit cards). Besides, customers can choose to rely on public medical insurance programs to pay for dental services provided by Medical Insurance Designated Medical Institutions which are eligible for public medical insurance programs. We also have customers that purchase our dental services upfront through popular third-party e-commerce platforms which subsequently settle with us.

The following table sets forth a breakdown of our settlement amount by payment method for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
Third-party payment platforms	294,346	72.3	322,712	72.4	274,029	70.7
Public medical insurance programs	32,575	8.0	39,536	8.9	40,161	10.4
Third-party e-commerce platforms	25,302	6.2	31,191	7.0	38,203	9.9
Cash	24,924	6.1	27,085	6.1	21,893	5.6
Bank cards	30,130	7.4	24,996	5.6	13,034	3.4
Total[(1)]	**407,277**	**100.0**	**445,520**	**100.0**	**387,320**	**100.0**

Note:

(1) The difference between total settlement amount and total revenue was primarily because revenue from rendering of orthodontics and implantology services is recognized over time, using an input method to measure progress towards complete satisfaction of the services. Considering the nature of dental services, especially implantology and orthodontics services, revenue is progressively recognized over the service delivery process. Consequently, service fees settled by customers within a given year may not be fully recognized as revenue for the same year.

Public Medical Insurance

In recent years, the government has adopted favorable policies to expand public medical insurance coverage to promote the accessibility and affordability of dental services for the general public, raising public awareness and encouraging customers to seek professional dental care. We encourage our dental institutions to apply for the qualification of Medical Insurance Designated Medical Institution. As of the Latest Practicable Date, 62 of our dental institutions in operation were Medical Insurance Designated Medical Institutions and the remaining 30 dental institutions were eligible to apply for the qualification of Medical Insurance Designated Medical Institutions. As of the Latest Practicable Date, we submitted the applications for the qualification of Medical Insurance Designated Medical Institutions for 27 of them and expected to obtain such qualification by the end of 2025. As of the Latest Practicable Date, the remaining three dental institutions were preparing to submit the applications. Medical Insurance Designated Medical Institutions are required to pass annual review regarding their compliance to maintain such qualification under the applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, our dental institutions passed all the annual reviews for maintaining such qualification.

Some of the dental services provided by our Medical Insurance Designated Medical Institutions are eligible to be paid by public medical insurance programs. The specific percentage covered by different public medical insurance programs may vary based on criteria including type of the insurance program, the age of the patient and the particular type of dental treatment involved. For medical fees covered by the public medical insurance programs and payable by the local medical insurance bureaus, our Medical Insurance Designated Medical Institutions typically receive reimbursement of the portion deemed as eligible by the local medical insurance bureaus in the following one to two months since the relevant dental services are rendered. For the years ended December 31, 2022, 2023 and 2024, our settlement amount under the public medical insurance programs amounted to RMB32.6 million, RMB39.5 million and RMB40.2 million, representing 8.0%, 8.9% and 10.4% of the total settlement amount of our dental services for the same years, respectively.

We believe the risks of potential competition among the Medical Insurance Designated Medical Institutions and other dental institutions within our dental service network are relatively low, considering that (i) all dental institutions, regardless of Medical Insurance Designated Medical Institution or not, operate under our direct chain model and centralized management on resource allocation and marketing activities; (ii) during establishing or acquiring dental institutions, we evaluate the unmet local demands for dental care and generally avoid deploying two dental institutions within their respective service radius; and (iii) our settlement amount under the public medical insurance programs, representing approximately 10% of our total settlement amount during the Track Record Period, was relatively insignificant to our financial results as a whole.

Being qualified as a Medical Insurance Designated Medical Institution generally enhances customer traffic and reinforces revenue growth. For instance, five of our dental institutions became Medical Insurance Designated Medical Institutions in 2024, with four of them experienced notable increases in both customer visits and revenue compared to 2023. Customer visits to these five dental institutions grew from 15,464 in 2023 to 25,207 in 2024. Revenue from these five dental institutions as a percentage of our total revenue increased from 2.4% in 2023 to 3.8% in 2024.

Broad Customer Base with Intimate Customer Experience

We stay in proximity to customers. Over years of operation, we have built a broad customer base and earned a trustworthy reputation. Our dedicated efforts in improving brand influence, long-term relationships with seasoned medical professionals, well-rounded treatment plans customized for customers' individual oral conditions, advanced equipment and facilities, as well as standardized service procedures all contribute to our highly satisfactory dental services. To maintain and further expand our customer base, we are committed to delivering superior customer experience across multiple scenarios.

- ***One-stop experience with convenient and comprehensive services.*** We believe that a full suite of service offerings saves time for customers and streamlines the whole dental health management process, helping us acquire new customers as well as retain existing ones. Our standardized customer management system covers the whole service procedure, ensuring that customers are treated coherently by designated staff throughout the pre-consultation stage, treatment stage and post-consultation stage. Additionally, we designate oral health management consultants in our dental institutions, who keep interactive and responsive communication to customers, mitigating information gaps between our customers and medical professionals, and offering customers an intimate service experience. Our oral health management consultants collaborate closely with our medical professionals in dental institutions to deliver a full line-up of dental services, addressing oral health needs in a one-stop manner.

- ***Stay in proximity to customers with prompt responses and diversified activities.*** Convenience and timeliness are essential to deliver an excellent customer experience. Most of our dental institutions are located in densely populated areas and close to to local communities, which helps customers receive accessible and reliable dental services without long-distance travel. We offer customers instant medical attention, effectively address their oral health concerns and analyze their personal oral conditions, thus delivering services in a more comfortable and targeted way. Meanwhile, timely and frequent communication with customers reflects our respect and reduces customer dissatisfaction arising from long waiting time. We proactively follow up with our customers through WeChat, phone calls or messages, confirming their appointment, responding to their inquiries promptly and reminding customers to pay follow-up visits to our dental institutions for their following treatment sessions. In addition, to promote trust and loyalty, we from time to time hold appreciation activities for customers, inviting them to join our health lectures, watch movies and experience tea-making for free. These diversified activities elevate customer satisfaction while encouraging them to visit our dental institutions for regular dental care.

- ***Digitalized customer relationship management and effective customer outreach.*** Taking advantage of technology and digitalization, we maintain close and interactive relationships with our customers. We have deployed a SCRM system for better customer acquisition and customer relationship management. See "— Information Technology Systems" for details. This system is integrated with our HIS to synchronize information of customers paid visits to our dental institutions. We remain highly responsive to customers and strive to deliver customized service experiences based on the relevant customers' previous treatment in our dental service network. Through our SCRM system, our headquarters set marketing targets and requirements on customer outreach on a daily basis. Holiday greetings and healthcare knowledge popularization through WeChat help us build a welcoming and friendly image among customers, enhancing their service experience while increasing repurchase for our dental services.

- ***Systematic internal mechanism that prioritizes service experience and feedback.*** Providing satisfactory customer services is a top priority across our dental service network. We have standardized the service procedures and established specifications for customer services, requiring both medical professionals and oral health management consultants to maintain politeness throughout the whole communication and effectively resolve any issue raised by customers. We arrange periodic internal meetings and training to discuss and review our performance regarding customer services. We also arrange random satisfaction surveys in our dental institutions, prompting medical professionals to serve customers with heart and soul and maintain long-term relationships with customers.

We believe optimizing service experience not only contributes to fostering trust among existing customers, but also encourages word-of-mouth referrals to their families and acquaintances. As such, reliable treatment quality combined with satisfied customer experience drives the continuous growth of customer loyalty and the expansion of our customer base.

The following table sets forth key operational data of our customer base for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Number of new customers[(1)]	**168,479**	**171,991**	**150,527**
By type of services			
– General dentistry services	165,137	167,784	146,794
– Implantology services	1,295	2,171	1,946
– Orthodontics services	2,477	2,367	1,933
Number of customers	**276,310**	**296,859**	**283,640**
Customer visits[(1)]	**708,651**	**768,809**	**748,632**
By type of services			
– General dentistry services	520,961	549,907	516,570
– Implantology services	59,763	78,759	86,810
– Orthodontics services	127,927	140,143	145,252
By type of dental institutions			
– Dental hospitals	86,338	86,560	87,256
– Dental out-patient departments	544,032	597,519	586,202
– Dental clinics	78,281	84,730	75,174
Customer return rate[(2)] (%)	**75.3**	**76.7**	**79.6**
Customer repurchase rate[(3)] (%)	**23.6**	**22.7**	**23.1**
By type of dental institutions			
– Dental hospitals	26.3	26.3	25.9
– Dental out-patient departments	22.1	20.8	21.3
– Dental clinics	19.3	19.7	20.1

Notes:

(1) New customers are customers who received dental services provided by us for the first time. Specifically, the new customers of a particular type of service (i.e., general dentistry, implantology or orthodontics) represent customers who visit our dental institutions for the first time for such type of dental service. For customers who have previously received other dental services provided by us, they are not regarded as the new customer upon their visit to our dental institutions for another type of dental service.

The decrease of our new customers in 2024 was mainly caused by a decrease of 12.5% in new customers of our general dentistry services, as a result of (i) decreased customer flow due to the relocation of eight dental institutions and the renovation of three dental institutions in Wuhan notwithstanding our efforts to contain the negative influence to the extent possible; (ii) our relatively conservative marketing strategy outside Wuhan in reaction to slower-than-expected post-pandemic economic recovery; and (iii) normalization of service demands in 2024 after experiencing a temporary demand surge during post-pandemic recovery period in 2023. Due to the same reason, we experienced a decrease of 6.1% in customer visits to general dentistry services, which resulted in the decrease of our total customer visits in 2024. According to Frost & Sullivan, such decline aligned with broader industry trends among dental services providers in Central China in the challenging market environment in 2024.

(2) Representing the number of customer visits by returning customers during the relevant year divided by the total number of our customer visits during the same year. Returning customers refer to customers who paid visits to our dental institutions for twice or above since our inception and up to the end of the relevant year according to the records in our operating systems.

(3) Representing the number of repurchase customers during the relevant year divided by the total number of customers during the same year. Repurchase customers refer to customers who paid visits to our dental institutions at any time during the relevant year and no more than 12 months had lapsed since such customers' previous visits to our dental institutions, excluding customers' follow-up visits for the same treatment.

From 2023 to 2024, we encountered challenges mainly caused by customers' consumption downgrade resulting from the slower-than-expected post-pandemic economic recovery, and fierce competition among dental services providers. To counter these macroeconomic pressures and reinforce our industry leadership, we implemented centralized cost control measures, such as utilizing online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency and negotiating favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them. We optimized resource allocation and encouraged experience-sharing among seasoned dental experts across our service network. In particular, we established technical committees to amass multiple dental experts with rich experience in clinical practices. These experts offer training sessions and technical guidance, activating the experience-sharing and application of advanced technologies in our dental service network, strengthening our capabilities to deal with miscellaneous oral diseases or complex dental procedures while propelling the development of our dental specialties. See "— Medical Professionals — Our Technical Committees" for details. These efforts were supported by streamlining our centralized management structure, ensuring agility and sustained competitiveness.

In 2024, as part of our strategic initiative to maintain proximity to customers and enhance acquisition and retention, we relocated eight dental institutions in Wuhan, coinciding with the expiration of certain leases. In addition, to upgrade service capacity and elevate customer experience, we also renovated three dental institutions in Wuhan, in the same year. As the result of such relocation and renovation, our customer flow experienced temporary decline. Concurrently, in response to slower-than-expected post-pandemic economic recovery, we scaled back marketing efforts outside Wuhan to maintain relatively stable profit margins while sharpening our focus on service excellence and customer satisfaction. In addition, after experiencing a temporary demand surge during post-pandemic recovery period in 2023, dental service demands returned to normalized levels in 2024. As such, from 2023 to 2024, our total customer visits decreased from 768,809 to 748,632, and our new customers decreased from 171,991 to 150,527. In the long term, we expect to witness growth in customer visits and new customers, supported by optimized dental resource allocation, increased dentists and expanded brand awareness.

Meanwhile, in response to the region-specific policy developments, particularly the implementation of centralized procurement policies in Hubei and Hunan provinces, as well as the fierce market competition under the downward pricing pressure brought by such policies, we made pricing adjustments, reducing the fees for implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023. As a result, the average spending per customer visit for our implantology services decreased from RMB1,562 in 2023 to RMB1,332 in 2024. Simultaneously, we leveraged our centralized procurement framework to optimize supply chain efficiency, negotiating favorable terms with key suppliers for high-quality dental consumables. By enhancing cost control measures, we maintained the ability to offer dental services at competitive prices while preserving stable gross margins even amid revenue pressures. From 2023 to 2024, the average spending per customer visit for our general dentistry services decreased from RMB431 to RMB421, while the average spending per customer visit to our orthodontics services decreased from RMB583 to RMB510.

We maintained stability in our revenue stream and only recorded a slight decline in total revenue, from RMB441.8 million for the year ended December 31, 2023 to RMB407.1 million for the year ended December 31, 2024. Notably, our customer retention metrics demonstrated improvement, with the customer repurchase rate rising steadily from the year ended December 31, 2023 to the year ended December 31, 2024. This enhancement in customer loyalty reflected our brand strength, service quality and timely adjusted pricing structure.

Customer Feedback

Customer Satisfaction

We value customers' feedback as a crucial indicator in assessing the performance of our clinical practices and customer services. To constantly gain operational and managerial insights into the evolving customer demands and optimize service experience, we conduct customer satisfaction surveys to understand their attitudes and suggestions, based on which we review our service quality and medical professionals' integrity. By inviting customers to provide comments and express their opinions, we foster customers' sense of participation and make them feel valued. Learning from customers' expectations of our services deepens our understanding in dental institution operation and management. We collect customer feedback in various ways, including comment collection surveys through online group-buying platforms, short messages or WeChat, paper surveys and complaint collection boxes in offline dental institutions, call-back interviews, messages and hotlines. During the Track Record Period, the number of customer complaints received by us as a percentage of the total customer visits to our dental service network was approximately 0.01%, significantly lower than the industry average of approximately 1.0% during the same period, according to Frost & Sullivan.

Customer Complaints

Owing to the nature of services, dental services providers occasionally face complaints from customers. During the Track Record Period, we sporadically receive customer complaints (客戶異議), usually in relation to longer waiting time than expected, perceived indifferent attitude of our staff, dissatisfaction with pricing, service quality below customers' expectation or perceived side effects or complications occur in connection with dental services provided by us.

Our Management Measures on Customer Complaints

To ensure prompt and proper handling of customer complaints, we have established a standardized and tiered complaint handling procedure within our dental service network. When a customer raises the disagreement and initiates the complaint, the manager of the relevant dental institution shall listen to the customer's opinion and timely give explanations. For those complaints failed to reach a consensus, the manager reports the complaints to the chief operational administrator (運營總監), who then reports to our Medical Department for thorough investigations and preliminary conclusions. Our Medical Department then organizes negotiations among the relevant expert, manager and customer based on the findings of detailed investigations, offering solutions to reach a consensus.

We review all complaints received for rectification and improvement. We periodically summarize and analyze complaints received, hold internal discussions on major complaints and set appropriate internal guidelines or adjustments to prevent recurring complaints of a similar nature.

For all the disagreement and complaints raised by the customers, we listen to the customer's opinion and timely provide explanations. Apart from explanations, customers generally accept complimentary services and/or refunds to settle their complaints. We may also be required to pay monetary compensation to settle customer complaints. We investigate the background and basis of customers' requests for refunds or compensation on a case-by-case basis, evaluating the reasonableness of the requests, as well as other factors such as resources that we may otherwise have to spend in settling the customer complaints and impact on our brand image. During the Track Record Period and up to the Latest Practicable Date, the total amount of monetary compensation (except for refund) paid by us to settle customer complaints amounted to approximately RMB0.3 million. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material customer complaint.

BRANDING AND PROMOTION

Over years of operations in the dental services market, we are committed to building our brand and strengthening our brand influence among customers. Our Marketing Center takes charge of the planning and scheduling of our branding and promotion activities to improve the regulatory compliance and consistency of such activities. By delivering reliable and high-quality services, we have built a unified brand image which differentiates us from competitors and helps us attract and retain customers. We integrate both offline and online marketing resources to enhance our brand exposure to the general public and attract more customers to visit our dental institutions. As of December 31, 2024, we had 50 employees being responsible for our offline and online branding and promotion activities in China.

We are obligated to ensure all of our medical advertising content complies with applicable laws and regulations. We have established an Annual Inspection Record for Medical Advertisements (醫療廣告年檢記錄表) to systematically and rigorously track and review the content of advertisements and renew medical advertising approvals before expiration, preventing the misleading or inaccurate advertising. We designate staff to supervise the publication of medical advertisement. We also from time to time arrange internal meetings and training sessions to discuss and review our performance regarding medical advertising.

Offline Branding and Promotion

Attaching great importance to the service quality, we address customers' oral disease treatment and oral health management demands with refined technologies, advanced equipment and intimate services, gaining customers' satisfaction and cultivating a trustworthy brand image. We obtain new customers through word-of-mouth publicity, as satisfied customers from time to time recommend our services to their families and acquaintances.

Meanwhile, our dental institutions are strategically located in densely populated areas and adjacent to local communities, where we easily gain access to potential customers. We adopt diversified branding measures, such as bus station advertisements, elevator advertisements (in image or video) in communities and office buildings, bus advertisements, and advertisements on the barrier gates of communities, elevating brand awareness among local residents. In addition to attracting walk-in customers, we also actively engage in pro-bono activities in communities and enterprises, such as free dental consultation services and health lectures. For instance, in 2024, we implemented elevator advertising campaigns in Wuhan to strengthen brand awareness and promote our service offerings among residents, incurring an expenditure of approximately RMB7.9 million. These frequent free dental consultation services help us introduce our brand and major services to residents while raising residents' awareness to oral hygiene and oral health management.

We also organize and participate in various academic conferences in the dental services industry, such as the annual meetings of Chinese Stomatological Association and the annual meetings of implantology committee and orthodontics committee of Chinese Stomatological Association, which enable us to continuously enhance our exposure to medical professionals, especially seasoned dentists with established reputation, while keeping us informed about the latest industry information and advancing our technological capabilities.

Online Branding and Promotion

To reinforce our brand awareness and recognition among potential customers, we leverage social media platforms, e-commerce platforms and multiple search engine platforms with vast customer traffic to promote our brand, medical professionals, as well as dental services to the general public. These social media platforms, e-commerce platforms and multiple search engine platforms are the online marketing channels to enhance our exposure to potential customers and strengthen our brand influence. For instance, in 2024, we collaborated with a leading marketing and promotion services provider to enhance our brand's online presence. Such promotional campaign incurred an expenditure of over RMB10.0 million. We set annual and monthly promotion targets and conduct regular reviews on our marketing performance, optimizing the cost-efficiency of our online promotion activities. We utilize our brand-building capabilities and invite individuals to conduct on-site visits and experience our services, thereby increasing our exposure on popular social media platforms and embracing the trending internet celebrity economy.

Our WeChat public accounts and WeChat mini programs enable customers to conveniently understand our brand and corporate culture, and check the introduction of our dentists and dental institutions without temporal and spatial constraints. We also popularize the basic knowledge of oral health management through text and images among potential customers through our WeChat public accounts.

To improve customers' service experience while enhancing customer loyalty, we spend efforts in daily customer relationship maintenance through calls, messages or WeChat. For instance, during the follow-up calls, our medical professionals check the recovery progress, provide guidance on the following treatment sessions when necessary and promptly address customer inquiries. In addition, to elevate customer stickiness to our dental services, we invite customers to join our offline activities, such as health lectures and customer appreciation activities, through which we improve our customer experience and increase our customer retention rate.

PRICING

To the extent allowed by the applicable regulatory requirements in China, as a private dental services provider, we are generally entitled to set the prices of dental services of our dental institutions at our own discretion. We price dental services based on certain factors, including the complexity of the treatments, operating costs, local market conditions and the pricing of both private and public dental institutions in the same region on similar dental services. During our daily operations, we from time to time review our pricing to avoid malicious competition caused by their unreasonable pricing or promotion.

The following table sets forth the price ranges of our major types of dental services during the Track Record Period:

Type of services	General price range[(1)]
General dentistry services[(2)]	
– Crown services	RMB980 to RMB7,500 per tooth
– Dental filling services	RMB200 to RMB600 per tooth
– Root canal treatment services	RMB300 to RMB1,500 per tooth
Implantology services[(3)]	
– Single-implant	RMB1,920 to RMB11,900 per tooth
– Half denture	RMB20,000 to RMB70,000 per denture
Orthodontics services[(4)]	RMB4,500 to RMB42,000 per case

Notes:

(1) Representing the prices of an integral dental treatment procedure, which generally requires multiple visits due to the complexity of dental conditions and the necessary treatment duration. For instance, customers undergoing implantology and orthodontics services typically make approximately 5 and 12 visits, respectively, to complete their treatments. Consequently, the price range for each category of services exceeds the average spending per customer visit, which is also in line with the industry practice, as confirmed by Frost & Sullivan.

(2) Prices of our general dentistry services vary, generally depending on the type of particular specialties and services provided, and the regions where the relevant dental institutions located.

(3) Prices of our implantology services vary, generally depending on the type of consumables and the regions where the relevant dental institutions located.

(4) Prices of our orthodontics services vary, generally depending on the type of consumables and the regions where the relevant dental institutions located.

Our dental institutions that are qualified as Medical Insurance Designated Medical Institutions are required to charge medical fees in accordance with the pricing guidelines and price ceilings set by the relevant government authorities for dental services eligible to be paid through the public medical insurance programs. We regularly inspect the pricing of our Medical Insurance Designated Medical Institutions to ensure compliance with local medical insurance policies. The following table sets forth the number of Medical Insurance Designated Medical Institutions by type of dental institutions as of the dates indicated:

	As of December 31,			As of the Latest Practicable Date
	2022	2023	2024	
Dental hospitals	4	4	4	4
Dental out-patient departments	53	58	56	52
Dental clinics	4	5	5	6
Total	**61**	**67**	**65**	**62**

In recent years, the PRC government has been propelling the centralized procurement to promote the transparency in the pricing of dental implantology consumables and services, making the implantology service more affordable and accessible for the general public. In response to such polices as well as the fierce competition under the downward pricing pressure brought by such policies, we made timely pricing adjustments on our implantology services and witnessed more customers access affordable dental services. For further details of centralized procurement policies and pricing supervision, see "Regulatory Overview — Regulations on the Reform of Medical Institutions."

SUPPLIERS AND PROCUREMENT

Our dental service network requires various products for its business operations, mainly covering dental devices and pharmaceuticals. Our suppliers primarily comprise (i) suppliers of the above products; (ii) marketing and promotion services providers as well as consulting services providers; and (iii) software, hardware and services providers of informatization. We mainly purchase from suppliers located in China, including domestic distributors that are licensed to import dental tools and equipment manufactured by foreign manufacturers.

Our Centralized Procurement Management Mechanism

To streamline our dental institutions' procurement of dental devices and pharmaceuticals, we have adopted a centralized procurement management mechanism and deployed an online supply chain system. With standardized procurement procedures, we select qualified suppliers that are able to provide reliable supplies to us at competitive prices and monitor the quality of supplies within our dental service network. Our internal procurement policies and guidelines are reviewed and approved during the manager meetings at the headquarters level.

Supplier Selection and Lists of Suppliers and Equipment

We conduct thorough market research and analysis before selecting suppliers and procuring supplies. We mainly select suppliers through bidding process based on stringent selection criteria and the applicable PRC laws and regulations to ensure the legality and quality of our purchases. We enter into framework agreements with successful bidders and place procurement orders for the following procurement based on the actual procurement needs arising from daily operations.

When selecting suppliers at the headquarters level, we consider, among other things, the quality characteristics and strengths of their supplies, the qualification of suppliers, the pricing, service experience, value-added services and the suppliers' track record and market share. Our suppliers are required to possess all licenses and permits necessary to conduct their operations.

We have established a supplier list containing suppliers that have met all our selection criteria. We classify our suppliers in different levels for better daily inspections and routine assessments on our suppliers' performance to check their qualifications and maintain the legality, quality and stability of supplies. In addition, we value the feedback from medical professionals on their usage experience. If medical professionals identify sub-standard dental devices or pharmaceuticals, we timely address the issue by discussing with the relevant suppliers and holding internal review meetings. We dynamically update the supplier list based on our review on the suppliers and feedback on their supplies. We also keep a standard equipment list for our dental institutions to record and track the details of our existing dental equipment. We make decisions to replace our dental equipment based on the comprehensive evaluations on equipment depreciation and amortization period, length of usage, equipment performance and wear and tear condition.

Procurement Process

With respect to major dental devices and pharmaceuticals, most of our dental institutions report their procurement needs to the online supply chain system at the headquarters level, specifying the amount, type together with the particular customization requirements, while other dental institutions procure dental devices and pharmaceuticals directly from suppliers. The procurement needs reported to our headquarters are then reviewed by our Procurement Department (採購部) under the Administrative Center, which places purchase orders with the selected suppliers. The procurement needs of dental equipment are reported by dental institutions and reviewed by our Procurement Department together with the personnel taking charge of operational and technical affairs at the headquarters level. Our Procurement Department then consolidates the procurement needs to prepare procurement budget plans, which shall be reported to and approved by our Medical Center and Financial Center successively. After the standardized internal approval process, our Procurement Department enters into procurement agreement with the supplier and proceeds with the advance payment. With respect to dental consumables that are regulated by the government centralized procurement policies, such as implants and crowns for implantology services, we enter into tripartite procurement agreements with distributors and manufacturers on the government procurement platform, reporting our annual demands and procuring the relevant consumables as needed according to the tripartite agreements.

Through unified bidding, dynamic price inquiry and comparison, as well as centralized price negotiation, we seek high-quality supplies at reasonable prices accommodating the actual business demands of our dental institutions. We believe unified bidding and centralized procurement allow us to achieve economies of scale and enhance operational efficiency, while serving customers with quality supplies used in our dental service network.

Procurement Agreements with Suppliers

We generally enter into procurement agreements with our major suppliers for dental devices and pharmaceuticals with a term of one to two years on a non-exclusive basis. Depending on the types of supplies and our relationships with the suppliers, the terms of the procurement agreements vary from supplier to supplier. We generally do not have long-term agreements with our suppliers. By virtue of our well-established brand image in Central China and large operational scale, we generally have strong bargaining power during price negotiation and are typically given credit terms ranging from two months to three months by our suppliers for dental consumables, and one month for pharmaceuticals. We typically have installment payment arrangements with our suppliers for dental equipment. We normally pay our suppliers via wire transfer. Our suppliers are generally responsible for arranging the delivery to our designated place of delivery at their own costs. Our suppliers generally grant us a guarantee period in the procurement agreements. We are typically entitled to return or exchange certain supplies that do not meet our standards upon inspection after delivery and during usage after acceptance.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant return or exchange of supplies that did not meet our standards or suffered any significant loss or damage caused by quality problems of supplies. To ensure the stability of supplies while maintaining supply consistency, we typically source each type of supplies from selected suppliers with several alternative options for backup. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any significant shortage of or delay in the delivery of supplies that caused material adverse impacts on our business operations. Capitalizing on our centralized procurement management mechanism and strong bargaining power, we had not experienced any significant fluctuation in the prices of our supplies which had a material adverse impact on our results of operations or gross profit margins during the Track Record Period and up to the Latest Practicable Date.

For risks in relation to our relationships with suppliers, see "Risk Factors — Risks Relating to Our Business and Industry — Failure to maintain business relationships with our suppliers, or any decrease, shortage or delay in the supply, or an increase in the prices of supplies may adversely affect our business, financial condition and results of operations."

Our Five Largest Suppliers

The following tables set forth certain information of our five largest suppliers in each year of the Track Record Period:

Year Ended December 31, 2024

Supplier	Major products/services purchased by us	Credit terms	Payment method	Amount of purchases	As a percentage of our total purchases	Length of business relationship with us
				(RMB'000)	*(%)*	
Supplier A . . .	Dental devices	0 to 90 days	Bank transfer	13,020	14.6	Since 2018
Supplier D . . .	Dental devices	0 to 90 days	Bank transfer	7,578	8.5	Since 2018
Supplier C . . .	Dental devices	0 to 60 days	Bank transfer	6,593	7.4	Since 2020
Supplier B . . .	Advertising services	Pay by installments	Bank transfer	5,825	6.5	Since 2022
Supplier E . . .	Dental devices	0 to 30 days	Bank transfer	4,861	5.4	Since 2014
				37,877	**42.4**	

Year Ended December 31, 2023

Supplier	Major products/services purchased by us	Credit terms	Payment method	Amount of purchases	As a percentage of our total purchases	Length of business relationship with us
				(RMB'000)	*(%)*	
Supplier A . . .	Dental devices	0 to 90 days	Bank transfer	15,147	16.2	Since 2018
Supplier F . . .	Dental devices	0 to 90 days	Bank transfer	7,468	8.0	Since 2011
Supplier C . . .	Dental devices	0 to 90 days	Bank transfer	7,157	7.7	Since 2020
Supplier E . . .	Dental devices	0 to 30 days	Bank transfer	6,509	7.0	Since 2014
Supplier D . . .	Dental devices	0 to 90 days	Bank transfer	5,638	6.0	Since 2018
				41,919	**44.9**	

Year Ended December 31, 2022

Supplier	Major products/services purchased by us	Credit terms	Payment method	Amount of purchases	As a percentage of our total purchases	Length of business relationship with us
				(RMB'000)	*(%)*	
Supplier A . . .	Dental devices	0 to 90 days	Bank transfer	18,292	20.8	Since 2018
Supplier F . . .	Dental devices	0 to 90 days	Bank transfer	7,615	8.7	Since 2011
Supplier E . . .	Dental devices	0 to 30 days	Bank transfer	7,431	8.4	Since 2014
Supplier D . . .	Dental devices	0 to 90 days	Bank transfer	5,877	6.7	Since 2018
Supplier B . . .	Advertising services	Pay by installments	Bank transfer	4,665	5.3	Since 2022
				43,880	**49.9**	

All of our five largest suppliers in each year of the Track Record Period are Independent Third Parties. To the best of the knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers in each year of the Track Record Period.

INVENTORY MANAGEMENT

Our inventories primarily consist of dental consumables and pharmaceuticals which are stored in the warehouses or storerooms of our dental institutions for temporary storage of such inventories.

While each of our dental institutions maintains its own inventories, we have implemented a strict inventory management system at our headquarters level to monitor the procurement, storage and distribution of inventories. To minimize operational risks arising from inventories and optimize the utilization of inventories, we set target inventory turnover days and kept an efficient inventory turnover during the Track Record Period. Our dental institutions generally maintain one to three months of inventory to meet their business needs. See "Financial Information — Discussion of Certain Key Items from Consolidated Statements of Financial Position — Inventories" for details of our inventory turnover days. As of December 31, 2022, 2023 and 2024, our inventory amounted to approximately RMB6.1 million, RMB5.7 million and RMB3.7 million, respectively. Our inventory turnover days decreased throughout the Track Record Period primarily attributable to the decrease in our inventory balance and our improved inventory management.

Upon inspection after delivery, supplies are stored into the designated storage areas in our dental institutions. We typically conduct monthly reviews on inventories to check and report the medical consumables on hand against the records in our information technology systems. We track, determine and record reasons for any identified difference to keep accurate inventory records. In addition to the inventory management within dental institutions, pursuant to the check results on inventory balance and turnover days, our headquarters timely reminds the relevant dental institutions of the identified problems. Meanwhile, we closely monitor inventory expiry dates to avoid the usage of expired items. Once the supplies are expired, we safely dispose of them in accordance with applicable laws and regulations, and write off them accordingly. During the Track Record Period, we did not experience any significant write-offs of our inventories.

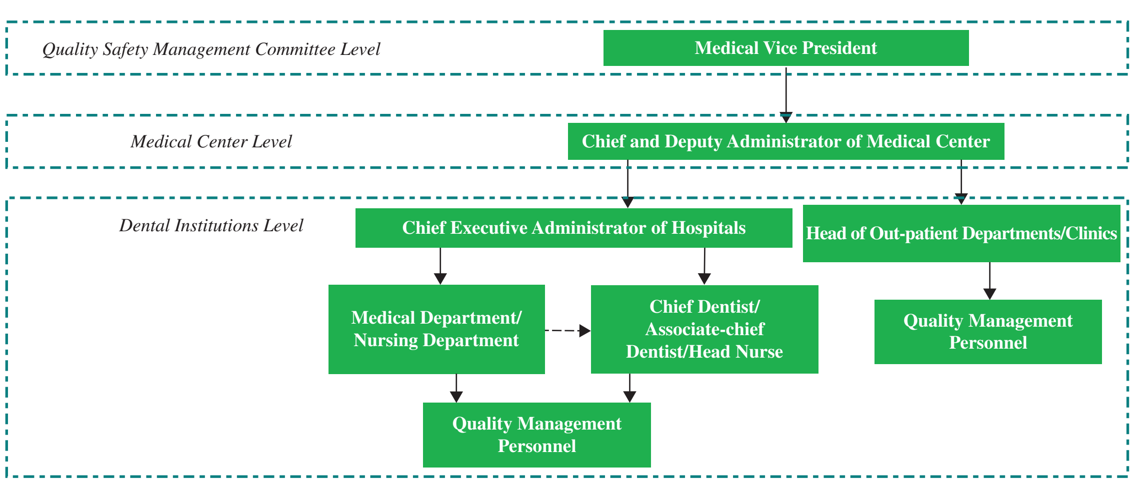
MEDICAL QUALITY CONTROL

We believe quality control is of vital importance to ensuring the safety and quality of our services and maintaining our brand image and reputation among existing and potential customers. We have established a tiered quality control system within our dental service network, pursuing regular inspection and instant adjustment during our daily operations. We have adopted a series of internal measures focusing on quality control, such as *Medical Quality and Safety Management Core Measures* (《醫療質量與安全管理核心制度》) and *Quality Management Personnel Work Book* (《質量管理員工作手冊》).

Systematic Quality Management System

We have established a "three-level and four-tier" quality management system to monitor the quality of dental services provided to customers through our dental institutions. Such quality management system connects three-level institutions, namely our Quality Safety Management Committee (質量安全管理委員會), our Medical Center and dental institutions in our dental service network, and comprises four-tier staff, namely our medical vice president, chief and deputy administrator of our Medical Center, chief executive administrator/head of the dental institutions and quality management personnel of medical and nursing services. For our dental hospitals, the heads of their medical departments and nursing departments also participate in tiered quality management system. The below table sets forth our "three-level and four-tier" quality management system.

Three-level and Four-tier



As of December 31, 2024, our quality management personnel comprised 178 employees, including experienced dentists at our dental institutions as medical quality management personnel (醫療質管員) and selected nurses at our dental institutions as caring quality management personnel (護理質管員), the majority of which have stomatology, caring or related educational background and/or working experience. All of our dental institutions have designated medical quality management personnel and/or caring quality management personnel in charge of monitoring the quality of services. Quality management personnel is responsible for supervising our dental institutions to adopt and maintain efficient and standardized control methods that focus on the quality of dental services. Our dental institutions conduct internal reviews on the quality management periodically. The comprehensive quality control performance of our dental institutions is collected, analyzed and reported by our quality management personnel by months. Additionally, we arrange random quality inspections and optimize the implementation plans relating to quality control on dental services based on the results of both periodic evaluations and random inspections.

Our Quality Control Initiatives

Service quality has direct impacts on the efficacy of our treatments and customers' trust in us. We require our dental institutions to enhance awareness of customers' safety during treatments. Pursuant to the industry technical standards and our dental experts' accumulated experience, we established a series of treatment and operating procedures to standardize and refine the workflows of our dental clinical practices, such as *Oral Disease Diagnosis and Treatment Guidance and Technical Standards* (《口腔疾病診療指南與技術規範》), *Oral Clinical Nursing Procedure* (《口腔臨床護理操作流程》) and *Standard Diagnosis and Treatment Protocols for Oral Diseases* (《口腔疾病診療常規》). Clear guidance with detailed instructions on workflows helps our medical professionals coordinate closely and effectively, minimizing the risks arising from improper treatment or nursing, which ultimately contributes to the treatment efficacy and customer satisfaction.

Based on the risks and complexity of treatments, we categorize our service procedures and set different levels of clinical standards for treatments. We also set specific requirements on the expertise, professional rank and experience of medical professionals carrying on different levels of treatments for customers. This approach ensures that customers receive treatment from skilled dentists while reserving highly experienced experts for cases involving complex oral conditions.

Our stringent talent recruitment procedures and well-rounded cultivation system for medical professionals also improve the reliability of our service quality. See "— Medical Professionals — Recruitment, Management and Cultivation of Medical Professionals" for details.

RESEARCH AND DEVELOPMENT

Research and Development on Utility Model Patents

During the provision of dental services, our dentists and other medical professionals from time to time identify common unmet needs or challenges in clinical practices, such as enhancing treatment efficacy, addressing specific dental conditions with proper tools or easing customers' discomfort during certain treatment processes. Leveraging these insights, our experienced dentists take the lead in developing and optimizing dental tools and devices used in our dental service network based on daily observations and considerations in terms of practicality, feasibility, and potential impact on dental care. After the development and thorough testing process, the relevant tools or devices are optimized for practical use and ultimately submitted for patent registration. As of the Latest Practicable Date, we had 10 registered utility model patents, which were material to our business, demonstrating our contributions to continuous advancements and innovations.

Research and Development on Information Technology Systems

Our Information Department is responsible for research and development of our information technology systems. By identifying the actual needs during our daily operations, our Information Department developed a matrix of information technology systems tailored to digitalize our operations and corporate management. To respond to the evolving management demands arising from our expanding dental service network, our Information Department constantly refines the functionality and usability of our information technology systems. Such refined systems visualize operating results and vital performance indicators for our management and support our management analysis and decision-making.

The development cycle for our major information technology systems varies, depending on the complexity of the systems and the required upgrades. The typical development process covers demands analysis, feasibility study, internal approval, development, testing and adjustment, and system launch. Advanced technologies underpin our development, application and optimization of diversified information technology systems. To sustain this innovation, we recruit, retain and cultivate our research and development employees, especially those employees with deep insights in both information technology and dental institutions.

For the years ended December 31, 2022, 2023 and 2024, we incurred research and development expenses of RMB6.6 million, RMB6.8 million and RMB6.7 million, representing 1.6%, 1.5% and 1.6% of our total revenue for the same years, respectively. We expect to further optimize our information technology systems and enhance our technical strength by continuously investing in system upgrades and informatization. See "Future Plans and Use of Proceeds."

INFORMATION TECHNOLOGY SYSTEMS

Our Information Department has a software development team and a hardware network team. The software development team primarily takes charge of planning, implementing and promoting system development and upgrade based on our business demands. We expect to progressively reach the standardization of software development. The hardware network team is primarily responsible for the daily maintenance of information technology systems deployed in our headquarters and dental institutions, the standardized management of hardware network, implementation of data security policies, cybersecurity, training sessions relating to the operations of hardware and equipment, and periodical analysis on the information technology systems. We also pay close attention to technology development to drive our constant improvement of system operation and maintenance methods.

We are in the process of propelling the informatization of our business operations and visualizing our performance for better operations. Our in-house development of information technology systems enables us to timely respond to informatization demands arising from daily operations and deepens our understanding in performance with tailored data analytical tools.

We have adopted a matrix of information technology systems, which are centralized on the unified information technology infrastructure underpinned by the public cloud. Set forth below are our major information technology systems.

- ***Hospital Information System (the "HIS")***. By applying our robust software development capabilities, we have developed our HIS to digitalize our diagnosis and treatment process, which underpins our standardized business operations and scalable customer base. Specifically, our HIS supports digitalized customer management, electronic medical records and pricing management, granting our medical professionals efficient access to treatment records and enabling our precise management on dental practices.

- ***Office Automation System (the "OA system")***. We have developed an OA system to facilitate our human resource management, asset management and internal approval process. Such system covers multiple functional modules to address our daily office needs, enabling us to achieve standardized and modernized operations.

- ***Supply Chain System***. We have deployed an advanced supply chain system to digitalize the whole process of our centralized procurement, covering demand reporting, placing orders, acceptance, storage and inventory consumption. Utilizing the connections between such system and our HIS and OA system, we monitor the quality and usage of supplies through real-time system updates.

- ***Fund Management System***. To realize centralized financial management and monitor financial risks, we have deployed a tailored fund management system, which has a connection with our OA system. We believe such system improves our fund utilization efficiency while elevating fund security.

- ***Big Data Analysis System (the "BI system")***. Supported by advanced technologies, we have developed a BI system to analyze the status and trend of our business performance for our management. Deployment of such system helps our management understand our business performance through streamlined and visualized indicators.

- ***Marketing Middle Platform***. We have developed our marketing middle platform to monitor our marketing and promotion activities and customer services. Such platform has been connected with our HIS and OA system to realize real-time updates on discounts offered and our customers' feedback.

- ***Social Customer Relationship Management System (the "SCRM system")***. We have deployed a SCRM system for customer acquisition and customer relationship management. Such system facilitates our approaching and tracking customers with dental service demands while supporting our maintenance of customer relationships. Connected with our HIS, our SCRM system enhances our online interactions and follow-ups with customers, ultimately leading to improved customer satisfaction and loyalty.

- ***Supplier System.*** Based on our observations on procurement activities, we have developed a supplier system adapted to the dental services market to offer convenience for our suppliers during the transaction process. As of the Latest Practicable Date, we were in the process of upgrading our supplier system to accommodate to the expansion of our business.

Our fees and expenses incurred in respect of the maintenance and upgrade of information technology systems amounted to RMB1.3 million, RMB1.8 million and RMB1.6 million, for the years ended December 31, 2022, 2023 and 2024, respectively. We plan to continuously invest in our information technology systems to support the growth of our business operations and achieve refined corporate management. For more details, see "Future Plans and Use of Proceeds."

Development of the Regulatory Environment of Cybersecurity, Data Security and Protection of Personal Information

Cybersecurity, data security and protection of personal information have become an increasing regulatory focus of government authorities. There has been continuous regulatory development regarding cybersecurity, data security and protection of personal information in China in recent years. On November 7, 2016, the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "**SCNPC**"), promulgated the *Cybersecurity Law of the PRC* (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. In July 2018, the NHC promulgated the *Administrative Measures Regarding National Healthcare Big Data Standards, Safety and Service Management (Trial)* (《國家健康醫療大數據標準、安全和服務管理辦法(試行)》) to further standardize the management of the healthcare data produced during disease treatment and health management. On June 10, 2021, the *PRC Data Security Law* (《中華人民共和國數據安全法》) was adopted by the SCNPC and became effective on September 1, 2021. On August 20, 2021, the *PRC Personal Information Protection Law* (《中華人民共和國個人信息保護法》) (the "**PIPL**") was adopted by the SCNPC and became effective on November 1, 2021. On December 28, 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the "**CAC**"), together with certain other PRC government authorities, promulgated the revised *Measures for Cybersecurity Review* (《網絡安全審查辦法》), which became effective on February 15, 2022. On August 8, 2022, the NHC, the NATCM, and National Disease Control and Prevention Administration (國家疾病預防控制局) jointly promulgated the *Administrative Measures for the Cybersecurity of Medical and Healthcare Institution* (《醫療衛生機構網絡安全管理辦法》) with immediate effect. On February 14, 2025, the CAC promulgated the *Regulations on Compliance Audit for Personal Information Protection* (《個人信息保護合規審計管理辦法》), which came into effect on May 1, 2025. The Regulations on Compliance Audit for Personal Information Protection provide guidelines for compliance audit of personal information protection with key review contents.

For further details of laws and regulations regarding cybersecurity, data security and protection of personal information, see "Regulatory Overview — Laws and Regulations Related to Cybersecurity, Data Security, and Protection of Personal Information." The above regulatory development could impact the healthcare services industry in China, including dental services providers with information technology systems.

As confirmed by our PRC Legal Advisors relating to Data Compliance, we were in compliance with all applicable PRC laws and regulations governing cybersecurity, data security and protection of personal information in all material aspects during the Track Record Period and up to the Latest Practicable Date. However, as the laws and regulations regarding cybersecurity, data security and protection of personal information are still developing, we cannot assure you that we can always timely adapt to all the new requirements of such laws and regulations. See "Risk Factors — Risks Relating to Our Business and Industry — We are subject to evolving laws, regulations and government policies regarding cybersecurity, data security and personal information protection. Actual or alleged failure to comply with such laws, regulations and government policies could adversely affect our business and reputation."

Our Access to Personal and Medical Information during Operations

During provision of dental services, with the prior consent of customers or as approved by the applicable laws and regulations for personal information processing, we collect and store personal and medical information of customers to the extent necessary and in accordance with applicable PRC laws and regulations. These personal and medical information of customers typically covers name, gender, identification number, contact information, medical history and other medical records. During the Track Record Period and up to the Latest Practicable Date, we did not collect or store any personal information of foreign residents, considering we did not provide dental services to overseas customers. We require that information and data we receive during our operations in China shall be stored and preserved within China.

Our Internal Policies and Measures on Cybersecurity, Data Security and Protection of Personal Information

As a dental services provider in China, we highly value cybersecurity, data security and protection of customers' personal and medical information. We have implemented management measures on customers' information to monitor the collection, storage, access, use and protection of customers' personal and medical information, thereby ensuring regulatory compliance.

Specifically, during the information collection process, for personal and medical information, we only collect the data to the extent necessary and permitted by our customers. Prior to our collection, we clearly notify the customers on the purpose, scope and usage of the data. We utilize encryption technologies, such as file encryption, to keep personal and medical information transmitted in private, so that it cannot be viewed without proper authorization or exported in bulk. We strictly restrict the access to and copy of medical records, categorizing medical records and assigning individuals for supervising the management of personal and medical information. We also perform de-identification on raw data stored from customers, protecting customers' privacy while still maintaining data utility. To enhance our employees' awareness on data security and protection, we arrange training sessions to introduce the characteristics of high-risk sites and tips on reducing the risks associated with phishing and account leakage. In addition, we also set up firewalls to prevent information loss or leakage caused by cyber-attacks. We have obtained the Level III Cybersecurity Protection Filling Certificate. We require our information technology service suppliers to strictly follow regulatory requirements on data protection and establish stable cooperation relationships with those suppliers have certificates regarding cybersecurity or better performance in data protection.

As a result of our efforts in strengthening the informationization capabilities and respecting cybersecurity and data security, we had not experienced any material service interruption caused by system malfunctions, or any material data leakage or data loss during the Track Record Period and up to the Latest Practicable Date.

Considering that: (i) we were not identified as a critical information infrastructure operator; (ii) our information systems are for our own use only and does not have multi-party trading capabilities, indicating we are not a platform operator; (iii) the data we process mainly includes the basic information and medical records of patients during diagnosis and treatment, which does not involve national security; (iv) the data collected and generated during our business development process is stored within the territory of China; (v) we have not received any investigation or inquiry from the CAC, the CSRC, or any other relevant government authority regarding cybersecurity, data security, or any cybersecurity review. Our PRC Legal Advisors relating to Data Compliance are of the view that the likelihood of us being required to undergo a cybersecurity review is low.

Considering the constant evolution of the regulatory requirements of cybersecurity, data security and protection of personal information in recent years, we have been paying close attention to the latest regulatory developments to timely adopt measures or make adjustments.

COMPETITION

We operate in a highly competitive and fragmented industry, according to Frost & Sullivan. We generally compete with private and public dental hospitals, out-patient departments and clinics as well as dental departments in general hospitals located in the same geographic regions as our dental institutions. We typically compete on the following key factors: quality of dental services, service experience, medical resources, especially seasoned dentists, brand influence, customers' accessibility, as well as pricing.

As the largest private dental services provider in Central China with a focus on Hubei and Hunan provinces in terms of revenue generated therefrom in 2024, we believe we are well positioned to serve the general public with reliable and accessible dental care, leveraging our outstanding dentist resources, direct chain model, established brand awareness and continuous efforts. See "Industry Overview" for a more detailed discussion regarding the industries and markets where we operate.

AWARDS AND RECOGNITIONS

Our strengths and industry influence are evidenced by the honors awarded to us during our years of operations. The following table sets forth major awards and recognitions received by us:

Year of award	Award/Recognition	Awarding authority/institution
2024 . . .	Creditable and Contract-honored Enterprise (守合同重信用企業)	Hubei Administration for Market Regulation (湖北省市場監督管理局)
2024. . . .	Hubei Provincial Golden Seed Enterprises for Listing (湖北省省級上市後備"金種子"企業)	Office of Hubei Provincial Enterprise Listing Work Leading Group (湖北省企業上市工作領導小組辦公室)
2023. . . .	New High-tech Enterprises (高新技術企業)	Department of Science and Technology of Hubei Province (湖北省科學技術廳), Department of Finance of Hubei Province (湖北省財政廳) and Hubei Provincial Tax Service, State Taxation Administration (國家稅務總局湖北省稅務局)

Year of award	Award/Recognition	Awarding authority/institution
2023. . . .	Executive Member of Wuhan Non-government Medical Institutions Association (武漢市非公立醫療機構協會常務理事單位)	Wuhan Non-government Medical Institutions Association (武漢市非公立醫療機構協會)
2022. . . .	Creditable and Contract-honored Enterprise	Wuhan Administration for Market Regulation (武漢市市場監督管理局)
2021. . . .	Civilized Unit of 2021 to 2022 (2021-2022年度文明單位)	Wuhan Wuchang District Committee of the Communist Party of China (中共武漢市武昌區委員會), Wuhan Wuchang District People's Government (武漢市武昌區人民政府)
2020. . . .	Creditable and Contract-honored Enterprise	Wuhan Administration for Market Regulation (武漢市市場監督管理局), Office of Wuhan Moral and Ideological Development Guiding Committee (武漢市精神文明建設指導委員會辦公室) and Office of Wuhan Social Credit System Construction Leading Group (武漢市社會信用體系建設領導小組辦公室)
2019. . . .	Star-class Rating (Out-patient Department): Four-Star (門診部星級評價:四星級)	Chinese Non-government Medical Institutions Association (中國非公立醫療機構協會)
2018. . . .	Technology Small Giant Enterprise of Wuhan (武漢市科技"小巨人"企業)	Bureau of Science and Technology of Wuhan (武漢市科學技術局)
2017. . . .	Gazelle Enterprise of 2017 (2017年度瞪羚企業)	Management Committee of Wuhan East Lake High-tech Development Zone (武漢東湖新技術開發區管理委員會)
2017. . . .	Strategic Cooperation Base of Wuhan University of Technology School of Management (武漢理工大學管理學院戰略合作基地)	Wuhan University of Technology (武漢理工大學)

Medical professionals practicing at our dental service network have profound academic achievements. The following table sets forth selected representative publications of such medical professionals:

Year	Name of publication	Journal/Press
2024	Comparison of Clinical Effects of a Modified Socket Shield Technique and the Conventional Immediate Implant Placement (改良盾構術與傳統即刻種植術的臨床效果對比研究)	*Journal of Clinical Stomatology* (《臨床口腔醫學雜誌》)
2023	Application of Plasmatrix in the Reconstruction of the Contour of Hard and Soft Tissue in Esthetic Zone: A Case Report (應用血漿基質進行美學區種植軟硬組織輪廓重建一例)	*Chinese Journal of Stomatology* (《中華口腔醫學雜誌》)
2023	Clinical Observation of Clindamycin Combined with Metronidazole in the Treatment of Chronic Periodontitis (克林黴素聯合甲硝唑治療慢性牙周炎臨床評價)	*China Pharmaceuticals* (《中國藥業》)
2022	Treatment of Peri-implant Infection in Aesthetic Area: A Case Report (美學區種植體周感染治療一例)	*Chinese Journal of Oral Implantology* (《中國口腔種植學雜志》)

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we had (i) 10 registered patents; (ii) 12 registered trademarks; (iii) 11 registered copyrights in the PRC; and (iv) 3 registered domain names, which were material to our business. See "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" for more details of our material intellectual property rights.

To protect the intellectual properties owned by us, we rely on a combination of intellectual property right protection laws in the PRC, confidentiality procedures, contractual provisions and internal control procedures. During the Track Record Period and up to the Latest Practicable Date, we had not been sued on the basis of, and had not undergone arbitration in respect of, nor had we received any notification from third parties claiming, infringement of any intellectual property that has had a material adverse effect on our business. In addition, during the Track Record Period and up to the Latest Practicable Date, we had not been the subject of any adverse finding in an investigation by any government authorities in respect of infringement of any intellectual property of third parties that had a material adverse effect on our business.

EMPLOYEES

As of December 31, 2024, we had 1,164 employees in total, all of whom were based in China as of the same date. The following table sets forth a breakdown of our employees by their function as of the same date:

Function	Number of employees	% of total employees
Employees in our dental institutions	**1,054**	**90.5%**
– Dentists	245	21.0%
– Other medical professionals	468	40.2%
– Operational and other employees	341	29.3%
Employees at our headquarters	**110**	**9.5%**
– Management	35	3.0%
– General administrative, marketing and other staff	75	6.5%
Total	**1,164**	**100.0%**

To attract qualified personnel, especially qualified medical professionals, we adopt various recruitment methods to satisfy our demands for different types of employees. These methods typically include campus recruitment, online social recruitment for personnel with work experience and recruitment through referrals.

Following our strict assessment criteria for candidates, our recruitment procedures generally contain reporting recruitment demands, publishing recruitment notices, reviewing and screening resumes, arranging examinations, evaluating and selecting candidates, approving and making announcement. Our employees typically enter into standard labor contracts with us. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any difficulty in recruiting employees for our operations.

We respect the work and contributions of our employees. Our compensation packages for employees mainly comprise base salary and performance-based bonuses. We periodically review our employees' performance, based on which we generally determine and offer annual bonus awards. We highly value the recruitment, management, training and retainment of our employees, especially medical professionals. In particular, we arrange diversified training sessions for our employees, including pre-job training, training on basic medical theory, basic medical knowledge, and basic medical skills, advanced training and special training focused on selected specialties. In addition, our on-the-job tutoring enables young medical professionals to closely and systematically learn the valuable academic theories and clinical experiences from experienced medical professionals.

PRC laws and regulations require us to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund and pay social insurance and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to the maximum amounts specified by the local government. During the Track Record Period, we did not make social insurance and housing provident fund contributions in full amount for our employees as required by relevant PRC laws and regulations. Such incident was primarily caused by (i) unfamiliarity with the relevant PRC laws and regulations by our human resource management personnel; and (ii) unwillingness of employees to make contributions of social insurance and housing provident fund for personal reasons, mainly due to their financial burden.

Legal Consequences

As advised by our PRC Legal Advisors, according to the applicable PRC laws and regulations: (i) with respect to social insurance, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% on the outstanding amounts, and if and only if we fail to do so, they may impose a fine or penalty ranging from one to three times of the outstanding amounts; and (ii) with respect to housing provident funds, the relevant government authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to competent court for enforcement of the outstanding amounts if we fail to do so.

During the Track Record Period and up to the Latest Practicable Date, no administrative action had been initiated against us by the relevant PRC government authorities with respect to such non-compliance, nor has any order been received by us to settle the outstanding amount of social insurance and housing provident fund contributions. During the Track Record Period and up to the Latest Practicable Date, we were not imposed any administrative penalties as a result of our non-compliance with social insurance and housing provident fund related PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material claim or complaint filed against us by our employees demanding us to make up the shortfall of social insurance and housing provident fund contributions.

For the years ended December 31, 2022, 2023 and 2024, the shortfall of our social insurance and housing provident fund contributions amounted to RMB1.3 million, RMB1.5 million and RMB1.6 million, respectively. We did not make any provision for such shortfall during the Track Record Period in our financial statements, considering (i) we had received confirmations from the competent government authorities (as confirmed by our PRC Legal Advisors) that we have not been subject to any penalty for violations of laws and regulations regarding social security or housing provident fund; (ii) during the Track Record Period and up to the Latest Practicable Date, no government notice had been received by us and no administrative penalties had been imposed on us with respect to the shortfall of social insurance and housing provident fund contributions, nor had we experienced any material claim raised by employees regarding such shortfall; (iii) based on the confirmations we received from the competent government authorities, our PRC Legal Advisors are of the view that the likelihood of us being subject to centralized collection of the outstanding historical social insurance and housing provident fund contributions and any material penalties due to the failure to provide such contributions in full amount for our employees is relatively low, according to the applicable regulatory policies, provided no claims or complaints are filed against us by our employees; and (iv) if we receive notice from competent government authorities requiring us to pay the outstanding contributions, we will take immediate measures as required and such payment would not have a material adverse impact on our business, financial condition or results of operations.

Measures Adopted and Improved Internal Control

We became aware of such incidents during our compliance reviews. Such incidents were not a result of any willful misconduct by our Directors or any of our employees. We took prompt remedial and/or rectification measures as soon as we identified such incident:

(i) we have reviewed our internal control policies and adopted *Notice on Effectively Implementing Social Insurance and Housing Provident Fund Work* (《關於切實做好社會保險、住房公積金工作的通知》) in November 2024 to formulate systematic internal measures to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations going forward;

(ii) we designated Ms. Liu Hongchan (劉紅嬋), our executive Director, vice general manager and secretary of the Board in November 2024, to closely monitor our on-going compliance with the applicable laws and regulations relating to social insurance and housing provident fund contributions and oversee the implementation of any necessary measures;

(iii) our management will from time to time hold meetings to monitor the associated risks and discuss measures on preventing the reoccurrence of such incidents; and

(iv) we will hold training sessions to keep our staff updated on the latest regulatory requirements and local practices on social insurance and housing provident fund. We will also consult our PRC Legal Advisors on a regular basis for advice on relevant regulatory requirements to keep us abreast of relevant regulatory developments.

We intend to make social insurance and housing provident fund contributions in accordance with the applicable laws and regulations progressively going forward. As of the Latest Practicable Date, we started to make social insurance and housing provident fund contributions in full in accordance with all applicable PRC laws and regulations for some of our employees. We were still making efforts to communicate with the remaining employees and get their cooperations to make social insurance and housing provident fund contributions in full, as making such contributions in full would also require them to pay their respective contributions in full at the same time. For all the employees newly employed by us during the period subsequent to December 31, 2024 and up to the Latest Practicable Date, we had made social insurance and housing provident fund contributions in full for them. We expect to make social insurance and housing provident fund contributions in full for all employees in accordance with all applicable PRC laws and regulations within one year upon Listing.

See "Risk Factors — Risks Relating to Our Business and Industry — Failure to comply with relevant regulatory requirements relating to the social insurance and housing provident fund contributions for and on behalf of our employees may subject us to penalties and have an adverse impact on our financial conditions and results of operations."

We believe we have maintained good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strike or any labor dispute with our employees which have had or are likely to have a material impact on our business.

SEASONALITY

Our business operations are subject to minor seasonal fluctuations. In line with the industry norm of the dental services market in China, we typically witness increase in customer visits in July and August each year, as it can be easier for potential customers, especially children and teenagers, to have time for dental diagnosis and treatment during their summer vacation. In addition, we typically witness fewer customer visits shortly before and during the Chinese New Year holiday. We expect our business operations and financial performance to continue to experience minor fluctuations based on seasonal factors.

For more details, see "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonality. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition."

LICENSES, PERMITS AND CERTIFICATES

We operate in a strictly regulated industry in the PRC. According to the applicable PRC laws and regulations, we are required to obtain various licenses, permits and certificates for our operations, including among others, the Medical Institution Practicing License (醫療機構執業許可證), Clinic Filing Notice (診所備案憑證), Radiation Safety Permit (輻射安全許可證) and Radio diagnosis and Radiotherapy Permit (放射診療許可證). See "Regulatory Overview — Regulations on the Administration and Categorization of Medical Institutions" for details of the relevant requirements.

We had obtained all material licenses, permits, approvals and certificates required for the current operations and such licenses, permits, approvals and certificates were valid and remain in effect as of the Latest Practicable Date. We monitor the validity status of, and make timely applications for the renewal of, relevant licenses, permits, approvals and certificates prior to their respective expiration date. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or renewing the required licenses, permits, approvals and certificates for our business operations. With respect to 10 licenses, permits, approvals and certificates to expire in 2025 (among which 5 licenses were Medical Institution Practicing Licenses), we were in the process of preparing for the renewal for them according to the applicable PRC laws and regulations as of the Latest Practicable Date. Our PRC Legal Advisors are of the view that, there is no material legal impediment in renewing these licenses, permits, approvals and certificates as they expire in future as long as we are in compliance with applicable requirements under the PRC laws, regulations and rules and provided that we take all necessary steps and submit relevant applications in accordance with the requirements and schedules under the applicable PRC laws, regulations and rules. However, we cannot assure you that we will be able to timely renew such licenses, permits, approvals or certificates in the future. If we are unable to renew such licenses, permits, approvals and certificates upon their expiration in a timely manner, our business operations, finance performance and prospects will be materially adversely affected. See "Risk Factors — Risks Relating to Our Business and Industry — If we fail to timely renew any existing licenses, permits or certificates or fail to obtain any licenses, permits or certificates for our newly commenced or acquired business, we may not be able to maintain or develop our business."

INSURANCE

As of the Latest Practicable Date, we maintained automobile insurance. We are not required to, and generally do not, maintain employer liability insurance, business interruption insurance or key person insurance, which are not mandatory under the PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not submit any material insurance claims, nor did we experience any material difficulties in renewing our insurance policies.

Our Directors believe that our insurance coverage is adequate and is in line with industry practice. However, the risks related to our business and operations may not be fully covered by insurance. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance coverage may be inadequate to cover all significant risk exposures."

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

Owned Properties

As of the Latest Practicable Date, we owned and occupied nine properties in the PRC with a total GFA of 1,738.49 sq.m. as our dental institution premises. We have obtained Real Estate Ownership Certificates for all nine properties. The following table sets forth a summary of our owned properties as of the Latest Practicable Date:

No.	Owner/Occupier	Location	Usage	GFA
				(sq.m.)
1. . .	Our Company	Wuhan, Hubei province	Commercial and residential	67.32
2. . .	Our Company	Wuhan, Hubei province	Commercial and residential	458.26
3. . .	Our Company	Wuhan, Hubei province	Office premises and residential	596.88
4. . .	Our Company	Wuhan, Hubei province	Commercial	101.23
5. . .	Our Company	Wuhan, Hubei province	Commercial	148.55
6. . .	Our Company	Wuhan, Hubei province	Commercial	36.50
7. . .	Our Company	Wuhan, Hubei province	Commercial	138.74
8. . .	Our Company	Wuhan, Hubei province	Commercial	104.77
9. . .	Our Company	Wuhan, Hubei province	Commercial	86.24

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, the prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our interests in land or buildings, for the reason that, as of December 31, 2024, none of our properties has a carrying amount of 15% or more of our consolidated total assets.

Leased Properties

As of the Latest Practicable Date, we leased 121 properties in the PRC with a total GFA of 46,280.7 sq.m. mainly for dental institution or office premises. The following table sets forth the details of our lease portfolio as of the Latest Practicable Date.

Total number of effective lease agreements	**121**
Tenancy period	**Number of effective lease agreements**
– Expiring by the end of 2025	10
– Expiring by the end of 2026	21
– Expiring by the end of 2027	17
– Expiring after December 31, 2027	73
Rental structure	**Number of effective lease agreements**
– Fixed rental	58
– Rental subject to periodical rise	63

Under the applicable PRC laws and regulations, we, as the lessee, have the right of first refusal under the same conditions to renew the leases with lessors under all of our lease agreements.

As of the Latest Practicable Date, 54 of our lease agreements with an aggregate GFA of 22,002.7 sq.m. had not been registered with the relevant PRC authorities, primarily due to certain landlords failed to cooperate to complete the lease registration, or unfamiliarity with the relevant requirements by certain of our staff.

Legal Consequences

As advised by our PRC Legal Advisors, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB0.54 million, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse impact on our financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any material claims or actions being contemplated or initiated by the relevant government authorities, or other third parties with respect to our use of such properties.

Measures Adopted and Improved Internal Control

We will continue to actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible. We have designated Ms. Huang Meiyun (黃美芸), the chairman of the Board of Supervisors and the senior consultant of our Company in November 2024 to track the latest progress on registration of all such lease agreements. In addition, we adopted a series of measures in November 2024 to enhance our internal control, including *Management Measures on Institution Lease* (《門面租賃管理制度》), *Measures on License Management* (《證照管理制度》) and *Notice on the Renovation and License Management of Dental Institutions* (《關於做好醫療機構裝修辦證工作的通知》).

Based on our internal estimates and taking into account the market rent level and renovation expenses, in the most extreme case, we would choose to relocate the relevant dental institutions upon expiration of the relevant unregistered lease agreements. We believe we will be able to timely find comparable properties to relocate and such relocations, individually or collectively, will not materially adversely affect our operations and financial performance.

Subsequent to December 31, 2024 and up to the Latest Practicable Date, we entered into 20 lease agreements. Among these lease agreements, we completed registration with the relevant government authorities for 17 agreements, while the remaining three agreements were in the process of completing registration as of the Latest Practicable Date, primarily as the relevant lessors failed to cooperate to complete the registration. We have been spending efforts to liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to fines as a result of unregistered leases and our use of leased properties may be challenged."

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We are subject to various PRC laws, regulations and rules with respect to environmental protection and social responsibility, typically covering disposal of medical waste, discharge of wastewater, environmental impact assessment, fire safety and occupational health. For more details, see "Regulatory Overview — Regulations on Environmental Protection Related to Medical Institutions."

We emphasize the importance of environmental, social and corporate governance (the "**ESG**") affairs to achieve long-term and sustainable growth. We endeavor to contribute to environmental protection, shoulder corporate social responsibility and promote corporate governance.

Overall ESG Governance

We have established ESG policies to set forth our measures in relation to environmental protection, social responsibilities and corporate governance. Our Board is committed to maintaining lawful, ethical and environmentally friendly operations, upholding high standards in environmental and social practices. With appropriate skills and competencies to assess ESG-related risks and opportunities, our Directors have the collective and overall responsibility regarding the identification, evaluation and management of ESG-related risks and opportunities. Our Directors oversee our internal plans and goals designed to respond to such risks and opportunities. Our management team is generally responsible for setting ESG strategies and particular targets, carrying out our ESG measures, and scrutinizing the implementation of and timely updates to our internal policies pursuant to the development in regulatory environment and industry trend. Through reviewing our ESG-related performance, our management identifies, evaluates and determines our ESG-related risks and opportunities over the short, medium and long term. Our management from time to time discusses with employees in charge of the committees and centers at our headquarters level as well as operating staff at dental institutions level to assess the impact of such risks and opportunities on our Group's business, strategy and financial planning. Our management then reports to the Board, based on which we improve and implement our internal control measures and targets relating to ESG.

We do not operate production facilities, the future impact of potential changes in ESG-related social trends and policies on our business model, strategies, operations and financial performance is limited. We are committed to identifying and mitigating any potential risks in this regard in the mid- to long-term. To be specific, we pay close attention to the development of ESG-related social trends and policies. We closely assess changes in resource supply and climate in regions where we operate and their potential impact on our operations. This enables us to timely formulate and take emergency measures for public emergencies and extreme climate hazards to minimize the risk of interruption to our operations. During the Track Record Period and up to the Latest Practicable Date, our business operations had not been materially adversely affected by any changes in ESG-related social trends and policies.

With the accelerated transformation to a low-carbon economy, any failure to respond to ESG-related social trends and policies may result in reputational damage and even customer losses. The promulgation and implementation of ESG-related policies and rapid developing public awareness of ESG issues may require significant investment to be made to operate our dental service network in an eco-friendlier method, or even require us to alter our dental practices in a way that could adversely impact the performance of our dental institutions or the results of our overall business operations. See "Risk Factors — Risks Relating to Our Business and Industry — Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risks. Failure to keep up with the evolvement in social trends and policies relating to ESG matters may adversely affect our business, financial condition and results of operations." for details.

We have formulated the following measures and working mechanisms to identify, assess, manage and mitigate our ESG-related risks and opportunities and optimize our ESG performance:

- arranging internal training sessions regarding occupational health, environmental protection, disposal of medical waste and dental institutions' other ESG-related responsibilities;

- summarizing and discussing experiences on improving the internal mechanism on ESG matters among our management;

- arranging internal meetings to discuss the latest development in laws, regulations, rules and policies on ESG matters, to raise the awareness of ESG among our management, dentists, other medical professionals and other staff;

- with increasing attention on ESG-related risks, taking ESG matters into consideration during planning the establishment of new dental institutions or assessing potential acquisition targets, such as fire safety and environmental impact assessment; and

- communicating with other dental services providers and industry experts on the identification and assessment of ESG-related risks and opportunities, sharing ideas with respect to the latest ESG trend in both local and national markets.

We integrate the above measures and working mechanisms into our daily operations, fulfilling our corporate responsibility in environmental and social aspects.

Going forward, we will assess and address our ESG-related risks and review our ESG-related performance on a continuing basis. We also plan to establish a ESG Committee within one year upon the Listing. The ESG Committee is expected to have three committee members, including both our management and employees, who are led by Ms. Shen. The primary duties of such committee are expected to mainly cover (i) discussing and providing feedback on ESG management objectives, plans, implementation performance and progress; (ii) setting and reviewing our ESG framework, strategies, policies and procedures; (iii) collaborating with third-party consulting firms to prepare and review our ESG report; (iv) supervising and guiding our departments in implementing ESG policies and conducting assessments; and (v) promoting our ESG initiatives, such as emission reduction, environmental friendly projects, community activities, etc.. Upon the Listing, we will continue to follow the applicable regulatory requirements regarding ESG matters.

Environmental Protection

We believe operating and managing our dental institutions in an environmentally friendly way not only benefits the natural environment but also creates a clean, safe and comfortable diagnosis and treatment environment for our customers. Due to the nature of our business, the environmental, social and climate-related impacts arising from our business operations are limited. Using electricity is among the main sources of our indirect greenhouse gas emissions. The consumption of electricity produced from fossil fuels results in the release of greenhouse gases, primarily carbon dioxide, which contribute to global warming and climate change.

We are subject to the PRC environmental protection laws and regulations. As of the Latest Practicable Date, we complied with all PRC laws and regulations with respect to environmental matters in all material respects, and we did not receive any complaint from any party in respect of any environmental protection concern or issue and we have not experienced any material environmental incidents arising from our business operations.

Our environmental protection policies and measures mainly cover conservation of resources including water and electricity, disposal of medical waste and protection from medical radiation, seeking to integrate the core value of environmental protection into the daily operations of our dental institutions.

Conservation of Resources

With a view of balancing business growth and environmental protection, we give high regard for resource consumption efficiency and control the greenhouse gas emission during our business operations. We primarily adopt the following measures to conserve resources and realize environmentally friendly operations:

- arranging meetings and training sessions to educate our staff on the concept of resource consumption efficiency, especially energy efficiency, fostering our staff's awareness on energy conservation;

- promoting the recycle of packaging materials used in office during our daily operations, such as plastic bags and bottles, cartons and cardboard, where efficient and applicable;

- encouraging the reuse of paper, double-sided printing and usage of electronic copies to conserve resources, where efficient and applicable;

- deploying online operating systems, such as HIS and SCRM, which helps us streamline and digitalize hospital information and medical records in electronic forms, reducing the use of paper during our daily operations and promoting paperless environment;

- establishing stable cooperation relationships with suppliers that appreciate ESG performance and discussing with our suppliers with respect to resource conservation and the use of degradable packaging materials;

- posting ESG-related publicity signs in our offices and reminding our staff to conserve resources during daily operations, such as saving water and electricity and timely turning off the light and air conditioner before leaving the office; and

- monitoring our electricity consumption, as the use of electricity is among the main sources of our indirect greenhouse gas emissions. Encouraging the use of energy-saving lighting systems and new energy vehicles among our staff to reduce greenhouse gas emissions. We have temperature controls for air conditioning and close doors and windows when using air conditioning. We also remind the last employee to leave the office to be responsible for turning off the lights and air conditioning.

Disposal of Medical Waste

During the daily operations, our dental institutions generate solid waste, primarily including hazardous medical waste and non-hazardous waste. We require our dental institutions to strictly follow the centralized disposal principle of *Regulations on the Administration of Medical Waste* (《醫療廢物管理條例》) promulgated by the State Council, as well as the classified management of medical waste according to the *Catalogue of Classified Medical Wastes* (《醫療廢物分類目錄》) issued by the NHC. Our dental institutions also generate medical wastewater during daily operations and we require our dental institutions to dispose medical wastewater in accordance with the relevant regulatory requirements.

We have implemented detailed internal measures on disposal of medical waste, such as *Medical Waste Management System* (《醫療廢物管理制度》) and *Medical Waste Record Management System* (《醫療廢物台賬管理制度》), in order to clearly categorize the medical waste generated during operations and standardize the storage, collection, handover, transportation and disposal of medical waste with precise time requirement. We engage qualified third-party entities specialized in centralized disposal of medical waste to promptly transfer medical waste under the applicable regulatory requirements.

Protection from Medical Radiation

Our dental institutions that operate the medical devices containing radioactive materials or emit radiation during operations are required to obtain Radiation Safety Permit (輻射安全許可證) and Radio diagnosis and Radiotherapy Permit (放射診療許可證). We pay close attention to the radiation safety and protection from medical radiation in our dental institutions. We require medical professionals to strictly follow the radiation monitoring and protection protocols. We require qualified medical professionals with Radiation Worker Certificate (放射工作人員證) to manipulate the radioactive equipment during operations. Such professionals are required to participate in regular radiation protection trainings and examinations under the PRC laws, regulations and rules. See “Regulatory Overview — Regulations on the Administration and Categorization of Medical Institutions” for details of relevant regulatory requirements. We also from time to time conduct occupational hazards review for the medical radiation sites in our dental institutions, ensuring that the protective equipment such as shielding walls and shielding doors have been adequately equipped.

Key Metrics and Targets

Under our ESG policies for environmental protection, we will promote conservation of resources and reduce greenhouse gas emissions. We set ESG targets and review our ESG performance through multiple metrics to better monitor our ESG performance and control the ESG-related risks that may impact our operational and financial performance. We constantly control our environmental impact through monitoring our resource consumption and pollutant emission levels.

Our energy consumption is mainly derived from water and electricity consumption during the operations of our dental institutions, and daily operation and maintenance of our information technology systems. By keeping records for our electricity consumption and water consumption, we from time to time review and timely improve the resource consumption efficiency. The below table sets forth our water and electricity consumption analysis for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Water consumption *(ton)*	36,920	37,358	35,606
Charges for water consumption *(RMB’000)*	137	140	135
Charges for water consumption/revenue *(%)*	0.033	0.032	0.033
Electricity consumption *(MWh)*	3,478	3,525	3,372
Charges for electricity consumption *(RMB’000)*	2,833	2,861	2,843
Charges for electricity consumption/revenue *(%)*	0.69	0.65	0.70

The below table sets forth the number of our dental institutions that used energy-saving lighting systems for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Number of dental institutions	74	81	86

The below table sets forth the weight of disposed medical waste of our dental institutions for the years indicated:

	Year ended December 31,		
	2022	**2023**	**2024**
Weight of disposed medical waste *(ton)*.	83.7	88.5	90.9

Considering our historical ESG-related performance and the measures we expect to implement in the future, we set the following key ESG targets:

- increasing the coverage of energy-saving lighting systems in our offices to over 95% in the following five years;
- striving to reduce the electricity consumption per revenue generated by us by over 5% in 2029 compared to 2024;
- striving to reduce the water consumption per revenue generated by us by over 5% in 2029 compared to 2024; and
- increasing ESG-related posters or slogans to cover over 90% of our dental institutions in the following five years, promoting the informatization of both our headquarters and dental institutions in the following five years and reducing the use of paper during our daily operations in the following five years.

We recognize compliance with all applicable ESG-related laws and regulations as our principle on ESG issues. We also make efforts to ensure that our ESG goals are communicated effectively and efficiently and measure and track our ESG metrics during the daily operations. To be specific, we hold internal meetings to review the ESG metrics, check the feasibility of ESG goals and make necessary adjustments to ESG measures based on our latest ESG performance. We regularly monitor electricity and water consumption and encourage resource conservation among our employees while ensuring operational efficiency and compliance. Our management convenes to discuss our ESG tracking and measuring mechanisms to identify potential risks and challenges in multiple aspects, such as resource consumption and conservation, disposal of medical waste, protection from medical radiation, occupational safety, employee welfare and diversity, etc. We plan to hold periodic training sessions to improve employees' awareness of our ESG goals as well as social and environmental responsibilities, equipping them with sustainable and environmentally friendly knowledge and techniques.

Our annual cost of compliance with environmental protection laws and regulations was immaterial to us as a whole. We expect such compliance cost to remain immaterial considering the nature of our business.

Social and Governance

We shoulder our social responsibilities and establish a safe, equitable, diverse and friendly working atmosphere. We strive to promote occupational safety and ensure our compliance with applicable laws and regulations. Our ESG policies for social and corporate governance facilitate us to manage the risks relevant to social, health and occupational matters while improving our operating efficiency.

We do not operate any production facilities. We require our employees to pay attention to all health and safety statutory requirements. To ensure compliance with applicable laws and regulations, we mainly adopt the following measures and policies:

- our Human Resource Department from time to time reviews our existing policies on human resources to make timely and necessary adjustments, keeping pace with material changes to relevant laws and regulations;

- we designate staff to organize systematic training sessions and other team building activities, such as internal training for employees on legal, safety protection and emergency treatment knowledge, and training for employees on the latest industry knowledge and working skills, caring for their occupational health and fostering cohesiveness;

- we provide selected medical professionals with opportunities to participate in advanced study, academic symposia and international meetings;

- we invite dentists as well as administrative and marketing talents to join our Partnership Program and employee stock ownership platforms, aiming to elevate their sense of responsibility and belonging;

- we proactively notify and negotiate with our employees pursuant to our internal procedures if we need to adjust the employees' positions or responsibilities due to strategical adjustments or the relevant employees' performance; and

- we maintain balanced employee structures. As of December 31, 2022, 2023 and 2024, women employees represented 76.7%, 77.8% and 78.6% of our total employees as of the same dates, respectively.

To ensure compliance with applicable laws and regulations, our Human Resource Department would, if necessary and after necessary consultation with our legal advisers, adjust our internal policies on human resources to accommodate material changes to relevant laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we complied with all PRC laws and regulations with respect to health and occupational safety matters in all material respects. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents during our operations, nor were we subject to any material claims for personal or property damages or compensation paid to employees.

We also uphold our corporate social responsibility through providing free healthcare knowledge popularization and dental consultation in local communities, and give donations to the local Red Cross Society during the COVID-19 pandemic. Moreover, we also from time to time offer free offline lectures in communities, introducing oral health knowledge and enhancing daily oral hygiene awareness among the general public.

Board Diversity

We strive to achieve and maintain board diversity to improve our Board's performance, bring inclusivity and unique perspectives to the boardroom. In particular, Ms. Shen and Ms. Liu Hongchan (劉紅嬋) have been appointed as our executive Directors to promote the gender diversity of our Board. See "Directors, Supervisors and Senior Management" for more details.

COMPLIANCE AND LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, we were not imposed any material administrative penalties. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any non-compliance incidents that had a material adverse effect on our business, financial conditions or results of operations.

Non-compliance Incidents

Other than the non-compliance incidents disclosed below, we did not experience any other systemic non-compliance incidents against us or any of our subsidiaries which could have a material adverse effect on our financial conditions or results of operations.

Failure to Obtain the Urban Sewage Disposal Drainage License

Background and Reasons

Historically, we failed to obtain the requisite Urban Sewage Disposal Drainage Licenses (城鎮污水排入排水管網許可證) for certain dental institutions in a timely basis. As of November 20, 2024, 21 of our dental institutions were in the process of applying for the Urban Sewage Disposal Drainage License, among which (i) 17 dental institutions were acquired by us and their former shareholders had not obtained the Urban Sewage Disposal Drainage Licenses. We were not noticed by the local government authorities to apply for the Urban Sewage Disposal Drainage Licenses during the acquisition process; and (ii) 4 dental institutions' failure to obtain the Urban Sewage Disposal Drainage Licenses was mainly caused by our staff's unfamiliarity with and/or misunderstanding of the regulatory requirements on applying the Urban Sewage Disposal Drainage Licenses as a result of the evolving and varied requirements and practices adopted by the local government authorities of different cities where such dental institutions are located.

Once we became aware of such incidents during our compliance reviews, we took prompt remedial and/or rectification measures as soon as practicable. We submitted the applications for the Urban Sewage Disposal Drainage Licenses and designated dedicated personnel to track the latest progress on our dental institutions' application for the Urban Sewage Disposal Drainage Licenses. As of the Latest Practicable Date, among the abovementioned 21 dental institutions, (i) 17 dental institutions obtained the requisite Urban Sewage Disposal Drainage Licenses; and (ii) 4 dental institutions received written confirmations from their respective competent government authorities in February 2025, confirming these dental institutions do not need to apply for the Urban Sewage Disposal Drainage Licenses and such dental institutions are permitted to conduct drainage activities under their existing setup without Urban Sewage Disposal Drainage Licenses. Going forward, once the relevant competent government authorities started to accept the applications for Urban Sewage Disposal Drainage Licenses, we will apply for such licenses for these dental institutions as soon as practicable.

Legal Consequences

As advised by our PRC Legal Advisors, according to the applicable PRC laws and regulations, an entity that had not obtained the requisite Urban Sewage Disposal Drainage License may be ordered by the local government authorities for urban sewage disposal to cease the illegal actions, take rectification measures and apply for the Urban Sewage Disposal Drainage License, and may be subject to a fine of up to RMB500 thousand, which is our maximum exposure to such non-compliance as advised by our PRC Legal Advisors.

Measures Adopted and Improved Internal Control

We became aware of such incident during our compliance reviews. Such incident was not a result of any willful misconduct by our Directors or any of our employees. We took prompt remedial and/or rectification measures as soon as we identified such incident:

(i) We submitted the applications for the Urban Sewage Disposal Drainage Licenses for the relevant dental institutions as soon as practicable after we became aware of such incident.

(ii) We have enhanced our internal control measures on urban sewage disposal issues. In particular,

  (a) in November 2024, we adopted a series of measures to enhance our internal control, covering urban sewage disposal issues, such as *Management Measures on Investment and Acquisition* (《投資管理制度》), *Management Measures on Institution Lease* (《門面租賃管理制度》), *Management Measures on Construction Project Management* (《工程項目管理制度》) and *Measures on License Management* (《證照管理制度》). We also adopted the *Notice on the Renovation and License Management of Dental Institutions* (《關於做好醫療機構裝修辦證工作的通知》) in the same month;

(b) our management will from time to time hold meetings to monitor the associated risks and discuss measures on preventing the reoccurrence of such incidents. They will also pay attention to the regulatory compliance performance of our potential acquisition targets in respect of disposal of urban sewage;

(c) we will hold training sessions to keep our staff updated on the latest regulatory requirements and local practices on disposal of urban sewage in dental institutions;

(d) in November 2024, we designated Ms. Huang Meiyun, the chairman of the Board of Supervisors and the senior consultant of our Company, to track the latest progress on our dental institutions' application for the Urban Sewage Disposal Drainage Licenses; and

(e) we have included a regulatory compliance provision in our acquisition agreements, pursuant to which the transferors are required to provide undertaking on the compliance status, including the status of the Urban Sewage Disposal Drainage Licenses.

After the implementation of enhanced internal control measures, we had not experienced similar non-compliance incidents within our dental service network as of the Latest Practicable Date.

Our Directors are of the view that our historical failure to obtain the Urban Sewage Disposal Drainage License has not had any material adverse impact on our business, financial condition or results of operations. During the Track Record Period and up to the Latest Practicable Date, none of our dental institutions with defects in the Urban Sewage Disposal Drainage Licenses had experienced any accident in respect of sewage disposal or been imposed any administrative penalties for the failure to obtain the Urban Sewage Disposal Drainage Licenses.

See "Risk Factors — Risks Relating to Our Business and Industry — Our business is generally subject to PRC laws and regulations in relation to the environmental matters and fire safety. We cannot assure you that we will not be subject to liabilities or penalties in connection with environmental matters and fire safety in the future."

Failure to Complete Fire Safety Filing

Background and Reasons

Pursuant to the applicable PRC laws and regulations, when we renovate an owned property or lease property for the purpose of opening a dental institution, we may be required to make a fire safety filing with the housing and urban-rural development departments of local governments (the "**Fire Safety Filing (消防備案)**") and be subject to spot check. Historically, we failed to complete Fire Safety Filing with the housing and urban-rural development departments of local governments for certain properties in a timely basis. As of November 20, 2024, we had not completed Fire Safety Filings with the housing and urban-rural development departments of local governments for 11 properties used for provision of dental services. In particular, (i) our subsidiaries on 6 properties were acquired by us and their former shareholders had not completed the Fire Safety Filing in respect of such leased properties; and (ii) our subsidiaries on 5 properties failed to complete the Fire Safety Filing, which was caused by our staff's unfamiliarity with and/or misunderstanding of the regulatory requirements on Fire Safety Filling as a result of the evolving and varied requirements and practices adopted by the local government authorities of different cities where such dental institutions are located.

Once we became aware of such incidents during our compliance reviews, we held internal meetings to discuss the improvements in internal control measures and took prompt remedial and/or rectification measures. We submitted the applications for the Fire Safety Filings to the extent practicable and designated dedicated personnel to track the latest progress on our dental institutions' application for the Fire Safety Filings. As of the Latest Practicable Date, among the abovementioned 11 properties, (i) we completed Fire Safety Filings for 9 properties; and (ii) we closed the dental institution on 1 property and no longer need to apply for Fire Safety Filing for such property. We voluntarily terminated the operations of such dental institution based on our evaluation on the market condition and future business strategies. Revenue generated from such dental institution in each year during the Track Record Period only accounted for less than 1% of our total revenue, indicating closure of such dental institution would not have any material influence on our operations and financial performance. In addition, as of the Latest Practicable Date, we had not completed Fire Safety Filing for the remaining 1 property used as dental institution premise for provision of dental services. Our subsidiary on such property failed to complete the Fire Safety Filing, mainly caused by our staff's unfamiliarity with and/or misunderstanding of the regulatory requirements on Fire Safety Filling as a result of the evolving and varied requirements and practices adopted by the local government authorities.

For the years ended December 31, 2022, 2023 and 2024, our revenue generated from such dental institution amounted to RMB11.7 million, RMB10.4 million and RMB7.8 million, accounting for 2.9%, 2.4% and 1.9%, respectively, of our total revenue for the same years.

With respect to the property that did not complete Fire Safety Filing as of the Latest Practicable Date, we plan to relocate the relevant dental institution based on our evaluation on market conditions and operational performance. Given our existing strategic decision to relocate the relevant dental institution closer to our customer base to improve acquisition and retention, coupled with the fact that the expected timeline for Fire Safety Filing would have exceeded our relocation schedule, we did not apply for the Fire Safety Filing for such property. We were in the process of site selection as of the Latest Practicable Date and expect to finish the relocation by the end of October 2025. Upon completion of the relocation, we expect to thoroughly go through all necessary Fire Safety Filing procedures and duly complete Fire Safety Filing. We expect the relocation will not have material impacts on our business operations and financial condition, considering (i) the revenue generated from such dental institution in each year during the Track Record Period remained less than 3% of our annual revenue; and (ii) we estimate the total costs for such relocation would be immaterial to our Group as a whole.

Legal Consequences

As advised by our PRC Legal Advisors, according to the applicable PRC laws and regulations, for the property for which our relevant subsidiary fails to complete the Fire Safety Filing after completion of construction acceptance, our relevant subsidiary may be ordered by the housing and urban-rural development departments of local governments to rectify and subject to a fine of up to RMB5,000, which is our maximum exposure to such non-compliance as advised by our PRC Legal Advisors.

Our PRC Legal Advisors are of the view that the amount of maximum administrative fines that may be imposed for the failure to complete the Fire Safety Filing under applicable PRC laws and regulations is immaterial and such non-compliance incident would not have material adverse effect on our operations as a whole.

Our Directors are of the view that such non-compliance incident has not had and will not have any material adverse impact on our business, financial condition or results of operations, taking into account (i) the maximum potential fines, if imposed, would be RMB5,000 for such property, which would be immaterial to us, (ii) the confirmations from Fire Safety Consultant and our PRC Legal Advisors' view as mentioned above, (iii) such dental institution had not been imposed any administrative penalties or identified any material risks in respect of fire safety during the daily inspections by fire and rescue brigades, which are the authorities for daily supervision of fire safety related matters of such dental institution, and (iv) during the Track Record Period and up to the Latest Practicable Date, none of our subsidiaries with defects in Fire Safety Filing had been imposed penalties as a result of their failure to complete such procedures.

Measures Adopted and Improved Internal Control

We became aware of such incident during our compliance reviews. Such incident was not a result of any willful misconduct by our Directors or any of our employees. We took prompt remedial and/or rectification measures as soon as we identified such incident.

We have engaged an Independent Third Party fire safety consultant (the "**Fire Safety Consultant**") to conduct fire safety inspections on the property which had not yet completed the Fire Safety Filing through on-site inspection, surveys and document review. The Fire Safety Consultant is the certified fire safety specialist with experience in the maintenance and inspection of fire safety facilities and fire safety evaluation. As confirmed by the Fire Safety Consultant, (i) the function of such property's fire safety facilities was in compliance with regulatory requirements; (ii) the surrounding fire separation distance and the fire safety lanes of such property were in compliance with regulatory requirements and the fire prevention standards, and no potential hazard on fire safety were identified during the on-site inspections; and (iii) there will be no material legal impediment for us to complete the Fire Safety Filing for such property.

We have enhanced our internal control measures on fire safety-related issues. In particular:

(i) in November 2024, we adopted a series of measures to enhance our internal control, covering fire safety-related issues, such as *Management Measures on Investment and Acquisition, Management Measures on Institution Lease, Management Measures on Construction Project Management* and *Measures on License Management*. We also adopted *Notice on the Enhancement of Fire Safety Management* (《關於加強消防安全管理的通知》) and *Management Measures on Fire Safety* (《消防安全管理辦法》) in the same month;

(ii) we will hold internal meetings and training sessions to keep our staff updated on the latest regulatory requirements on fire safety, conduct fire drill to elevate staff's awareness of fire emergency knowledge and inspect the fire safety facilities in our dental institutions;

(iii) we pay attention to the regulatory compliance performance of our potential acquisition targets in respect of fire safety. For our newly established and acquired dental institutions, such dental institutions shall only commence operations after completing the Fire Safety Filing procedure or obtaining any other fire safety approvals under the applicable PRC laws and regulations. For our existing dental institutions, if we intend to conduct renovation, we will perform the relevant fire safety procedures in accordance with applicable laws and regulations before resumption of operations;

(iv) we have included a regulatory compliance provision in our acquisition agreements, pursuant to which the transferors are required to provide undertaking on the compliance status, including the fire safety compliance; and

(v) in November 2024, we designated Ms. Huang Meiyun, the chairman of the Board of Supervisors and the senior consultant of our Company, to track the latest progress on our dental institutions' Fire Safety Filing procedure.

After the implementation of enhanced internal control measures, we had not experienced similar non-compliance incidents within our dental service network as of the Latest Practicable Date.

See "Risk Factors — Risks Relating to Our Business and Industry — Our business is generally subject to PRC laws and regulations in relation to the environmental matters and fire safety. We cannot assure you that we will not be subject to liabilities or penalties in connection with environmental matters and fire safety in the future."

Save as disclosed above, we were not aware of any other material or systemic non-compliance incidents in respect of applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date. We have engaged an Independent Third-Party consultant (the "**Internal Control Consultant**") to conduct a review of our internal control policies and rectification measures and to provide recommendations and suggestions for improvement, where applicable. Taking into account (i) the internal control measures implemented by us in connection with the above non-compliance incidents, and the Internal Control Consultant did not have any further recommendation in its Follow-up Review, (ii) our ongoing rectification efforts and substantial rectification progress, and (iii) under the ongoing supervision by our Board, as confirmed by our Directors, the non-compliance incidents did not involve fraud or dishonesty, our Directors are of the view that our enhanced internal control measures are adequate and effective. Based on the due diligence conducted, nothing has come to the attention of the Sole Sponsor which would reasonably cause the Sole Sponsor to disagree with the above view of the Directors. Our Directors are also of the view that the suitability of our Directors is compliant with the Listing Rules 3.08 and 3.09; and our Company is suitable for the Listing under the Listing Rule 8.04.

Legal Proceedings

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation, arbitration or administrative proceedings that could have a material and adverse effect on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not a party to any ongoing material litigation, arbitration or administrative proceedings. As of the same date, we were not aware of any claims or proceedings contemplated by government authorities or third parties which would materially and adversely affect our business. Our Directors are not involved in any actual or threatened material claims or litigation.

Medical Claims Solved through Mediation

We are subject to occasional medical claims that may arise during the ordinary course of business, which primarily include claims brought by customers and/or their families against our dental institutions, primarily related to unsatisfactory treatment efficacy or physical injuries that the customers claim to have suffered during or after receiving our dental services. We strictly monitor the medical risks and establish multiple internal measures for tackling medical claims, including *Medical Quality and Safety Management System* (《醫療質量與安全管理制度》) and *Customer Complaint Management Measures* (《醫療投訴管理辦法》).

During the Track Record Period and up to the date of this prospectus, we had one medical claim that resolved through mediation by medical dispute mediation committees and other competent authorities and we had one medical claim that was undergoing the litigation procedure. The claim amount of such undergoing litigation was approximately RMB92,000, which was insignificant to us.

During the Track Record Period and up to the Latest Practicable Date, the total compensation amounts paid by us to the relevant customers or their families in the medical claims that resolved through mediation amounted to approximately RMB12,000. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any medical claims that could cause a material adverse effect on our business, financial condition or results of operations.

None of medical claims raised by our customers and/or their families involve any determination of medical incident (醫療事故). During the Track Record Period and up to the Latest Practicable Date, none of the dentists and other medical professionals practicing at our dental service network had been involved in any disciplinary proceedings or otherwise determined to be liable for any medical incident.

INTERNAL CONTROL AND RISK MANAGEMENT

To ensure compliance with the applicable laws and regulations, control the risks in relation to our business operations, we have adopted various internal control and risk management measures. In particular, we implemented internal policies, guidelines and procedures to monitor and minimize the impact of risks which are relevant to our business and improve our corporate governance.

Our Board is responsible for establishing our internal control and risk management measures and reviewing the implementation and effectiveness of such measures. We have established an Audit Committee which comprises three independent non-executive Directors, namely Mr. Shu Yijie (疏義傑), Ms. Huang Suzhen (黄素珍) and Ms. Wang Taosha (王陶沙) chaired by Ms. Huang Suzhen (黄素珍).

The Audit Committee has also adopted its terms of reference which set out clearly its duties and obligations for ensuring compliance with the relevant regulatory requirements and providing an independent view on the effectiveness of our internal control policies, risk management systems and financial management processes. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

Internal Control Review

In preparation for the Listing, we have engaged the Internal Control Consultant in July 2024 to perform a review over selected areas of our internal controls (the "**Internal Control Review**"). To review the status of the management actions taken by us to address the findings of the Internal Control Review, the Internal Control Consultant performed the follow-up review in November 2024 (the "**Follow-up Review**"). We had improved our internal control system, and the Internal Control Consultant did not have any further recommendation in its Follow-up Review.

We have adopted and implemented a series of internal control policies, measures and procedures designed to provide further assurance on effective and efficient operations, duly financial reporting and sound compliance with applicable laws and regulations. We will conduct regular reviews and constant updates on our internal control policies, measures and procedures to accommodate the development of the regulatory environment and our business expansion.

Enhanced Internal Control Measures

In accordance with the applicable laws and regulations in the PRC and Hong Kong, we have implemented measures to establish and maintain our internal control system, including monitoring of operational processes, the establishment of risk management policies and compliance with applicable laws and regulations.

- our Directors have attended trainings conducted by our Hong Kong legal advisor on their ongoing obligations, duties and responsibilities of publicly listed companies under the Companies Ordinance, the SFO and the Listing Rules. Our Directors are fully aware of their duties and responsibilities as directors of a listed company in Hong Kong;

- we have set internal procedures for lines of communication and provided a process by which our employees can identify and timely report potential non-compliance exposures; and

- we have appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules to ensure that, among other things, we are properly guided and advised as to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines.

OUTBREAK AND SPREAD OF COVID-19

During the Track Record Period, the COVID-19 pandemic caused imposition of various containment measures to reduce offline activities in regions with high infection risks. Customers with dental diseases or oral health needs reduced their visits to offline dental institutions during the outbreak and spread of the pandemic. During the Track Record Period, dental institutions in our dental service network experienced temporary operation suspension at various times as precautionary measures to mitigate infection risks. During the Track Record Period, 29 of our dental institutions in 7 cities temporarily suspended operations for 3 to 26 days, the majority of which suspended operations for less than 10 days. By the end of October 2022, all of such dental institutions resumed operations.

We highly value the health of our customers and employees and promptly took precautionary measures including temperature screening at entry of offline dental institutions and offices, strengthening the disinfection of common areas, as well as providing protective masks and alcohol-based hand wash to our onsite employees. The expenses we incurred in respect of the precautionary measures to prevent the transmission of COVID-19 within our Group during the Track Record Period were insignificant to our Group as a whole. Taking advantage of our timely measures and orderly management, we did not encounter severe shortages or delays in the supply of, or material fluctuation in the price of, our supplies during the outbreak and spread of COVID-19.

Our Directors consider that the negative impacts caused by the COVID-19 pandemic were immaterial to the operational and financial performance of our Group during the Track Record Period. We will continue to pay attention to any similar pandemic and take proper measures to minimize any potential negative impact on our operations going forward.

BOARD OF DIRECTORS

Our Board is responsible for, and has general powers over, the management and operation of our business. Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. All Directors are elected by the general meeting of Shareholders for a term of three years which is renewable upon re-election and re-appointment.

The following table sets forth certain information regarding our Directors:

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Yao Xue (姚雪)	60	– Chairman of the Board – Executive Director	July 2007	July 10, 2007	Responsible for the overall strategy planning, business operation and management of our Group
Ms. Shen Hongmin (沈洪敏)	61	– Executive Director – Vice chairman of the Board – General manager	December 2014	December 24, 2014	Responsible for the daily operation and management of our Group
Mr. Guo Jiaping (郭家平)	59	– Executive Director – Vice general manager	February 2021	October 28, 2024	Responsible for the medical management, clinical work and professional training of our Group
Ms. Liu Hongchan (劉紅嬋)	51	– Executive Director – Vice general manager – Secretary of the Board	November 2014	October 28, 2024	Responsible for the investment and procurement management, corporate governance and securities matters of our Group
Mr. Shu Yijie (疏義傑)	61	– Independent non-executive Director	November 2024	November 22, 2024	Providing independent opinion to our Board

Name	Age	Position(s)	Time of joining our Group	Date of appointment as a Director	Roles and responsibilities
Ms. Huang Suzhen (黃素珍)	58	– Independent non-executive Director	November 2024	November 22, 2024	Providing independent opinion to our Board
Ms. Wang Taosha (王陶沙)	36	– Independent non-executive Director	November 2024	November 22, 2024	Providing independent opinion to our Board

Executive Directors

Mr. Yao Xue (姚雪), aged 60, founded our Group in July 2007 and has been the chairman of the Board and a Director since then. Mr. Yao is primarily responsible for the overall strategy planning, business operation and management of our Group.

Mr. Yao has over 30 years of experience in medical and healthcare industry and corporate management. He set foot in the industry as a regional manager in Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司) from July 1993 to April 1994, primarily responsible for sales of pharmaceuticals in certain areas of Hubei Province. Then, he served as the general manager of the Chinese sales department in Zhuhai United Laboratories Co., Ltd. (珠海聯邦製藥股份有限公司), a subsidiary of The United Laboratories International Holdings Limited (Stock code: 3933.HK), from November 1994 to September 1996, primarily responsible for the overall management of its sales business in China. Mr. Yao then worked in Hubei Pukang Pharmaceutical Co., Ltd. (湖北普康醫藥有限公司) from May 1999 to February 2005. Mr. Yao served as the chairman of the board of Hubei Wanjia Pharmaceutical Co., Ltd. (湖北萬佳醫藥有限公司) and was responsible for its overall management from March 2005 to November 2009. From December 2009 to December 2022, Mr. Yao served as the general manager of Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) primarily responsible for its operation management, and since December 2020, he has been the chairman of the board of Nanjing Pharmaceutical Hubei Co., Ltd.

Mr. Yao is a well-regarded figure and holds positions at a number of public offices and associations throughout his career. Mr. Yao has been a deputy to the Fifteenth People's Congress of Wuhan City (武漢市第十五屆人民代表大會) since January 2022 and he was also a deputy to the Fourteenth People's Congress of Wuhan City (武漢市第十四屆人民代表大會) from February 2017 to February 2022. He also served as a member of the Eleventh Committee of the Chinese People's Political Consultative Conference of Hubei Province (中國人民政治協商會議湖北省第十一屆委員會) from March 2013 to March 2018. He was a member of the Fifth Council of the Chinese Stomatological Association (中華口腔醫學會) from September 2016 to September 2021. He was also a vice chairman of the Fourth Private Dental Medical Branch of the Chinese Stomatological Association (中華口腔醫學會民營口腔醫療分會) from May 2018 to May 2021 and a vice chairman of the Fifth Council of Hubei Stomatological Association (湖北省口腔醫學會) from November 2017 to November 2022. Mr. Yao is currently the vice president of the Sixth Council of Hubei Stomatological Association and the vice chairman of Pharmaceutical Profession Association of Hubei Province (湖北省醫藥行業協會). In December 2017, Mr. Yao was recognized as an outstanding member of Committee of the Chinese People's Political Consultative Conference of Hubei Province (中國人民政治協商會議湖北省委員會). In April 2018, Mr. Yao was recognized as the seventeenth model worker by Wuhan People's Government (武漢市人民政府). Mr. Yao was also rewarded as an outstanding entrepreneur for the years from 2015 to 2019 by Wuhan Enterprise Federation (武漢企業聯合會) and Wuhan Entrepreneurs Association (武漢企業家協會).

Mr. Yao obtained his bachelor's degree in medical science from Hubei Medical College (湖北醫科大學) (the predecessor of Wuhan University School of Medicine (武漢大學醫學部)) in July 1987 and his bachelor's degree in laws from Central China Normal University (華中師範大學) in June 1991. Mr. Yao obtained an executive master of business administration degree from National University of Singapore in June 2005. From October 2017 to October 2020, Mr. Yao served as a part-time professor at the School of Management, Wuhan University of Technology (武漢理工大學). In December 2020, he was appointed as a social mentor for candidates for master of business administration at the School of Management, Huazhong University of Science and Technology (華中科技大學). He was recognized as a senior economist by Hubei Province Economic Profession (Wuhan) Senior Appraisal Committee (湖北省經濟專業(武漢)高評會) in April 2020.

Ms. Shen Hongmin (沈洪敏) (formerly known as Shen Hongmin (沈宏敏)), aged 61, joined our Group in December 2014 as a Director and the vice chairman of the Board and was appointed as the general manager of our Company in April 2017. Ms. Shen is primarily responsible for the daily operation and management of our Group. She also serves as director of Shaoyang Hospital, Chenzhou Hospital and Jingzhou Dazhong.

Ms. Shen has over 30 years of experience in medical and healthcare industry and corporate management. Ms. Shen commenced her career in medical and healthcare industry as a provincial manager in Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司) from June 1993 to November 1994, primarily responsible for sales and distribution in Heilongjiang Province. Ms. Shen subsequently served as the deputy general manager of the Chinese sales department of Zhuhai United Laboratories Co., Ltd. (珠海聯邦製藥股份有限公司), a subsidiary of The United Laboratories International Holdings Limited (Stock code: 3933.HK), from December 1994 to August 1996, overseeing the sales and distribution across East, North, Northeast, and Northwest regions of China. She worked in Hubei Pukang Pharmaceutical Co., Ltd. (湖北普康醫藥有限公司) primarily responsible for its daily operation and management from May 1999 to February 2005 and the general manager in Hubei Wanjia Pharmaceutical Co., Ltd. (湖北萬佳醫藥有限公司) primarily responsible for its daily operation and management from March 2005 to November 2009. She served as the director and the vice general manager in Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) from December 2009 to December 2016, primarily responsible for the management of functional departments at headquarters.

Ms. Shen holds positions at a number of public offices and associations throughout her career. She is a member of the Sixth Council of the Chinese Stomatological Association (中華口腔醫學會), the vice director of the Private Dental Medical Branch of the Chinese Stomatological Association (中華口腔醫學會民營口腔醫療分會), a standing member of the Sixth Council of Hubei Stomatological Association (湖北省口腔醫學會) and a deputy to the Sixteenth People's Congress of Wuchang District (武昌區第十六屆人民代表大會). Ms. Shen was recognized as an outstanding member of Committee of the Chinese People's Political Consultative Conference of Wuchang District (中國人民政治協商會議武昌區委員會) for the years of 2011, 2013 and 2014.

Ms. Shen obtained her bachelor's and master's degrees in medical science from Harbin Medical University (哈爾濱醫科大學) in July 1986 and August 1993, respectively. She obtained an executive master of business administration degree from National University of Singapore in June 2003. From October 2017 to October 2020, Ms. Shen served as a part-time professor at the School of Management, Wuhan University of Technology (武漢理工大學).

Mr. Guo Jiaping (郭家平), aged 59, joined our Group in February 2021 and was appointed as a vice general manager of our Company in August 2022 and a Director in October 2024. He is primarily responsible for the medical management, clinical work and professional training of our Group.

Mr. Guo has over 30 years of experience in dental medical industry. Prior to joining our Group, Mr. Guo served as a chief physician in the clinical dentistry department of Wuhan General Hospital of the Guangzhou Military Region (廣州軍區武漢總醫院) (the predecessor of The General Hospital of Central Theater Command of Chinese People's Liberation Army (中國人民解放軍中部戰區總醫院)) from July 1991 to April 2009. Mr. Guo then served as a chief physician and the director of clinical dentistry department of Wuhan General Hospital of the Guangzhou Military Region from April 2009 to November 2020.

Mr. Guo is a well-regarded physician and has been actively involved in a number of professional associations. He was a member of the standing committee of the General Stomatological Committee to the Chinese Stomatological Association (中華口腔醫學會) from 2015 to 2021 and the Sixth Council of the Oral and Maxillofacial Surgery Professional Committee to Chinese Stomatological Association (中華口腔醫學會口腔頜面外科專業委員會). Mr. Guo was a vice president of both the Fourth and Fifth Councils of Hubei Stomatological Association (湖北省口腔醫學會) from November 2012 to November 2022, a deputy director of the Third Council of the Oral and Maxillofacial Surgery Professional Committee to Hubei Stomatological Association (湖北省口腔醫學會口腔頜面外科專業委員會) from November 2017 to November 2019, a director member of the Fourth Council of General Dentistry Professional Committee of Hubei Stomatological Association (湖北省口腔醫學會全科口腔醫學專業委員會) from November 2019 to November 2021 and a deputy director of the Third Council of Dental Physician Branch of Hubei Physician Association (湖北省醫師協會口腔醫師分會) from November 2019 to November 2023. He has been a vice president of Wuhan Stomatological Association (武漢市口腔醫學會) from August 2017 to August 2022. Mr. Guo was awarded as the advanced individual in military and medical ethics by the Guangzhou

Military Region of the Chinese People's Liberation Army (中國人民解放軍廣州軍區) in 2010 and 2012 and the third prize of the Military Science and Technology Progress Award by the Central Military Commission's Science and Technology Committee (中央軍委科學技術委員會) in February 2020.

Mr. Guo obtained his bachelor's and master's degrees in dentistry from Hubei Medical College (湖北醫科大學) (the predecessor of Wuhan University School of Medicine (武漢大學醫學部)) in July 1987 and July 1990, respectively.

Ms. Liu Hongchan (劉紅嬋), aged 51, joined our Group in November 2014 and was appointed as a vice general manager of our Company and the secretary to the Board in December 2014. Ms. Liu was appointed as a Director in October 2024 and is primarily responsible for the investment and procurement management, corporate governance and securities matters of our Group.

Ms. Liu has over 30 years of experience in finance management and corporate governance. Prior to joining our Group, she held various financial management positions in medical and healthcare industry. From July 1992 to July 1994, she served as the financial staff in Hubei Shashi Famen General Factory (湖北沙市閥門總廠). She then worked in Hubei Pharmaceutical Co., Ltd. (湖北省醫藥有限公司) from August 1994 to March 2005. Ms. Liu served as the financial manager in Hubei Wanjia Pharmaceutical Co., Ltd. (湖北萬佳醫藥有限公司) from April 2005 to November 2009. Subsequently, Ms. Liu served as the financial manager in Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) from December 2009 to October 2014.

Ms. Liu obtained her associate diploma in finance management from Wuhan University (武漢大學) in July 1992 and her qualification certificate as an intermediate accountant (中級會計師) from Ministry of Finance of the PRC (中華人民共和國財政部) in May 2002.

Independent Non-executive Directors

Mr. Shu Yijie (疏義傑), aged 61, was appointed as an independent non-executive Director on November 22, 2024 with effect from the Listing Date, primarily responsible for providing independent opinion to our Board.

Mr. Shu has over 40 years of experience in pharmaceutical industry and corporate management. He began his career as a pharmacist at the First Affiliated Hospital of Anhui Medical University (安徽醫科大學第一附屬醫院), where he provided pharmaceutical services. Mr. Shu then served as a department manager and vice general manager in Hefei Pharmaceutical Company (合肥市醫藥公司) from December 1992 to December 2002, where he was primarily responsible for its marketing and management. From December 2002 to December 2015, Mr. Shu successively served as the vice general manager and general manager in Nanjing Pharmaceutical Hefei Tianxing Co., Ltd. (南京醫藥合肥天星有限公司) (now known as Anhui Tianxing Pharmaceutical Group Co., Ltd. (安徽天星醫藥集團有限公司)), a subsidiary of Nanjing Pharmaceutical Co., Ltd. (南京醫藥股份有限公司) (Stock code: 600713.SH), where he was responsible for its corporate management. He then successively served as the vice president and president in Nanjing Pharmaceutical Co., Ltd. from January 2016 to April 2022, responsible for its overall operation and management. Mr. Shu served as the chairman of the board of Anhui Tianxing Pharmaceutical Group Co., Ltd. from May 2022 to May 2024, where he was responsible for board matters of the company.

Mr. Shu also served as a standing member of the second committee of the Pharmaceutical Management Professional Committee of the Hospital Association of Anhui Province (安徽省醫院協會藥事管理專業委員會) from July 2017 to July 2021, the deputy director of the seventh committee of the Pharmaceutical Preparation Professional Committee of the Pharmaceutical Society of Anhui Province (安徽省藥學會藥劑專業委員會) from July 2017 to July 2022, the honorary president of the Eighth Pharmaceutical Profession Association of Anhui Province (安徽省醫藥商業協會) since 2019, the president of the Seventh Pharmaceutical Profession Association of Anhui Province from 2015 to 2019 and a member of Committee of the Chinese People's Political Consultative Conference of Hefei (中國人民政治協商會議合肥市委員會) from January 2013 to January 2018. He was also appointed as the deputy director of the ninth board of Pharmaceutical Association of Anhui Province (安徽省藥學會) in November 2017.

Mr. Shu obtained his secondary vocational diploma in pharmacy from Anqing Health School (安慶衛生學校) in August 1982. He obtained an associate diploma in pharmacy from Anhui University of Chinese Medicine (安徽中醫學院) in June 1989 through part-time study. Mr. Shu continued his education through part-time study and graduated from the correspondence school of the Party School of the Central Committee of the Communist Party of China (中共中央黨校) with a major in economic management in December 1995. Mr. Shu also obtained a master of business administration degree from Anhui Business Administration College (安徽工商管理學院) in December 2001 and an executive master of business administration degree from Jinan University (暨南大學) in June 2015. Mr. Shu has been serving as an industry mentor for master of business administration degree candidates at Hefei University of Technology (合肥工業大學) since 2023. Mr. Shu was recognized as a certified practicing pharmacist by the Department of Personnel of Anhui Province (安徽省人事廳) in September 1995 and a deputy director pharmacist by the Senior Professional Technical Position Appraisal Committee for Pharmaceutical Professionals of Anhui Province (安徽省藥學專業高級專業技術職務評審委員會) in December 2002.

Ms. Huang Suzhen (黃素珍), aged 58, was appointed as an independent non-executive Director on November 22, 2024 with effect from the Listing Date, primarily responsible for providing independent opinion to our Board.

Ms. Huang has approximately 30 years of experience in accounting. From December 1996 to October 2021, Ms. Huang successively served as an accountant, the deputy section chief and section chief in the financial supervision section, accounting section and economic construction section of the Bureau of Finance of Jiang'an District, Wuhan (武漢江岸區財政局), primarily responsible for supervising the implementation of financial policies, the compliance with financial discipline and accounting standardization inspection of administrative and public institutions in Jiang'an District, Wuhan.

Ms. Huang obtained her associate diploma in financial accounting from Wuhan River Transport College (武漢河運專科學校) (the predecessor of Wuhan University of Technology (武漢理工大學)) in July 1988. She was accredited as a certified public accountant by the Certified Public Accountants Examination Committee of Ministry of Finance (財政部註冊會計師考試委員會) in April 1997 and a certificate public valuer by China Appraisal Society (中國資產評估協會) in June 2001.

Ms. Wang Taosha (王陶沙), aged 36, was appointed as an independent non-executive Director on November 22, 2024 with effect from the Listing Date, primarily responsible for providing independent opinion to our Board.

Ms. Wang has over 10 years of experience in financing and asset management. Ms. Wang started to serve as an analyst in the investment banking division of Credit Suisse from January 2011. Successively, Ms. Wang worked in PIMCO Asia Limited from August 2012 to February 2021 with her last position as a senior vice president responsible for portfolio management. Since May 2021, Ms. Wang has been serving as a portfolio manager in FIL Asia Holdings Pte Ltd HK Branch.

Ms. Wang obtained her bachelor's degree in economics from Brown University in May 2010 and an executive master of business administration degree through part-time studies in a joint program of Kellogg School of Management, Northwestern University and Guanghua School of Management, Peking University in June 2024. Since December 2023, Ms. Wang has been serving as a member of board of directors of Brown University Alumni Association of Hong Kong.

BOARD OF SUPERVISORS

The Board of Supervisors consists of three Supervisors, comprising one employee representative and two shareholders' representatives. Among the three Supervisors, the employee representative is elected by our employees while the shareholders' representatives are elected by our Shareholders, all for a term of three years and renewable upon re-election and re-appointment.

Pursuant to the Articles of Association, the functions and powers of the Board of Supervisors include, among others, reviewing the financial management of our Company, supervising the performance of our Directors and senior management members, monitoring as to whether they comply with the law, administrative stipulations and Articles of Association when performing their duties, and requesting Directors and senior management members to rectify actions detrimental to our Company's interests. In addition, our Board of Supervisors is responsible for exercising other powers, functions and duties in accordance with the Articles of Association and applicable laws and regulations.

The following table sets forth certain information regarding our Supervisors:

Name	Age	Position	Time of joining our Group	Date of appointment as a Supervisor	Roles and responsibilities
Ms. Huang Meiyun (黃美芸)	60	– Chairman of the Board of Supervisors – Senior consultant	July 2007	October 28, 2024	Responsible for supervising our Board and senior management and advising on the administrative and financial work of our Group
Ms. Xu Cen (徐岑)	61	– Supervisor – Senior consultant	July 2018	October 28, 2024	Responsible for supervising our Board and senior management and advising on the operation management of our Group
Ms. Yan Ge (嚴格)	56	– Supervisor (employee representative) – Accountant	October 2014	December 29, 2014	Responsible for supervising our Board and senior management and financial accounting of our Group

Ms. Huang Meiyun (黃美芸), aged 60, joined our Group in July 2007 and was appointed as a Supervisor and the chairman of the Board of Supervisors on October 28, 2024. She is primarily responsible for supervising our Board and senior management and advising on the administrative and financial work of our Group.

Ms. Huang has over 25 years of experience in medical and healthcare industry. Prior to joining our Group, she served as a financial manager in Hubei Pukang Pharmaceutical Co., Ltd. (湖北普康醫藥有限公司) from April 1999 to February 2005, primarily responsible for its financial management. Then she served as a department manager in Hubei Wanjia Pharmaceutical Co., Ltd. (湖北萬佳醫藥有限公司) from March 2005 to June 2007, primarily responsible for its procurement management.

Ms. Huang obtained her associate diploma in machinery through continuing education from Wuhan First Light Bureau Technical School (武漢市一輕局技校) (now known as Wuhan First Light Industry School (武漢市第一輕工業學校)) in September 1983. She was accredited as an assistant accountant (助理會計師) by Wuhan Municipal Bureau of Personnel (武漢市人事局) in February 1993.

Ms. Xu Cen (徐岑), aged 61, joined our Group in July 2018 and was appointed as a Supervisor on October 28, 2024. She is primarily responsible for supervising our Board and senior management and advising on the operation management of our Group.

Ms. Xu has over 35 years of experience in medical and healthcare industry. Prior to joining our Group, she served as a head nurse in the neonatal department at Wuhan Children's Hospital (武漢市兒童醫院) from December 1984 to November 1997. She then served as a staffer nurse in the Special Care Baby Unit at Basier Hospital of Amman Jordan from February 1988 to February 1990 and at Dubai Hospital of the United Arab Emirates from February 1992 to February 1995. She served as a regional manager responsible for business development in Bayer Healthcare Company Ltd. (拜耳醫藥保健有限公司), a subsidiary of Bayer AG (Stock code: BAYN.F), from November 1997 to June 2000. Ms. Xu then served as a market sales manager in Novo Nordisk (China) Pharmaceutical Co., Ltd. (諾和諾德(中國)製藥有限公司) from February 2001 to February 2007, primarily responsible for the market development in the Western China area. She then worked in Baxalta (China) Investment Co., Ltd. (百特(中國)投資有限公司) from March 2007 to July 2018 with her last position as an associate director of regional sales, where she was primarily responsible for the business development in the Southern China area.

Ms. Xu graduated from the medical school of Jianghan University (江漢大學) (formerly known as Wuhan Health School (武漢衛生學校)) with a major in nursing in November 1984. She also majored in business administration through part-time study at the president seminar of Huazhong University of Science and Technology (華中科技大學) in October 2007 and obtained a master's degree in business administration through part-time study at Colorado City University in June 2024.

Ms. Yan Ge (嚴格), aged 56, joined our Group in October 2014 as an accountant and was appointed as a Supervisor (employee representative) on December 29, 2014. She is primarily responsible for supervising our Board and senior management and financial accounting of our Group.

Ms. Yan has over 25 years of experience in financial accounting. Prior to joining our Group, she served as an accountant in Hubei Pukang Pharmaceutical Co., Ltd. (湖北普康醫藥有限公司) from February 1998 to February 2005. Then she served as an accountant in Hubei Wanjia Pharmaceutical Co., Ltd. (湖北萬佳醫藥有限公司) from March 2005 to November 2009. Ms. Yan served as an accountant in Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) from December 2009 to September 2014.

Ms. Yan obtained her associate diploma in accounting from Hubei University of Economics and Management (湖北經濟管理大學) in December 1988. She was accredited as an assistant accountant (助理會計師) by Wuhan Municipal Bureau of Personnel (武漢市人事局) in March 1993.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth certain information regarding our senior management:

Name	Age	Position(s)	Time of joining our Group	Date of appointment as senior management	Roles and responsibilities
Ms. Shen Hongmin (沈洪敏)	61	– Executive Director – Vice chairman of the Board – General manager	December 2014	April 10, 2017	Responsible for the daily operation and management of our Group
Mr. Guo Jiaping (郭家平)	59	– Executive Director – Vice general manager	February 2021	August 18, 2022	Responsible for the medical management, clinical work and professional training of our Group
Ms. Liu Hongchan (劉紅嬋)	51	– Executive Director – Vice general manager – Secretary of the Board	November 2014	December 24, 2014	Responsible for the investment and procurement management, corporate governance and securities matters of our Group
Mr. Wang Hong (王宏)	61	– Vice general manager	January 2021	January 1, 2021	Responsible for the daily operation of our medical institutions in Jingzhou and Jingmen, Hubei Province as well as Hunan Province
Ms. Wang Lixia (王麗霞)	42	– Vice general manager	July 2007	February 20, 2023	Responsible for the marketing and human resources of our Group
Ms. Wang Lanlan (王蘭蘭)	41	– Financial director	June 2024	June 24, 2024	Responsible for the financial management of our Group

For biographical details of **Ms. Shen Hongmin (沈洪敏), Mr. Guo Jiaping (郭家平)** and **Ms. Liu Hongchan (劉紅嬋)**, see "— Board of Directors — Executive Directors."

Mr. Wang Hong (王宏), aged 61, joined our Group in January 2021 as a vice general manager of our Company. He is primarily responsible for the daily operation of our medical institutions in Jingzhou and Jingmen, Hubei Province as well as Hunan Province. Mr. Wang also served as directors of our subsidiaries in Jingzhou and Jingmen, Hubei Province as well as Hunan Province.

Mr. Wang has over 30 years of experience in medical and healthcare industry. Prior to joining our Group, he served as the sales effective manager and head of global dermatology division in Xi'an Janssen Pharmaceutical Co., Ltd. (西安楊森製藥有限公司) from May 1994 to December 2002, primarily responsible for its marketing and business development. He then successively served as the nationwide marketing director, deputy general manager of marketing and the vice president in Chia Tai Tianqing Pharmaceutical Group Co., Ltd. (正大天晴藥業集團股份有限公司), a subsidiary of Sino Biopharmaceutical Limited (Stock code: 1177.HK), from December 2002 to December 2020, where he was responsible for its nationwide marketing and sales.

Mr. Wang obtained his associate diploma in animal husbandry from Henan University of Animal Husbandry and Economy (河南牧業經濟學院) in July 1984 and his master's degree in pathology from Shanghai Medical University (上海醫科大學) in July 1991. He also obtained an executive master of business administration degree from the National University of Singapore in August 2002.

Ms. Wang Lixia (王麗霞), aged 42, joined our Group in July 2007 and was appointed as a vice general manager of our Company in March 2023. She is primarily responsible for the marketing and human resources of our Group.

Ms. Wang has been with our Group for more than 17 years since we started our business in 2007. She has accumulated rich experience in marketing and human resources of our Group through various positions within our Group. Since She started to work as a manager in respect of marketing and human resources in July 2007, Ms. Wang successively served as a director, a senior director and a vice general manager of our Group.

Ms. Wang obtained her bachelor's degree in chemical engineering and technology and master's degree in enterprise management from Wuhan University of Technology (武漢理工大學) in June 2004 and December 2006, respectively.

Ms. Wang Lanlan (王蘭蘭), aged 41, joined our Group as the financial director of our Company in June 2024. She is primarily responsible for the financial management of our Group.

Ms. Wang has more than 15 years of experience in financial management. Prior to joining our Group, Ms. Wang served as a financial manager in Hubei Handan Electromechanical Factory (湖北漢丹機電廠) from June 2009 to May 2015. From May 2015 to June 2024, she served as a deputy financial director in Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司).

Ms. Wang obtained her bachelor's degree in business administration and master's degree in accounting from Wuhan University of Technology (武漢理工大學) in June 2006 and December 2008, respectively. She was accredited as an intermediate accountant (中級會計師) by Hubei Province Professional Title Reform Leading Group Office (湖北省職稱改革領導小組辦公室) in March 2012. Ms. Wang has been a non-practicing certified public accountant (非執業註冊會計師) certified by Hubei Institute of Certified Public Accountants since April 2019.

GENERAL CONFIRMATIONS

Save as disclosed above, each of the Directors, Supervisors and members of the senior management of our Company (i) had no other relationship with any of the Directors, Supervisors and senior management of our Company as of the Latest Practicable Date; and (ii) did not hold any other directorship in listed companies in the three years prior to the Latest Practicable Date. For the Directors' and Supervisors' interests in the Shares within the meaning of Part XV of the SFO, see "Appendix VI — Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders."

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules on November 26, 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors has confirmed (i) his or her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he or she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his or her independence at the time of his or her appointments.

JOINT COMPANY SECRETARIES

Ms. Xu Liman (許莉曼), aged 28, joined our Group as the general management officer of our Company in March 2023 and was appointed as the joint company secretary of our Company on November 22, 2024. She is primarily responsible for overall coordination and execution of corporate governance and company secretarial matters of our Group.

Prior to joining our Group, Ms. Xu served as the general management officer in Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) from April 2018 to March 2023, primarily responsible for its general corporate governance matters.

Ms. Xu obtained her bachelor's degree in financing management from Hubei University of Economics (湖北經濟學院) in June 2018 and a dual bachelor's degree in laws from Zhongnan University of Economics and Law (中南財經政法大學). Ms. Xu obtained her master's degree in accounting from Zhongnan University of Economics and Law in June 2020. She obtained intermediate accounting professional qualification from Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障局) and Ministry of Finance of the PRC (中華人民共和國財政部) in September 2020 and was accredited as a certified public accountant by the Certified Public Accountants Examination Committee of Ministry of Finance (財政部註冊會計師考試委員會) in February 2023.

Ms. Pau So Yi (鮑素怡), was appointed as the joint company secretary of our Company on November 22, 2024.

Ms. Pau is a manager of company secretarial services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Pau has over 9 years of experience in corporate secretarial work. She has been providing professional corporate governance and compliance services to Hong Kong listed companies and private companies.

Ms. Pau obtained her bachelor's degree in accounting with honor from Hong Kong Shue Yan University in July 2015. Ms. Pau is a Chartered Secretary, a Chartered Governance Professional, an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, respectively.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three Directors, namely Ms. Huang Suzhen, Mr. Shu Yijie and Ms. Wang Taosha. The chairperson of the Audit Committee is Ms. Huang Suzhen, who is the independent non-executive Director with the appropriate accounting and related financial management expertise. The primary duties of the Audit Committee include, among others:

- making recommendations to our Board on the appointment, reappointment and removal of external auditor, and monitoring the external auditor's independence and evaluating the effectiveness of the audit process and their performance;

- monitoring integrity of our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained therein;

- assessing the effectiveness of internal control;

- guiding internal audit work;

- coordinating the communication among management, internal audit department, related departments and external audit agency; and

- other responsibilities as authorized by our Board or required by the relevant laws and regulations.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Remuneration Committee consists of three Directors, namely Mr. Shu Yijie, Ms. Huang Suzhen and Mr. Yao Xue. The chairperson of the Remuneration Committee is Mr. Shu Yijie. The primary duties of the Remuneration Committee include, among others:

- making recommendations to our Board on the policy and structure for the remuneration of Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

- making recommendations to our Board on the remuneration packages of individual executive Directors, Supervisors and senior management and the remuneration of non-executive Directors;

- reviewing and approving compensation payable to executive Directors, Supervisors and senior management of our Company for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

- other responsibilities as authorized by our Board or required by the relevant laws and regulations.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Nomination Committee consists of three members, namely Mr. Yao Xue, Mr. Shu Yijie and Ms. Wang Taosha. The chairperson of the Nomination Committee is Mr. Yao Xue. The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually, and making recommendations on any proposed changes to our Board to complement our Company's corporate strategy;

- identifying individuals who are suitably qualified to become Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

- assessing the independence of independent non-executive Directors;

- researching and developing standards and procedures for the election of our Board members, general managers and members of the senior management, and making recommendations to our Board; and

- other responsibilities as authorized by our Board or required by the relevant laws and regulations.

CORPORATE GOVERNANCE

Our Company is committed to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Listing Rules after the Listing.

BOARD DIVERSITY

We are committed to promoting the culture of diversity in the Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contribution that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including corporate management, medical quality management, accounting, financing and asset management. They obtained degrees in various majors, including medical science, dentistry, business administration and finance management. Our three independent non-executive Directors with different industry backgrounds, representing more than one-third of the Board. Furthermore, our Board has a diverse age and gender representation, ranging from 36 years old to 61 years old and comprising three male and four female Directors. Taking into account our existing business mode and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. We will continue to apply the principles of appointments based on merits with reference to our board diversity policy as a whole.

Our Nomination Committee is responsible for reviewing the structure and ensuring the diversity of our Board. After the Listing, our Nomination Committee will monitor and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on annual basis.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management members receive compensation from our Company in the form of salaries, bonuses, allowances, benefits in kind, pension scheme contributions and other employee benefits.

The aggregate amounts of remuneration (including salaries, bonuses, allowances, benefits in kind, pension scheme contributions and other employee benefits) paid to our Directors and Supervisors for the years ended December 31, 2022, 2023 and 2024 were approximately RMB3.4 million, RMB3.9 million and RMB2.7 million, respectively.

The five highest paid individuals for the years ended December 31, 2022, 2023 and 2024 included three, two and nil Directors, respectively, whose remunerations are included in the aggregate amount of remuneration set out above. For the years ended December 31, 2022, 2023 and 2024, the aggregate amount of remuneration (including salaries, bonuses, allowances, benefits in kind, pension scheme contributions and other employee benefits) for the remaining two, three and five highest paid individuals who are not Directors or Supervisors of our Group were approximately RMB1.8 million, RMB2.9 million and RMB3.7 million.

It is estimated that remuneration equivalent to approximately RMB4.8 million in aggregate will be paid to the Directors and Supervisors (inclusive of benefits in kind but exclusive of any discretionary bonuses) by our Company for the year ending December 31, 2025 based on the arrangements currently in force.

No remuneration was paid by our Company to the Directors, Supervisors or the five highest paid individuals as inducement to join or upon joining our Company or as a compensation for loss of office during the Track Record Period. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any remuneration during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Haitong International Capital Limited as the compliance advisor pursuant to Rule 3A.19 of the Listing Rules, and the compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;

- where our Company proposes to use the proceeds of the Global Offering in a manner that is different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecasts, estimates or other information in this prospectus; and

- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment of the compliance advisor will commence on the Listing Date and is expected to end on the date when our Company distributes the annual report of its financial results for the first full financial year commencing after the Listing Date.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was directly held as to approximately 1.24% by Mr. Yao, 1.17% by Ms. Shen and 81.32% by Zhongshan Medical Investment, which was in turn held by Mr. Yao and Ms. Shen as to approximately 44.11% and 31.38%, respectively. Pursuant to an acting-in-concert agreement entered into between Mr. Yao and Ms. Shen on June 3, 2014, Mr. Yao and Ms. Shen agreed to align their votes at Zhongshan Medical Investment and its subsidiaries (including our Company) in terms of all their direct shareholding interest in such companies. Therefore, Mr. Yao and Ms. Shen had been acting in concert in exercising their voting rights attaching to all their direct interest in Zhongshan Medial Investment, as well as their voting rights attaching to all their direct interest in our Company. See "History, Development and Corporate Structure — Our Major Corporate Development — Early Development" for details.

Immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option), Mr. Yao and Ms. Shen, directly and indirectly through Zhongshan Medical Investment, will together be entitled to exercise the voting rights attaching to approximately 65.31% of our enlarged total issued share capital. Therefore, Mr. Yao, Ms. Shen and Zhongshan Medical Investment will be considered as a group of Controlling Shareholders after the Listing for the purpose of the Listing Rules.

DELINEATION OF BUSINESS

Our Controlling Shareholders confirm that as of the Latest Practicable Date, neither of them or their respective close associates was interested in any business, other than our Group, which competes or is likely to compete, either directly or indirectly, with our Group's business and which requires disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Operational Independence

We engage in our operations and make and implement our operational decisions independently. We do not share operation team, facilities or equipment with our Controlling Shareholders or their respective close associates. We possess relevant licenses, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business. Our Group have established our own organizational structure with independent departments, and each department is assigned to specific areas of responsibilities. Our operating functions, such as cash and accounting management, invoices and bills, operate independently from our Controlling Shareholders and their respective close associates. We have independent access to a large and diversified base of suppliers and customers and have not relied on our Controlling Shareholders and their respective close associates with respect to supplies for our business operations. We also maintain a set of comprehensive internal control procedures to facilitate the effective operation of our business.

Due to the features and characteristics of our businesses, during the Track Record Period, we conducted certain transactions with our Controlling Shareholders' close associates on a recurring basis which are expected to continue after the Listing and will constitute continuing connected transactions of our Group under the Listing Rules, details of which are set out in "Connected Transactions." Our Directors believe that the aforesaid transactions do not have any material adverse impact on our operational independence from our Controlling Shareholders on the basis that (i) all such transactions are conducted after arm's length negotiation and on normal commercial terms or better, and (ii) the cost and expense incurred from such transactions account for insignificant proportion of our cost and expense during the Track Record Period, which do not indicate any undue reliance by our Group on our Controlling Shareholders or their close associates and are beneficial to our Group and our Shareholders as a whole.

Based on the above, our Directors are of the view that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Management Independence

Our business is managed and conducted by our Board and senior management. Our Board comprises four executive Directors and three independent non-executive Directors, among whom Mr. Yao, the chairman of our Board and an executive Director, and Ms. Shen, an executive Director, the vice chairman of our Board and the general manager of our Company, are members of our Controlling Shareholders. For further details, see "Directors, Supervisors and Senior Management."

Save as disclosed below, none of our Directors or members of our senior management serves as a director or member of senior management in our Controlling Shareholders or their close associates (other than members of our Group):

		Major positions held in our Controlling Shareholders and their close associates (other than members of our Group)	
Name	**Positions in our Company**	**Name of company**	**Position**
Mr. Yao	Chairman of the Board and executive Director	Zhongshan Medical Investment	Chairman of the board
		Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) ("**Nanjing Pharmaceutical Hubei**")[(1)]	Chairman of the board
Ms. Shen	Executive Director, vice chairman of the Board and general manager	Zhongshan Medical Investment	Vice chairman of the board

Note:

(1) Nanjing Pharmaceutical Hubei, a subsidiary of Nanjing Pharmaceutical Company Limited (南京醫藥股份有限公司) (Stock code: 600713.SH), is held by Nanjing Pharmaceutical Company Limited and Zhongshan Medical Investment as to 51% and 49% respectively. Nanjing Pharmaceutical Hubei primarily engages in wholesale business of pharmaceutical products, with a revenue of approximately RMB5.4 billion for the year ended December 31, 2023.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from our Controlling Shareholders and their close associates for the following reasons:

(i) as confirmed by Mr. Yao and Ms. Shen, Zhongshan Medical Investment is an investment holding company and had no actual business operation or commercial activities as of the Latest Practicable Date. As confirmed by Mr. Yao, the directorship held by him in Nanjing Pharmaceutical Hubei is non-executive in nature and he is not involved in its day-to-day management. Therefore, Mr. Yao and Ms. Shen will have sufficient time and resources to serve on our Board or as senior management members, and their positions in the aforementioned companies will not affect their discharge of duties and responsibilities to our Group;

(ii) save for Mr. Yao and Ms. Shen, all members of our senior management are our full-time employees and are independent from our Controlling Shareholders and their close associates;

(iii) pursuant to the Articles of Association of our Company, in the event that any Shareholder or Director or his/her close associates has the material interest in a contract or arrangement to be entered into with our Group, the interested Shareholder(s) or Director(s) shall abstain from voting on any Shareholder or Board resolutions approving any contract, arrangement or any other proposal and shall not be counted in the quorum present at the relevant meeting;

(iv) we have appointed three independent non-executive Directors (accounting for more than one-third of our Board) to balance the number of potentially interested Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and another company or entity to which a Director or senior management member holds position. We believe our independent non-executive Directors have the depth and breadth of experience which will enable them to bring sound, independent and impartial judgment to the decision-making process of our Board;

(v) each of our Directors is aware of his/her fiduciary duties as a Director, which require him/her to act for the benefit and in the interests of our Company and the Shareholders as a whole and do not allow any conflict between his/her duties as a Director and his/her personal interests; and

(vi) we have adopted corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders and their close associates which would support our independent management. See "— Corporate Governance Measures" below for further information.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Financial Independence

We have established a finance department with a team of independent financial staff, which operates entirely independently of the Controlling Shareholders. In addition, our Company has established a sound and independent financial system and makes financial decisions according to our Company's business needs, which are independent of our Controlling Shareholders.

During the Track Record Period, our Group had no non-trade related amounts due to or due from our Controlling Shareholders or their close associates. As of the Latest Practicable Date, there were no outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates and vice versa.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interest of our Shareholders. We will adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders:

(i) where a Shareholders' meeting is held for considering proposed transaction in which any of the Controlling Shareholder has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(ii) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(iii) any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules;

(iv) in the event that our independent non-executive Directors are requested to review any conflict of interests between our Group and the Controlling Shareholders, the Controlling Shareholders shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either in its annual report or by way of announcements to the public; and

(v) our Company has appointed Haitong International Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

We have entered into certain agreements with our connected persons, the details of which are set out below. Upon Listing, the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

Connected person	Connected relationship
Zhongshan Medical Investment . . .	one of our Controlling Shareholders
Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司) ("**Nanjing Pharmaceutical Hubei**")	a company owned by Zhongshan Medical Investment as to 49%, and hence an associate of Zhongshan Medical Investment

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31,		
			2025	2026	2027
			(RMB in thousands)		
Fully-exempt Continuing Connected Transaction					
Pharmaceuticals and Consumables Procurement Framework Agreement . . .	14A.76(1)(c)	N/A	1,600	1,900	2,200

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Pharmaceuticals and Consumables Procurement Framework Agreement

Principal Terms

On June 22, 2025, our Company and Nanjing Pharmaceutical Hubei (for themselves and on behalf of their respective subsidiaries) entered into a pharmaceuticals and consumables procurement framework agreement (the "**Pharmaceuticals and Consumables Procurement Framework Agreement**"), pursuant to which our Group agreed to purchase certain pharmaceuticals and consumables from Nanjing Pharmaceutical Hubei and its subsidiaries for medical use.

Separate underlying agreements will be entered between the parties to set out the detailed terms, including the category of pharmaceuticals and consumables, pricing terms, method of payment and credit terms, based on the principles and within the parameters provided in the Pharmaceuticals and Consumables Procurement Framework Agreement. The definitive terms of each of such underlying agreements will be determined on a case-by-case and a fair and reasonable basis after arm's length negotiation between the parties.

The initial term of the Pharmaceuticals and Consumables Procurement Framework Agreement will commence on the Listing Date and expire on December 31, 2027. Such term is renewable for a term of three years upon mutual consents and subject to the requirements under the Listing Rules and other applicable laws and regulations.

Reasons for and Benefits of the Transaction

As a dental services provider, we purchase pharmaceuticals and consumables for medical use in the ordinary and usual course of our business. The quality of the products we purchased is important to our business operation and expansion. Nanjing Pharmaceutical Hubei, a subsidiary of Nanjing Pharmaceutical Company Limited (南京醫藥股份有限公司) (Stock code: 600713.SH), primarily engages in wholesale business of pharmaceutical products. Since Nanjing Pharmaceutical Hubei is a well-known pharmaceuticals supplier in Hubei Province, securing a stable procurement relationship with Nanjing Pharmaceutical Hubei would enable us to procure quality pharmaceuticals and consumables for our customers. In addition, the terms Nanjing Pharmaceutical Hubei offered to us are no less favorable than those offered by our other suppliers who are Independent Third Parties. Therefore, our procurement of pharmaceuticals and consumables from Nanjing Pharmaceutical Hubei is in the interests of our Group and the Shareholders as a whole.

Pricing Policy

The purchase price of the pharmaceuticals and consumables shall be determined with reference to a number of factors including: (i) the price of the similar products sold by Nanjing Pharmaceutical Hubei to other independent customers under similar conditions; and (ii) the prevailing market price of similar products. The aforesaid pricing policies are no less favorable to us than those offered by Independent Third Parties.

Historical Amounts

For the years ended December 31, 2022, 2023 and 2024, the historical amounts of our procurement of pharmaceuticals and consumables from Nanjing Pharmaceutical Hubei were approximately RMB1.2 million, RMB1.3 million and RMB1.5 million, respectively.

Annual Caps

The proposed annual caps for the transactions under the Pharmaceuticals and Consumables Procurement Framework Agreement for the years ending December 31, 2025, 2026 and 2027 are set out below:

Proposed annual caps for the years ending December 31,		
2025	**2026**	**2027**
	(RMB in thousands)	
1,600	1,900	2,200

The above annual caps are determined with reference to:

(i) the historical transaction amounts of our procurement of pharmaceuticals and consumables from Nanjing Pharmaceutical Hubei during the Track Record Period; and

(ii) the expected increasing procurement amounts, taking into account the potential increase in the demand by our medical institutions for pharmaceuticals and consumables, which is in line with the expected business growth of our medical institutions.

Implication under the Listing Rules

The Pharmaceuticals and Consumables Procurement Framework Agreement and the transactions contemplated thereunder have been and will continue to be entered into in the ordinary and usual course of our business on normal commercial terms or better. As each of the applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of this transaction is expected to be, on an annual basis, less than 5% and the highest proposed annual cap of this transaction is expected to be less than HK$3 million, such transaction will be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

ONE-OFF TRANSACTION ENTERED INTO BEFORE THE LISTING

We have entered into a property lease agreement with Zhongshan Medical Investment (the "**Lease Agreement**"), pursuant to which we leased a property from Zhongshan Medical Investment as our offices (the "**Property**"). The transaction was entered into before the Listing and accounted as right-of-use assets under IFRS 16, therefore such transaction was one-off connected transaction of the Company for the purpose of the Listing Rules. Details of such transaction are set out below.

	Tenant	Landlord	Location of the Property	Total GFA	Term of Lease Agreement	Total rental per year
				(sq.m.)		*(RMB'000)*
1. . .	The Company	Zhongshan Medical Investment	Room 5, 11/F, Huayin Building, No. 786 Minzhu Road, Wuchang District, Wuhan, Hubei Province	389.1	July 1, 2024 to December 31, 2025	258

The rent of the Property under the Lease Agreement was determined after arm's length negotiations based on the prevailing market price no less favorable than those offered by Independent Third Parties for similar properties with comparable size and quality in the vicinity. As such, our Directors are of the view that the terms of the Lease Agreement are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

We have adopted IFRS 16 in the preparation of the financial information of our Group during the Track Record Period, pursuant to which, at the commencement date of a lease, our Group as lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Accordingly, the lease transaction under the Lease Agreement would be regarded as acquisition of assets by the lessee and one-off connected transactions of the Company for the purpose of the Listing Rules.

OUR SHARE CAPITAL

Immediately before the Global Offering

As of the Latest Practicable Date, the registered capital of our Company was RMB38,517,242, comprising 38,517,242 Unlisted Shares with a nominal value of RMB1.00 each.

Upon the Completion of the Global Offering

Immediately following completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, assuming the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Unlisted Shares	32,352,902	65.52%
H Shares to be converted from Unlisted Shares[1]	6,164,340	12.48%
H Shares to be issued pursuant to the Global Offering	10,861,800	22.00%
Total	**49,379,042**	**100%**

Note:

(1) See "History, Development and Corporate Structure — Pre-IPO Investments — Public Float" for details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing.

Immediately following completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, assuming the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the Global Offering
Unlisted Shares	32,352,902	63.43%
H Shares to be converted from Unlisted Shares[1]	6,164,340	12.08%
H Shares to be issued pursuant to the Global Offering	12,491,000	24.49%
Total	**51,008,242**	**100%**

Note:

(1) See "History, Development and Corporate Structure — Pre-IPO Investments — Public float" for details of the identities of the Shareholders whose Shares will be converted into H Shares upon Listing.

RANKING

Upon completion of the Global Offering and the Conversion of Unlisted Shares into H Shares, the Shares will consist of Unlisted Shares and H Shares. Unlisted Shares and H Shares are all ordinary Shares in the share capital of our Company.

Apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC.

Unlisted Shares and H Shares are regarded as one class of Shares under our Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi. In addition to cash, dividends may be distributed in the form of Shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon completion of the Global Offering, namely ordinary shares, and each carry the same rights in all respects with the other Shares. For details of circumstances under which our Shareholders' meetings are required, see "Appendix IV — Summary of Principal Laws and Regulations" and "Appendix V — Summary of Articles of Association."

CONVERSION OF UNLISTED SHARES INTO H SHARES

Upon completion of the Global Offering, all our Unlisted Shares (other than those converting to H Shares) are not listed or traded on any stock exchange. The holders of our Unlisted Shares may convert their Shares into H Shares provided that such conversion shall have gone through the requisite internal approval process and complied with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the overseas stock exchange(s) and complete the filing process procedure with CSRC. The listing of such converted Shares on the Stock Exchange will also require the approval of the Stock Exchange.

In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) and the Overseas Listing Trial Measures, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas listing, domestic unlisted shares further issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) could be listed and traded on the Stock Exchange after application to file with the CSRC.

Upon completion of the Global Offering, 6,164,340 Unlisted Shares held by Wuhan Xinglin, Wuhan Taolin, Wuhan Zhulin, Ms. Li Zhen (李臻) and Mr. Chen Wei (陳巍) will be converted into H Shares on a one-for-one basis. The conversion of these Unlisted Shares into H Shares has been filed with the CSRC and the CSRC issued notice of filing on June 11, 2025 and an application has been made to the Listing Committee for such H Shares to be listed on the Stock Exchange.

Based on the procedures for the conversion of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the listing of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any listing of additional Shares after our initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for listing at the time of our initial listing in Hong Kong.

No class Shareholder voting is required for the listing and trading of the converted Shares on the Stock Exchange. Any application for listing of the converted Shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our H Share Registrar lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to trade on the Stock Exchange will comply with the Listing Rules and the General Rules of HKSCC and HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

For further details, see "Risk Factors — Risks Relating to the Global Offering — Future sales or perceived sales of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings."

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Pursuant to the PRC Company Law, our Shares issued prior to the Listing shall not be transferred within 12 months from the Listing Date.

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares held by the aforementioned persons cannot be transferred within half a year after they leave their positions as Directors, Supervisors and members of the senior management of our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted general mandates to issue and repurchase our Shares. For further details, see "Appendix VI — Statutory and General Information — A. Further Information about Our Group — 4. Resolutions Passed by Our Shareholders' Meeting in Relation to the Global Offering."

RESTRICTIONS ON SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Notice on Adjustment of Business Acceptance of Registration and Depository of Non-Overseas Listed Shares of Overseas Listed Companies (《關於境外上市公司非境外上市股份登記存管業務受理調整的通知》) and Business Guidelines for the Registration and Depository of Non-Overseas Listed Shares of Overseas Listed Companies (《境外上市公司非境外上市股份登記存管業務指南》), our Company is required to register and deposit our Shares that are not listed on the overseas stock exchange with the China Securities Depository and Clearing Corporation Limited after the Global Offering.

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), the following persons will have or be deemed or taken to have an interest and/or short positions in the Shares or the underlying Shares of our Company which shall be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings our Company:

		Shares held as of the Latest Practicable Date			Shares held immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)(1)		
Name of Shareholder	Nature of interest	Number	Description of Shares	Approximate percentage of shareholding in the total issued share capital	Number	Description of Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Yao(2) . .	Interest in controlled corporation	31,324,102	Unlisted Shares	81.32%	31,324,102	Unlisted Shares	63.44%
	Beneficial interest	475,800	Unlisted Shares	1.24%	475,800	Unlisted Shares	0.96%
	Interest of concert party	31,774,102	Unlisted Shares	82.49%	31,774,102	Unlisted Shares	64.35%
Ms. Shen(2) .	Interest in controlled corporation	31,324,102	Unlisted Shares	81.32%	31,324,102	Unlisted Shares	63.44%
	Beneficial interest	450,000	Unlisted Shares	1.17%	450,000	Unlisted Shares	0.91%
	Interest of concert party	31,799,902	Unlisted Shares	82.56%	31,799,902	Unlisted Shares	64.40%
Zhongshan Medical Investment.	Beneficial interest	31,324,102	Unlisted Shares	81.32%	31,324,102	Unlisted Shares	63.44%
Wuhan Xinglin . .	Beneficial interest	2,740,740	Unlisted Shares	7.12%	2,740,740	H Shares	5.55%
Yao Qi (姚琪)(3). .	Interest in controlled corporation	2,740,740	Unlisted Shares	7.12%	2,740,740	H Shares	5.55%

Notes:

(1) The calculation is based on the total number of 32,352,902 Unlisted Shares in issue and 17,026,140 H Shares in issue immediately after completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming no exercise of the Over-allotment Option). Unlisted Shares and H Shares are both ordinary Shares in the share capital of our Company and are considered as one class of Shares.

(2) As of the Latest Practicable Date, Zhongshan Medical Investment was held by Mr. Yao and Ms. Shen as to 44.11% and 31.38%, respectively. Pursuant to an acting-in-concert agreement entered into between Mr. Yao and Ms. Shen on June 3, 2014, Mr. Yao and Ms. Shen agreed to act in concert in respect of their voting rights in Zhongshan Medical Investment and our Company. See "History, Development and Corporate Structure – Our Major Corporate Development — Early Development" for details. Therefore, Mr. Yao and Ms. Shen are deemed to be interested in the Shares directly held by Zhongshan Medical Investment and each other by virtue of the SFO.

(3) Yao Qi is the general partner of Wuhan Xinglin. Therefore, Yao Qi is deemed to be interested in the Shares directly held by Wuhan Xinglin by virtue of the SFO.

Save as disclosed above and in "Appendix VI — Statutory and General Information — C. Further Information about Our Directors, Supervisors and Substantial Shareholders," our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company.

You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2022, 2023 and 2024 included in the Accountants' Report set out in Appendix I to this prospectus, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a private dental services provider in Central China with a focus on Hubei and Hunan provinces, operating an expanding dental service network under the direct chain model in this thriving market. We provide reliable and accessible dental care to communities, dedicated to serving the general public. According to Frost & Sullivan, we ranked first among all private dental services providers in Central China in terms of revenue generated therefrom in 2024, occupying a market share of approximately 2.4%. Over the years, we have been focusing our dental services on addressing the mass market demands, maintaining strong presence in densely populated Central China. As of the Latest Practicable Date, our dental service network consisted of 92 dental institutions in operation in total. Our dental services consist of general dentistry services, implantology services and orthodontics services, addressing oral health needs of customers of all ages.

During the Track Record Period, we generated revenue from provision of a comprehensive range of dental services, including (i) general dentistry services, (ii) implantology services, and (iii) orthodontics services. Our revenue increased from RMB409.4 million for the year ended December 31, 2022 to RMB441.8 million for the year ended December 31, 2023. From 2023 to 2024, we encountered challenges mainly caused by customers' consumption downgrade resulting from the slower-than-expected post-pandemic economic recovery, and fierce competition among dental services providers. To counter these macroeconomic pressures and reinforce our industry leadership, we implemented centralized cost control measures, such as utilizing online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency and negotiating favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them. We maintained stability in our revenue stream and only recorded a slight decline in total revenue, from RMB441.8 million for the year ended December 31, 2023 to RMB407.1 million for the year ended December 31, 2024.

Benefiting from our unified management under direct chain model and increasing economies of scale of our dental service network, we recorded net profit throughout the Track Record Period. Our net profit amounted to RMB56.5 million, RMB67.0 million and RMB62.5 million, respectively, for the years ended December 31, 2022, 2023 and 2024. Our adjusted net profit (non-IFRS measure), as net profit for the year adjusted by adding fair value losses or gains on redeemable preference shares, share-based payment expenses and listing expenses, amounted to RMB59.3 million, RMB70.4 million and RMB68.3 million, respectively, for the years ended December 31, 2022, 2023 and 2024.

BASIS OF PRESENTATION

Our Company was established in the PRC as a limited liability company on July 10, 2007 and was converted into a joint stock company with limited liability on December 24, 2014. See "History, Development and Corporate Structure." Our historical financial information has been prepared in accordance with IFRS, which comprise all standards and interpretations approved by the IASB. All IFRS effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by our Group in the preparation for the historical financial information consistently throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss (the "**FVTPL**"), contingent consideration and financial liabilities at FVTPL which have been measured at fair value. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. This category includes derivative instruments and equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of our 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 our Group are eliminated in full on consolidation. See Note 2.1 to the Accountants' Report in Appendix I to this prospectus for details.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe our results of operations and financial condition are mainly affected by the following factors:

Growth of Dental Services Market in Central China

The growth of the dental services market in China has profound influence on our business growth and financial performance. The dental services market in China flourishes along with the development of Chinese economy, the increasing per capita annual disposable income, the rising total health expenditure and per capita health expenditure in China as well as the promulgation of government policies favorable to the healthcare services industry in China, especially the dental services industry. According to Frost & Sullivan, the market size of the China's dental services market in terms of revenue generated by dental services providers in China fluctuated from 2020 to 2024 due to the outbreak of COVID-19 pandemic in 2020 and the following spreads of transmissible variants of COVID-19.

We have been strategically focusing on providing dental services to serve the general public in densely populated Central China. Accordingly, our results of operations and financial condition are especially affected by the growth of dental services market in Central China, which is typically driven by (i) favorable policies to promote dental services industry in Central China; (ii) the growth in per capita health expenditure driven by increasing disposable income; (iii) supply of dental services falls short of demands; and (iv) high-level dental resources available in Central China, especially Wuhan. The market size of dental services market in Central China in terms of revenue generated by dental services providers therein increased in general at a CAGR of 11.4% from 2020 to 2024, despite the decrease in 2020 and 2022 due to the COVID-19 pandemic.

Our future business operations and financial performance are expected to continue to be affected by the growth of the dental services market in Central China. According to Frost & Sullivan, such market size is expected to reach RMB40.0 billion in 2029, representing a CAGR of 6.9% from 2024 to 2029. In particular, the total revenue generated by private dental services providers in Central China is expected to reach RMB25.3 billion in 2029, growing at a CAGR of 7.8% from 2024 to 2029, demonstrating extensive market potential for private dental services providers therein. See "Industry Overview — Dental Services Market in Central China" for details of the market where we operate.

Our Ability to Grow our Customer Base and Offer Satisfied Dental Services

The revenue generated from dental services provided by our dental institutions mainly depends on (i) the number of customer visits to our dental institutions; and (ii) customer's spending during his or her visits to our dental institutions. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" for details.

We believe that our success depends to a significant extent on our ability to grow our customer base and offer satisfied dental services to customers. Our extensive dental service network with sufficient seasoned dentists and quality supply of dental devices contributes to the quality of our dental services, thereby enhancing customer satisfaction and retention. In addition, the geographic location of our dental institutions, being proximity to local communities, assures the accessibility and long-term customer relationship management. Meanwhile, our consistent brand image across all of our dental institutions and growing brand recognition in Central China are also crucial for attracting and retaining customers. The above factors, among others, have direct impact on the number of our customer visits and in turn affect our financial performance and results of operations.

Customer's spending during his or her visit to our dental institutions is mainly determined by the type and severity of dental diseases, oral health condition, treatment plans and preference in treatment methods and consumables. The prices of certain of our dental services are subject to the applicable PRC laws and regulations, including those applicable to Medical Insurance Designated Medical Institutions. With the implementation of the centralized procurement policies, we made timely pricing adjustments on our implantology services and witnessed more customers access affordable dental services. See "Business — Our Dental Services" and "Business — Pricing" for more details of our pricing.

Our Ability to Control Our Cost and Expenses

Our ability to manage costs and operating expenses is critical to our results of operations. Our cost of sales primarily comprises (i) staff costs; (ii) costs of consumables and customized products; (iii) depreciation and amortization; (iv) office and property management expenses; and (v) share-based payment expenses. Our operating expenses primarily comprise selling and distribution expenses, administrative expenses and research and development expenses. We anticipate an absolute increase in operating expenses and cost of sales along with our business growth and the expansion of our dental service network. We also expect that our operating expenses as a percentage of our total revenue will remain relatively stable or potentially decrease due to ongoing efforts to improve operating efficiency and cost-effectiveness. Our ability to effectively control such costs and expenses is primarily driven by our operational efficiency and economies of scale, which in turn may materially affect our profitability.

During the Track Record Period, employee benefit expenses, including those recorded under cost of sales, selling and marketing expenses, administrative expenses and research and development expenses, were the largest component of our total costs and expenses. For the years ended December 31, 2022, 2023 and 2024, our employee benefit expenses amounted to RMB155.5 million, RMB167.3 million and RMB160.7 million, accounting for 38.0%, 37.9% and 39.5%, respectively, of our revenue for the same years. Any change in employee benefit expenses, including the number of employees, salaries and bonuses, social insurance, welfare and other benefits, and other forms of incentives, could affect our results of operations. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in employee benefit expenses on our net profit, excluding any tax effect, for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentages)					
+10%	(15,549)	(28)	(16,727)	(25)	(16,074)	(26)
+5%	(7,775)	(14)	(8,364)	(12)	(8,037)	(13)
-5%	7,775	14	8,364	12	8,037	13
-10%	15,549	28	16,727	25	16,074	26

In addition, during the Track Record Period, costs of consumables and customized products constituted the second largest component of our cost of sales. Our costs of consumables and customized products amounted to RMB71.6 million, RMB75.2 million and RMB65.9 million for the years ended December 31, 2022, 2023 and 2024, accounting for 27.4%, 27.5% and 25.9%, respectively, of our cost of sales for the same years. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in costs of consumables and customized products in our cost of sales on our net profit, excluding any tax effect, for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Change in net profit	% change in net profit	Change in net profit	% change in net profit	Change in net profit	% change in net profit
	(RMB'000, except percentages)					
+10%	(7,156)	(13)	(7,524)	(11)	(6,586)	(11)
+5%	(3,578)	(6)	(3,762)	(6)	(3,293)	(5)
-5%	3,578	6	3,762	6	3,293	5
-10%	7,156	13	7,524	11	6,586	11

Our Ability to Expand Our Dental Service Network

The scale of our dental service network plays a critical role in our results of operations and financial performance. Our revenue and overall profitability depend on the number, development stage and profitability of each dental institution in our dental service network, and our future revenue growth is affected by our ability to expand our dental service network and ramp up the operations of our newly established and acquired dental institutions. Over years of operations, we have successfully established a strong presence in Central China and remain committed to increasing our dental institution density in existing cities while penetrating into new cities and local communities to reach a broader customer base through both establishment and strategic acquisitions. As of the Latest Practicable Date, we established a dental service network consisting of 92 dental institutions in operation in total, covering 8 cities in 2 provinces in China. According to Frost & Sullivan, we ranked first among all private dental services providers in Central China in terms of revenue generated therefrom in 2024. Our successful track record and highly scalable business model enable us to serve a broad customer base.

In line with our business growth, we intend to continuously upgrade our existing dental institutions, elevating their service capacity and optimizing customer experience. In addition, we plan to seek and assess potential acquisition targets with a market-oriented approach and a strategic geographic focus on Central China. The cost efficiency of establishing or acquiring dental institutions is critical to our ability to recoup investments in a timely manner, which may materially impact our revenue and profitability. The monthly breakeven periods and the investment payback periods for our new dental institutions depend on specific characteristics of such dental institution, such as its service capacity, initial investment, the coverage of its service offerings, competitive landscape and variation in the local economy and urban road planning. In addition, the monthly breakeven periods and the investment payback periods of our acquired dental institutions are also affected by the profitability of relevant dental institutions prior to our acquisition. Newly established dental institutions may experience lower operational efficiency during their ramp-up stage, potentially affecting our short-term liquidity and profitability. We may open new dental institutions and/or acquire dental institutions from period to period at an uneven rate. As such, our profitability may fluctuate from period to period. Overall, expansion of our dental service network have been strengthening our revenue stream and promoting in-network synergies and economies of scale. See “Business — Our Future Expansion” and “Future Plans and Use of Proceeds.”

Seasonality

We experience insignificant seasonal fluctuations in our revenue and profitability. In line with the industry norm, we typically witness increase in customer visits in July and August each year, as it can be easier for potential customers, especially children and teenagers, to have time for dental diagnosis and treatment during their summer vacation. In addition, we typically witness fewer customer visits shortly before and during the Chinese New Year holiday, mainly because most Chinese residents tend to postpone their dental treatment plans during such period. See "Business — Seasonality." Therefore, our revenue is generally slightly higher in the third quarter of each financial year and slightly lower in the first quarter of each financial year.

We expect our business operations and financial performance to continue to experience minor fluctuations based on seasonal factors. Our financial performance for any period of less than a year may not reflect our annual financial results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. The preparation of financial statements also requires the use of accounting estimates and associated assumptions, which are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances. Our management also exercises judgement in applying the accounting policies. Our material accounting policy information, judgements and estimates, which are important for understanding our results of operations and financial condition, are set out in Note 2.3 and Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

When reviewing our financial results, you should consider: (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. The basis for determination of these items may change in the future, and as a result, actual results could differ from those estimates.

We set forth below the accounting policies that we believe are the most significant to our financial information.

Revenue Recognition

We recognize revenue from contracts with customers when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

The following is a description of the accounting policy for our principal revenue streams:

Provision of General Dentistry Services

Revenue from provision of general dentistry services is recognized when the services have been rendered, given that such dental services are generally completed within a very short period of time.

Revenue from sale of goods is recognized when control of the goods has transferred, being when the goods are delivered to the customers.

Provision of Implantology and Orthodontics Services

Revenue from provision of implantology and orthodontics services are recognized over time, using an input method to measure progress towards complete satisfaction of the services. The input method recognizes revenue on the basis of the staff costs and cost of inventories, consumables and customized products expended relative to the total expected costs to complete the service.

Contract Liabilities

A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from our customer.

Property, Plant and Equipment Depreciation

We state property, plant and equipment, other than construction in progress, 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 year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized 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, we recognize such parts as individual assets with specific useful lives and depreciate 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 below table sets forth the principal annual rates of property, plant and equipment.

Categories	Principal annual rates
Buildings	3.17%
Medical equipment	19%
Furniture and fixtures	19%-31.67%
Motor vehicles	19%
Leasehold improvements	Shorter of the useful life and the lease term

Where certain parts of property, plant and equipment have different useful lives, we allocate the cost of such parts on a reasonable basis among the property, plant and equipment and each part of property, plant and equipment is depreciated separately. We review and make adjustments, when appropriate, on the residual values, useful lives and the depreciation method at least at the end of each reporting period during the Track Record Period. We derecognize an item of property, plant and equipment including any significant part initially recognized upon disposal or when no future economic benefits are expected to derive from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress, which is stated at cost less any impairment losses, and is not depreciated. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Right-of-use assets

We recognize right-of-use assets at the commencement date of the lease (i.e. the date when the underlying asset is available for use). We measure right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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:

Categories	Estimated useful lives
Clinic and office premises	2 to 16.5 years

If ownership of the leased asset transfers to our Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Business Combinations

Our business combinations are accounted for using the acquisition method. We measure the consideration transferred at the fair value as of the acquisition date, which equals to the sum of the fair values of assets transferred by us as of the acquisition date, liabilities assumed by us to the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree.

For each business combination, we elect whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

We determine that our Group has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. When we acquire a business, we assess the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree. For business combination achieved in stages, we remeasure the equity interest previously held at its fair value as of acquisition date and recognize any gain or loss in profit or loss resulted from the acquisition. We recognize any contingent consideration to be transferred by the acquirer at fair value as of the acquisition date. We measure contingent consideration classified as an asset or liability at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill

We measure goodwill initially at cost, being the excess of the sum of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our equity interest in the acquiree previously held over the identifiable net 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, we recognize the difference in profit or loss as a gain on bargain purchase after reassessment.

After initial recognition, we measure goodwill at cost less any accumulated impairment losses. We test goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value of the goodwill may be impaired. We perform our annual impairment test of goodwill as of December 31 of each year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of our cash-generating units, or each group of cash-generating units, that is expected to benefit from the synergies of the combination, irrespective of whether our other assets or liabilities are assigned to those units or groups of units. We determine the impairment by assessing the recoverable amount of the cash-generating unit, or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units, or groups of cash-generating units, is less than the carrying amount, an impairment loss is recognized. We do not reverse an impairment loss recognized for goodwill in a subsequent period.

Where goodwill has been allocated to a cash-generating unit, or a 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.

Impairment of Financial Assets

We recognize an allowance for expected credit losses (the "**ECLs**") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect 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. We write off a financial asset when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at the end of each of the financial year. We have established a provision matrix that is based on our historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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), we estimate the asset's recoverable amount, which is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and determine 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 we determine the recoverable amount 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.

We recognize an impairment loss 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 the profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

We make assessment at the end of each of the financial year as to whether there is an indication that impairment losses previously recognized may no longer exist or may have decreased. If such an indication exists, we estimate the recoverable amount. We reverse the impairment loss of an asset previously recognized other than goodwill 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the year in which it arises.

Inventories

We state inventories at the lower of cost and net realizable value. We determine cost comprising all cost of purchase and other costs incurred in bringing the inventories to their present location and condition on the specific identification basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and Cash Equivalents

For the purpose of the consolidated statement of financial position, cash and cash equivalents 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 flow, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits, less bank overdrafts which are repayable on demand and form an integral part of our cash management.

Investments and Other Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and FVTPL. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and our business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which we have applied the practical expedient of not adjusting the effect of a significant financing component, we initially measure a financial asset at its fair value plus in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which we have applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the revenue recognition policies as mentioned above.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (the "**SPPI**") on the principal amount outstanding. We classify and measure financial assets with cash flows that are not SPPI at FVTPL, irrespective of the business model.

Our business model for managing financial assets refers to how we manage the 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 amortized 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 FVTPL. Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, which is the date that we commit to purchase or sell the asset.

Subsequent Measurement

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

Financial Assets at Amortized Cost (Debt Instruments)

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

Financial Assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. This category includes derivative instruments and equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in 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 FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category. 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 FVTPL.

We set forth below the accounting estimates that we believe are the most significant to our financial information.

Impairment of Goodwill

Our 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. We make an estimate of the expected future cash flows from the cash-generating units and also choose a suitable discount rate in order to calculate the present value of those cash flows to estimate the value in use.

Fair Value of Redeemable Preference Shares

The redeemable preference shares issued by us are not traded in an active market and the respective fair values are determined by using the equity allocation method. Key inputs used in valuing the underlying equity value are set forth in detail in Note 26 to the Accountants' Report in Appendix I to this prospectus. The carrying amounts of redeemable preference shares were RMB110,450,000, RMB112,781,000, and nil as of December 31, 2022, 2023 and 2024, respectively.

Restricted Share Scheme

We have set up a Pre-IPO Restricted Share Scheme and granted restricted shares to our directors and employees. The fair value of the Restricted Shares are determined by the discounted cash flow and equity allocation method at the grant dates, respectively. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility and dividend yield are made by our management. See Note 30 to the Accountants' Report in Appendix I to this prospectus for further details.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Revenue	**409,444**	**441,841**	**407,083**
Cost of sales	(260,970)	(273,615)	(254,743)
Gross profit	**148,474**	**168,226**	**152,340**
Selling and distribution expenses	(41,709)	(44,687)	(40,473)
Administrative expenses	(33,992)	(32,549)	(34,875)
Research and development expenses	(6,618)	(6,823)	(6,669)
Other expenses	(2,175)	(1,885)	(1,307)
Finance costs	(6,679)	(5,507)	(5,329)
Fair value (losses)/gains on redeemable preference shares	(1,336)	(2,331)	1,716
Other income and gains	7,541	4,464	5,414
Profit before tax	**63,506**	**78,908**	**70,817**
Income tax expense	(7,056)	(11,870)	(8,317)
Profit for the year	**56,450**	**67,038**	**62,500**
Total comprehensive income for the year	**56,450**	**67,038**	**62,500**
Attributable to:			
Owners of the parent	43,342	50,069	41,916
Non-controlling interests	13,108	16,969	20,584
Earnings per share attributable to ordinary equity holders of the parent			
Basic and diluted (RMB)	**0.92**	**1.07**	**0.94**

Non-IFRS Measures

To supplement our consolidated statements of profit or loss and other comprehensive income presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure), as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of this non-IFRS measure facilitates comparison of the operating performance from year to year. We believe that this measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies.

We define adjusted net profit (non-IFRS measure), as net profit for the year adjusted by adding (i) fair value losses or gains on redeemable preference shares; (ii) share-based payment expenses; and (iii) listing expenses. Our redeemable preference shares represent shares issued by us in connection with Series A Investment and Series B Investment to Independent Third-Party investors. All special rights granted to such investors have been terminated in September 2024. We ceased to recognize any further loss on fair value changes of redeemable preference shares thereafter, because there were no more redeemable preference shares upon the termination of all special rights. See Note 26 and Note 30 to the Accountants' Report set out in Appendix I to this prospectus for details.

The following table reconciles our adjusted net profit (non-IFRS measure) for the years indicated:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Net profit for the year	**56,450**	**67,038**	**62,500**
Add:			
Fair value losses/(gains) on redeemable preference shares	1,336	2,331	(1,716)
Share-based payment expenses[1]	1,598	1,053	2,355
Listing expenses	–	–	5,207
Adjusted net profit (non-IFRS measure)	**59,384**	**70,422**	**68,346**

Note:

(1) Representing expenses arising from Restricted Shares granted to our employees and former employees under the Pre-IPO Restricted Share Scheme.

Revenue

During the Track Record Period, we generated revenue from providing (i) general dentistry services; (ii) implantology services; and (iii) orthodontics services to customers through our dental service network.

Revenue by Business Line

The following table sets forth our revenue by business line for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
General dentistry services	212,526	51.9	237,088	53.7	217,321	53.4
Implantology services	116,728	28.5	122,984	27.8	115,647	28.4
Orthodontics services	80,190	19.6	81,769	18.5	74,115	18.2
Total	**409,444**	**100.0**	**441,841**	**100.0**	**407,083**	**100.0**

Revenue from our dental services mainly depends on (i) the number of customer visits to our dental institutions; and (ii) customer's spending during his or her visits to our dental institutions.

The following table sets forth the number of customer visits and average spending per customer visit by type of our dental services for the years indicated:

	Year ended December 31,		
	2022	2023	2024
General dentistry services[1]			
– Number of customer visits	520,961	549,907	516,570
– Average spending per customer visit *(RMB)*	408	431	421
Implantology services[1]			
– Number of customer visits	59,763	78,759	86,810
• *Number of initial visits*[2]	5,466	8,146	8,843
• *Number of follow-up visits*	54,297	70,613	77,967
– Number of implant teeth	13,797	20,485	20,055
– Average spending per customer visit *(RMB)*	1,953	1,562	1,332
– Average spending per implant tooth *(RMB)*	8,460	6,004	5,767

	Year ended December 31,		
	2022	2023	2024
Orthodontics services[1]			
– Number of customer visits	127,927	140,143	145,252
• *Number of initial visits*[3]	5,864	5,576	5,502
• *Number of follow-up visits*	122,063	134,567	139,750
– Average spending per customer visit *(RMB)*	627	583	510

Notes:

(1) Due to the nature of dental services, an integral implantology or orthodontics treatment generally requires multiple visits due to the complexity of dental conditions and the necessary treatment duration, while general dentistry typically focuses on primary care and completes the treatment without multi-stage procedures.

(2) When calculating initial implantology visits, a customer's initial visit for an implantology treatment procedure is counted as an initial visit, regardless of whether the customer had previously received other dental services provided by us (i.e., general dentistry services or orthodontics services). To be specific, a customer visit for a new implantology treatment procedure (typically involving previously untreated teeth) qualifies an initial implantology visit. Customer visits that only involve an existing implantology treatment plan are regarded as follow-up implantology visits.

(3) When calculating initial orthodontics visits, a customer's initial visit for our orthodontics treatment is counted as an initial visit, regardless of whether the customer had previously received other dental services provided by us (i.e., general dentistry or implantology services).

Revenue from General Dentistry Services

General dentistry services contributed to the majority of our revenue during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024, revenue from general dentistry services represented 51.9%, 53.7% and 53.4%, respectively, of our total revenue for the same years. We expect our provision of general dentistry services to contribute an increasing portion of our total revenue in the near future, attributable to our increasing focus on oral health management for residents in local communities as it is our principal method for customer acquisition and market penetration.

Revenue from Implantology Services

For the years ended December 31, 2022, 2023 and 2024, revenue from implantology services represented 28.5%, 27.8% and 28.4%, respectively, of our total revenue for the same years.

Revenue from Orthodontics Services

For the years ended December 31, 2022, 2023 and 2024, revenue from orthodontics services represented 19.6%, 18.5% and 18.2%, respectively, of our total revenue for the same years.

See "— Year to Year Comparison of Results of Operations" for details of the fluctuation of our revenue generated by different business line during the Track Record Period.

Cost of Sales

Cost of Sales by Nature

Our cost of sales primarily consists of (i) staff costs, mainly including salaries, bonuses and benefit expenses for dentists and other medical professionals and operating staff working at our dental service network; (ii) costs of consumables and customized products, mainly representing costs to procure dental consumables and customize products used in our dental services, mainly including implant fixtures, porcelain crowns and dental braces; (iii) depreciation and amortization, mainly representing depreciation of right of use assets and medical equipment; (iv) office and property management expenses; and (v) share-based payments to medical professionals employed by us under the Pre-IPO Restricted Share Scheme. The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Staff costs	120,967	46.4	131,189	47.9	125,069	49.1
Costs of consumables and customized products	71,559	27.4	75,238	27.5	65,855	25.9
Depreciation and amortization	55,971	21.4	55,684	20.4	52,802	20.7
Office and property management expenses	9,857	3.8	8,903	3.3	8,151	3.2
Share-based payments	304	0.1	241	0.1	326	0.1
Others [(1)]	2,312	0.9	2,360	0.9	2,540	1.0
Total	**260,970**	**100.0**	**273,615**	**100.0**	**254,743**	**100.0**

Note:

(1) Mainly representing utility charges, and charges for disposing medical waste of our dental institutions.

Our cost structure remained relatively consistent throughout the Track Record Period. Staff costs constituted the largest component of our cost of sales during the Track Record Period. For the years ended December 31, 2022, 2023 and 2024, our staff costs charged in cost of sales amounted to RMB121.0 million, RMB131.2 million and RMB125.1 million, accounting for 46.4%, 47.9% and 49.1%, respectively, of our cost of sales for the same years. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations on our cost of sales during the Track Record Period.

Gross Profit and Gross Profit Margin

For the years ended December 31, 2022, 2023 and 2024, our gross profit amounted to RMB148.5 million, RMB168.2 million and RMB152.3 million, respectively. The increase of our gross profit in 2023 was generally in line with the growth of our revenue. The decrease of our gross profit in 2024 was mainly caused by the decrease of our revenue in the same year. See "— Year to Year Comparison of Results of Operations" for details.

For the years ended December 31, 2022, 2023 and 2024, our gross profit margin was 36.3%, 38.1% and 37.4%, respectively.

Apart from gross profit and gross profit margin, to provide more information in relation to our profitability by each business line, we present operational profit on below calculation and hypothetical assumption that (i) revenue of each business line less its corresponding costs of consumables and customized products; and (ii) depreciation and amortization, and office and property management expenses, which are allocated to each category of dental services on a pro rata basis, based on the respective revenue contribution of each category of dental services. Staff costs constituted the largest component of our cost of sales during the Track Record Period. Our medical professionals are dynamically managed based on customer needs rather than rigid specialty delineation. Meanwhile, the time spent by each dentist in different specialties varies significantly due to the nature of dental specialties. Therefore, it is not feasible to accurately allocate the staff costs to different dental services nor meaningful to simply conduct a hypothetical assumption to make allocation according to each business line's respective revenue contribution, because allocating staff costs, the largest component of our cost of sales, on a pro rata basis according to the respective revenue contribution of each category of dental services would substantially distort the presentation and comparison of profitability of different dental services. According to Frost & Sullivan, evaluating the profitability of different business lines through operational profit margin is generally in line with the industry norm.

The below table sets forth a breakdown of operational profit and operational profit margin by business line, along with a reconciliation of operational profit to gross profit, for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Operational profit	Operational profit margin	Operational profit	Operational profit margin	Operational profit	Operational profit margin
	(RMB'000)	*(%)*	*(RMB'000)*	*(%)*	*(RMB'000)*	*(%)*
General dentistry services	156,264	73.5	179,599	75.8	166,733	76.7
Implantology services	69,164	59.3	72,228	58.7	65,641	56.8
Orthodontics services	46,627	58.1	50,192	61.4	47,894	64.6
Total	**272,055**	**66.4**	**302,019**	**68.4**	**280,268**	**68.8**
Unallocated common costs	(123,581)	N/A	(133,793)	N/A	(127,928)	N/A
Gross profit	**148,474**	**36.3**	**168,226**	**38.1**	**152,340**	**37.4**

For the years ended December 31, 2022, 2023 and 2024, our operational profit amounted to RMB272.1 million, RMB302.0 million and RMB280.2 million, respectively, generally in line with the fluctuation of our gross profit during the same years. The operational profit margin of general dentistry services was relatively higher than that of implantology and orthodontics services, which was generally in line with the industry. In dental services market in China, due to the nature of dental specialties, the costs of dental consumables used in general dentistry services are generally lower than those of implantology and orthodontics services, which contributes to the relatively high gross profit margin of general dentistry services.

Our operational profit margin increased from 66.4% for the year ended December 31, 2022 to 68.4% for the year ended December 31, 2023, primarily attributable to our centralized cost control measures, such as utilizing online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency, negotiating with lessors to reduce the rental payments and negotiating favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them, along with the growth in revenue from our dental services. See "— Year to Year Comparison of Results of Operations" for details. Our operational profit margin remained relatively stable at 68.8% for the year ended December 31, 2024 compared to 68.4% for the year ended December 31, 2023.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) advertising and promotion expenses; and (ii) staff costs, mainly representing salaries, bonuses and benefit expenses for our branding and marketing staff. The following table sets forth the breakdown of our selling and distribution expenses by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Advertising and promotion expenses	34,445	82.6	37,150	83.1	32,399	80.1
Staff costs	7,069	16.9	7,190	16.1	7,781	19.2
Others[(1)]	195	0.5	347	0.8	293	0.7
Total	**41,709**	**100.0**	**44,687**	**100.0**	**40,473**	**100.0**

Note:

(1) Mainly representing traveling expenses, and depreciation and amortization expenses.

We carry out marketing and branding activities based on the market conditions and our expansion strategies. For the years ended December 31, 2022, 2023 and 2024, our selling and distribution expenses amounted to RMB41.7 million, RMB44.7 million and RMB40.5 million, respectively. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations on our selling and distribution expenses during the Track Record Period.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, mainly representing salaries, bonuses and benefit expenses for our management and administrative personnel; (ii) depreciation and amortization; (iii) consultation and professional service expenses mainly in connection with the business strategy consultation services provided by third-party professional consulting firms. We engaged such consulting firms for market positioning and business strategies; (iv) office expenses; (v) listing expenses; (vi) share-based payment expenses for Restricted Shares granted to our directors and employees under the Pre-IPO Restricted Share Scheme; and (vii) entertainment expenses. The following table sets forth the breakdown of our administrative expenses by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Staff costs	22,584	66.4	22,219	68.3	20,329	58.3
Depreciation and amortization	3,192	9.4	2,874	8.8	2,811	8.1
Consultation and professional service expenses	2,371	7.0	2,146	6.6	2,108	6.0
Office expenses	1,490	4.4	1,194	3.7	1,139	3.3
Listing expenses	–	–	–	–	5,207	14.9
Share-based payment expenses	1,221	3.6	812	2.5	676	1.9
Entertainment expenses	1,745	5.1	1,372	4.2	979	2.8
Others[1]	1,389	4.1	1,932	5.9	1,626	4.7
Total	**33,992**	**100.0**	**32,549**	**100.0**	**34,875**	**100.0**

Note:

(1) Mainly representing traveling expenses.

For the years ended December 31, 2022, 2023 and 2024, our administrative expenses amounted to RMB34.0 million, RMB32.5 million and RMB34.9 million, accounting for 8.3%, 7.4% and 8.6%, respectively, of our total revenue for the same years. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations on our administrative expenses during the Track Record Period.

Research and development expenses

During the provision of dental services, our dentists also take the lead in developing dental technologies and devices used in our dental service network. We develop and upgrade our information technology systems to digitalize our operations and corporate management. Our research and development expenses primarily consist of staff costs, representing salaries, bonuses and benefit expenses to our research and development staff. The following table sets forth the breakdown of our research and development expenses by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Staff costs	6,471	97.8	6,656	97.6	6,558	98.3
Others[1]	147	2.2	167	2.4	111	1.7
Total	**6,618**	**100.0**	**6,823**	**100.0**	**6,669**	**100.0**

Note:

(1) Mainly representing depreciation and amortization and expenses for consumables used for our research and development projects.

For the years ended December 31, 2022, 2023 and 2024, our research and development expenses amounted to RMB6.6 million, RMB6.8 million and RMB6.7 million, accounting for 1.6%, 1.5% and 1.6%, respectively, of our total revenue for the same years. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations on our research and development expenses during the Track Record Period.

Other Expenses

Our other expenses primarily comprise (i) bank charges; and (ii) losses on disposal of property, plant and equipment. For the years ended December 31, 2022, 2023 and 2024, our other expenses amounted to RMB2.2 million, RMB1.9 million and RMB1.3 million, respectively. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations on our other expenses during the Track Record Period.

Finance Costs

Our finance costs mainly consist of (i) interest on lease liabilities, representing interest recognized in association with our lease liabilities; and (ii) interest on bank loans. The following table sets forth a breakdown of finance costs for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Interest on lease liabilities	6,554	98.1	5,507	100.0	5,329	100.0
Interest on bank loans	125	1.9	–	–	–	–
Total	**6,679**	**100.0**	**5,507**	**100.0**	**5,329**	**100.0**

For the years ended December 31, 2022, 2023 and 2024, our finance costs amounted to RMB6.7 million, RMB5.5 million and RMB5.3 million, accounting for 1.6%, 1.2% and 1.3%, respectively, of our total revenue for the same years. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations on our finance costs during the Track Record Period.

Fair Value Losses or Gains on Redeemable Preference Shares

Our fair value losses or gains on redeemable preference shares arise primarily from the changes in the fair value of shares issued by us in connection with Series A Investment and Series B Investment. See "History, Development and Corporate Structure — Pre-IPO Investments — Special Rights." Such redeemable preference shares are not traded in an active market and the respective fair values are determined by using the equity allocation method. We used risk-free interest rate, discount for lack of marketability and volatility as key valuation assumptions to determine the fair value of the redeemable preference shares. We had fair value losses on redeemable preference shares of RMB1.3 million and RMB2.3 million for the year ended December 31, 2022 and 2023, respectively. For the year ended December 31, 2024, we had fair value gains on redeemable preference shares of RMB1.7 million. See "— Year to Year Comparison of Results of Operations" for details of the underlying reasons for the fluctuations. All special rights granted to such investors have been terminated in September 2024 and we ceased to recognize any further loss on fair value changes of redeemable preference shares thereafter. See Note 26 to the Accountants' Report set out in Appendix I to this prospectus for details.

Other Income and Gains

Our other income and gains primarily consists of (i) investment income from wealth management products we purchased; (ii) government grants mainly representing certain government grants by the relevant government authorities; (iii) gain arising from lease modification, representing gains arising from adjustment on the lease terms; (iv) bank interest income; (v) rental income, representing income generated from lease of certain properties owned by us or sublease of our right of use assets; (vi) gain on disposal of subsidiaries, representing gain generated from our disposal of certain dental institutions in 2022; (vii) fair value changes on contingent consideration and equity investment at FVTPL, including (a) fair value loss on an equity investment at FVTPL, representing fair value change on our investment in Hefei Dazhong Dental Co., Ltd. (合肥大眾口腔醫療有限公司); and (b) fair value adjustment on contingent consideration, representing fair value changes on our contingent consideration to acquire several dental institutions which may be adjusted based on their operational results and the operational targets set in the acquisition agreements. We evaluate the amount of such contingent consideration at the end of each financial year. As of December 31, 2024, such consideration had been duly settled; and (viii) impairment of trade receivables and other receivables. The following table sets forth the breakdown of our other income and gains by nature for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Investment income from wealth management products	2,425	32.2	2,693	60.3	1,527	28.2
Government grants	1,503	19.9	490	11.0	968	17.9
Gain arising from lease modification	714	9.5	386	8.6	1,120	20.7
Bank interest income	649	8.6	868	19.4	924	17.1
Rental income	504	6.7	270	6.0	384	7.1
Gain on disposal of subsidiaries	1,612	21.4	–	–	–	–
Fair value changes on contingent consideration and equity investment at FVTPL	47	0.6	(93)	(2.1)	–	–
Impairment of trade receivables and other receivables	(54)	(0.7)	(178)	(4.0)	(124)	(2.3)
Others [(1)]	141	1.9	28	0.6	615	11.4
Total	**7,541**	**100.0**	**4,464**	**100.0**	**5,414**	**100.0**

Note:

(1) Mainly representing other income arising from transactions not related to our ordinary operations.

See "— Year to Year Comparison of Results of Operations" for details.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which our subsidiaries are domiciled and/or operate. Pursuant to the EIT Law, we and our subsidiaries which operate in China are subject to the statutory enterprise income tax at a rate of 25% on the taxable income, unless subject to tax exemption or preferential tax treatment. We were accredited as a "New High-tech Enterprise (高新技術企業)" in 2020 and such recognition was subsequently renewed in 2023. "New High-tech Enterprise" recognitions are subject to review by the relevant PRC tax authorities for every three years. Therefore, we were entitled to a preferential EIT rate of 15% during the Track Record Period. In addition, pursuant to the applicable PRC laws and regulations, such as *Announcement on Implementing Preferential Income Tax Policies for Small and Micro Enterprises and Individual Businesses* (《關於實施小微企業和個體工商戶所得稅優惠政策的公告》), *Announcement on Further Implementing Preferential Income Tax Policies for Small and Micro Enterprises* (《關於進一步實施小微企業所得稅優惠政策的公告》) and *Announcement on Income Tax Incentives for Small and Micro Enterprises and Individual Businesses* (《關於小微企業和個體工商戶所得稅優惠政策的公告》), certain of our subsidiaries meet the statutory criteria for micro- and small-sized enterprises and automatically enjoy preferential enterprise income tax rates during the effective period of such announcements. In particular, these subsidiaries are entitled to preferential enterprise income tax rates of 2.5% to 10% for the year ended December 31, 2022. For the years ended December 31, 2023 and 2024, the preferential tax rate was 5%. For details, see "Risk Factors — Risks Relating to Our Business and Industry — Preferential tax treatment and government grant we have enjoyed may change or discontinue, which may adversely affect our financial condition and results of operations" and Note 10 to Accountants' Report set out in Appendix I to this prospectus.

Our income tax expense consists of current income tax and deferred income tax. The following table sets forth a breakdown of our income tax expense for the years indicated:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Current income tax			
Charge for the year	6,612	11,769	9,710
Overprovision in prior years	(57)	(25)	–
Deferred income tax	501	126	(1,393)
Total	**7,056**	**11,870**	**8,317**

The overprovision of our current income tax during the Track Record Period were caused by income tax differences identified during the reconciliation and settlement for taxes of prior years.

For the years ended December 31, 2022, 2023 and 2024, our effective income tax rate, representing income tax expense divided by profit before income tax, expressed as a percentage, was 11.1%, 15.0% and 11.7%, respectively. Our effective income tax rate was lower than our statutory enterprise income tax rate in 2022, 2023 and 2024, primarily due to the preferential tax treatment we enjoyed.

As of the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no material disputes or unresolved tax issues with relevant tax authorities.

YEAR TO YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

Revenue

Our revenue decreased by 7.9% from RMB441.8 million for the year ended December 31, 2023 to RMB407.1 million for the year ended December 31, 2024.

General Dentistry Services

Revenue from general dentistry services decreased by 8.3% from RMB237.1 million for the year ended December 31, 2023 to RMB217.3 million for the year ended December 31, 2024, primarily due to (i) an approximately 6.1% decrease in customer visits to general dentistry services as a result of (a) decreased customer flow due to the relocation of eight dental institutions and the renovation of three dental institutions in Wuhan though our efforts to reduce the negative influence of such relocation and renovation to the extent possible; (b) our relatively conservative marketing strategy outside Wuhan in reaction to slower-than-expected post-pandemic economic recovery; and (c) normalization of service demands in 2024 after experiencing a temporary demand surge during post-pandemic recovery period in 2023; and (ii) an approximately 2.4% reduction in average spending per customer visit for such services mainly as a result of our voluntary price adjustments for prosthodontics services, allowing us to pass on the benefits of more favorable pricing for high-quality dental consumables as secured through our strengthened bargaining power with suppliers. As a result, more customers were able to access prosthodontics services at reduced prices.

Implantology Services

Our revenue from implantology services decreased by 6.0% from RMB123.0 million for the year ended December 31, 2023 to RMB115.6 million for the year ended December 31, 2024, primarily due to (i) an approximately 3.9% decrease in average spending per implant tooth following our pricing adjustment, which reduced the fees for implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023 in response to the implementation of centralized procurement policies and fierce market competition under the downward pricing pressure brought by such policies, being fully reflected in 2024 as compared to 2023, and (ii) an approximately 2.1% decrease in implant teeth in 2024, mainly resulting from our relatively conservative marketing strategy outside Wuhan in reaction to slower-than-expected post-pandemic economic recovery.

Orthodontics Services

Revenue from orthodontics services decreased by 9.4% from RMB81.8 million for the year ended December 31, 2023 to RMB74.1 million for the year ended December 31, 2024, primarily due to an approximately 12.5% decline in the average spending per customer visit for orthodontics services from 2023 to 2024, mainly as a result of (i) our price reduction of approximately 15% to 20% to certain orthodontics services using clear aligners in response to customers' consumption downgrade during the slower-than-expected post-pandemic economic recovery. Such pricing adjustment was underpinned by our effective cost control and negotiation of favorable terms with key suppliers for high-quality dental consumables; and (ii) reduced customer visits by new customers mainly resulting from customers' consumption downgrade, which led customers to defer non-essential expenditures such as consumption-oriented orthodontics services as they are typically considered non-urgent and demand-driven, unlike essential, disease-driven dental treatments, and our relatively conservative marketing strategy outside Wuhan in reaction to slower-than-expected post-pandemic economic recovery.

Cost of Sales

Our cost of sales decreased by 6.9% from RMB273.6 million for the year ended December 31, 2023 to RMB 254.7 million for the year ended December 31, 2024, primarily attributable to (i) a decrease of RMB9.4 million in consumables and customized products mainly due to decreased customer visits and our dedicated efforts in centralizing procurement process to conduct prudent procurement based on the actual business needs across dental institutions; (ii) a decrease of RMB6.1 million in staff costs mainly due to decreased bonuses to dentists and other medical professionals as a result of suboptimal operational and financial performance in 2024; and (iii) a decrease of RMB2.9 million in depreciation and amortization resulting from rent concession as agreed with the lessors and depreciation of some fixed assets decreased over time.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 9.4% from RMB168.2 million for the year ended December 31, 2023 to RMB152.3 million for the year ended December 31, 2024. Our gross profit margin decreased from 38.1% for the year ended December 31, 2023 to 37.4% for the year ended December 31, 2024, primarily as our revenue decreased in 2024 while our cost of sales reduced at a slower pace than that of revenue, as we have certain fixed costs, including base salaries for dentists, other medical professionals and operating staff working at our dental service network, depreciation and amortization, office and property management expenses for business operations, although we recorded a decrease of RMB9.4 million in costs of consumables and customized products and a decrease of RMB6.1 million in staff costs.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 9.4% from RMB44.7 million for the year ended December 31, 2023 to RMB40.5 million for the year ended December 31, 2024, primarily attributable to the decrease in advertising and promotion expenses as a result of our strategic reduction in marketing activities during the second half of 2024.

Administrative Expenses

Our administrative expenses increased by 7.1% from RMB32.5 million for the year ended December 31, 2023 to RMB34.9 million for the year ended December 31, 2024, primarily due to an increase of RMB5.2 million in listing expenses incurred in relation to the Listing, which was partially offset by a decrease of RMB1.9 million in staff costs, mainly due to decreased bonuses to our management and administrative personnel as a result of suboptimal operational and financial performance in 2024.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB6.7 million for the year ended December 31, 2024, compared to RMB6.8 million for the year ended December 31, 2023.

Other Expenses

Our other expenses decreased by 30.7% from RMB1.9 million for the year ended December 31, 2023 to RMB1.3 million for the year ended December 31, 2024, primarily due to the decrease in losses on disposal of property, plant and equipment and bank charges.

Finance Costs

Our finance costs remained relatively stable at RMB5.3 million for the year ended December 31, 2024, compared to RMB5.5 million for the year ended December 31, 2023.

Fair Value Losses or Gains on Redeemable Preference Shares

We recorded fair value losses on redeemable preference shares of RMB2.3 million for the year ended December 31, 2023, while we recorded fair value gains on redeemable preference shares of RMB1.7 million for the year ended December 31, 2024, primarily due to the decrease in the valuation of fair values of redeemable preference shares, which was assessed based on the actual consideration paid to the pre-IPO investors whose special rights had been terminated in September 2024.

Other Income and Gains

Our other income and gains increased by 21.3% from RMB4.5 million for the year ended December 31, 2023 to RMB5.4 million for the year ended December 31, 2024, primarily attributable to (i) the increase in gain arising from lease modification of RMB0.7 million in 2024, as a result of the shortened lease terms and decreased GFA of properties we leased; and (ii) the increase in government grants of RMB0.5 million for the year ended December 31, 2024, mainly in relation to certain local government grants received to encourage enterprises to retain employees and support vulnerable populations.

Income Tax Expense

Our income tax expense decreased by 29.9% from RMB11.9 million for the year ended December 31, 2023 to RMB8.3 million for the year ended December 31, 2024, primarily in line with the decrease in our effective income tax rate from 2023 to 2024.

Profit for the Year

As a result of the foregoing, our profit for the year decreased from RMB67.0 million for the year ended December 31, 2023 to RMB62.5 million for the year ended December 31, 2024. Our net profit margin, which represents profit for the year as a percentage of revenue, increased slightly from 15.2% for the year ended December 31, 2023 to 15.4% for the year ended December 31, 2024, as our profit for the year reduced at a slower pace than that of our revenue from 2023 to 2024, attributable to our cost control under the centralized management. In particular, we utilized online operating systems to visualize operational performance and refine resource allocation to maximize cost efficiency and negotiated favorable pricing with suppliers for high quality dental consumables as secured through our strengthened bargaining power with them. Such increase was also attributable to our reduced staff costs, including less bonuses to dentists and other medical professionals in 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our revenue increased by 7.9% from RMB409.4 million for the year ended December 31, 2022 to RMB441.8 million for the year ended December 31, 2023, primarily attributable to the increase in revenue from our general dentistry services and implantology services.

General Dentistry Services

Revenue from our general dentistry services increased by 11.6% from RMB212.5 million for the year ended December 31, 2022 to RMB237.1 million for the year ended December 31, 2023, which was primarily attributable to (i) an increase in porcelain crown cases in 2023, the price of which was relatively higher than general dentistry services using other consumables; and (ii) higher customer visits for oral surgery, oral medicine and prosthodontics services, mainly as a result of the organic growth of our existing dental institutions following the resumption of offline activities post the COVID-19 pandemic.

Implantology Services

Revenue from our provision of implantology services increased from RMB116.7 million for the year ended December 31, 2022 to RMB123.0 million for the year ended December 31, 2023, which was primarily fueled by a significant rise in customer visits of our implantology services driven by stimulated demands for implantology services following the pricing reduction after the implementation of centralized procurement policies. However, such increase in revenue brought by rising customer visits was partially offset by our pricing adjustment on implantology services in mid-2023, implemented in response to the same policies and fierce market competition under the downward pricing pressure brought by such policies.

Orthodontics Services

Our revenue from orthodontics services increased by 2.0% from RMB80.2 million for the year ended December 31, 2022 to RMB81.8 million for the year ended December 31, 2023, primarily attributable to increase in the number of customer visits of our orthodontics services as a result of the resumed offline activities after the COVID-19 pandemic. Such increase was partially offset by the decrease in average spending per customer visit of orthodontics services for the year ended December 31, 2023, mainly as a result of customers' increased follow-up visits which normally had a lower average spending per customer visit as compared to the customers' first visits, to our dental institutions to complete their orthodontics treatment.

Cost of Sales

Our cost of sales increased by 4.8% from RMB261.0 million for the year ended December 31, 2022 to RMB273.6 million for the year ended December 31, 2023, primarily due to (i) an increase of RMB10.2 million in staff costs, in line with the expansion of our dental service network in 2023; and (ii) an increase of RMB3.7 million in consumables and customized products as a result of increase of our customer visits.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 13.3% from RMB148.5 million for the year ended December 31, 2022 to RMB168.2 million for the year ended December 31, 2023. Our gross profit margin increased from 36.3% for the year ended December 31, 2022 to 38.1% for the year ended December 31, 2023, primarily due to the increase of our revenue outpaced the increase of our cost of sales in 2023 as we benefit from the improvement of our operational efficiency.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 7.1% from RMB41.7 million for the year ended December 31, 2022 to RMB44.7 million for the year ended December 31, 2023, primarily due to an increase of RMB2.7 million in advertising and promotion expenses as a result of our proactive branding and marketing efforts to enhance our competitiveness in the industry.

Administrative Expenses

Our administrative expenses remained relatively stable at RMB32.5 million for the year ended December 31, 2023 compared to RMB34.0 million for the year ended December 31, 2022.

Research and Development Expenses

Our research and development expenses increased by 3.1% from RMB6.6 million for the year ended December 31, 2022 to RMB6.8 million for the year ended December 31, 2023, primarily due to an increase of RMB0.2 million in staff costs as a result of the increase of our research and development projects.

Other Expenses

Our other expenses decreased from RMB2.2 million for the year ended December 31, 2022 to RMB1.9 million for the year ended December 31, 2023, primarily attributable to the decrease in losses on disposal of property, plant and equipment.

Finance Costs

Our finance costs decreased by 17.5% from RMB6.7 million for the year ended December 31, 2022 to RMB5.5 million for the year ended December 31, 2023, primarily due to a decrease of RMB1.0 million in interest on lease liabilities as a result of our negotiation with the lessors to reduce the rental payments.

Fair Value Losses on Redeemable Preference Shares

Our fair value losses on redeemable preference shares increased from RMB1.3 million for the year ended December 31, 2022 to RMB2.3 million for the year ended December 31, 2023, which was primarily caused by changes in fair value of our redeemable preference shares as a result of an increase in our Company's equity value.

Other Income and Gains

Our other income and gains decreased by 40.8% from RMB7.5 million for the year ended December 31, 2022 to RMB4.5 million for the year ended December 31, 2023, primarily as (i) we did not record gain on disposal of subsidiaries for the year ended December 31, 2023; and (ii) government grants decreased by RMB1.0 million for the year ended December 31, 2023, primarily as certain government grants in relation to COVID-19 pandemic discontinued in 2023.

Income Tax Expense

Our income tax expense significantly increased from RMB7.1 million for the year ended December 31, 2022 to RMB11.9 million for the year ended December 31, 2023, primarily in line with the increase in our effective income tax rate from 2022 to 2023.

Profit for the Year

As a result of the foregoing, our net profit increased from RMB56.5 million for the year ended December 31, 2022 to RMB67.0 million for the year ended December 31, 2023. Our net profit margin increased from 13.8% for the year ended December 31, 2022 to 15.2% for the year ended December 31, 2023.

DISCUSSION OF CERTAIN KEY ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our financial position as of the dates indicated:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
Non-current assets:			
Right-of-use assets	110,024	99,216	108,438
Property, plant and equipment	76,580	74,256	76,512
Goodwill	63,090	63,090	63,090
Prepayment, other receivables and other assets	4,878	3,909	4,674
Other intangible assets	2,328	2,020	1,749
Deferred tax assets	786	594	1,885
Total non-current assets	**257,686**	**243,085**	**256,348**
Current assets:			
Cash and cash equivalents	177,970	227,083	95,046
Prepayments, other receivables and other assets	12,867	8,586	17,107
Trade receivables	3,751	6,548	5,836
Inventories	6,127	5,709	3,655
Contingent consideration	976	–	–
Financial assets at fair value through profit or loss	117	–	–
Total current assets	**201,808**	**247,926**	**121,644**
Current liabilities:			
Redeemable preference shares	–	112,781	–
Contract liabilities	49,510	52,897	33,612
Lease liabilities	34,434	32,488	31,211
Other payables and accruals	24,489	29,086	50,756
Trade payables	18,014	17,298	14,678
Tax payables	1,198	3,658	4,839
Total current liabilities	**127,645**	**248,208**	**135,096**
Net current assets/(liabilities)	**74,163**	**(282)**	**(13,452)**
Total assets less current liabilities	**331,849**	**242,803**	**242,896**
Non-current liabilities:			
Lease liabilities	77,401	69,197	81,902
Contract liabilities	1,728	2,099	1,732
Deferred tax liabilities	421	355	253
Redeemable preference shares	110,450	–	–
Total non-current liabilities	**190,000**	**71,651**	**83,887**
Total liabilities	**317,645**	**319,859**	**218,983**
Net assets	**141,849**	**171,152**	**159,009**

Trade Receivables

Trade receivables mainly represent (i) amounts due from the public medical insurance programs for certain dental services provided by our dental institutions that are Medical Insurance Designated Medical Institutions; and (ii) trade receivables from third party e-commerce platforms which are normally settled within two weeks. Our trade receivables are non-interest-bearing.

Customers are able to choose to pay to our dental institutions in cash, online payments via third-party platforms, such as WeChat Pay or Alipay, debit cards or credit cards. Besides, customers can choose to rely on public medical insurance programs to pay for dental services provided by Medical Insurance Designated Medical Institutions eligible for public medical insurance programs. Our customers generally prepay fees for our dental services, except for some transactions paid through public medical insurance programs, which are trade credit. Depending on the relevant practice with respect to public medical insurance programs, local medical insurance bureaus are generally responsible for the reimbursement of medical fees covered by the public medical insurance programs in the following one to two months since the relevant dental services are rendered. See "Business — Our Customers — Payment Methods — Public Medical Insurance" for details of reimbursement mechanism and revenue recognition of medical fees under the public medical insurance programs.

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
Trade receivables	3,948	6,896	6,143
Less: provision for impairment of trade receivables	(197)	(348)	(307)
Net carrying amount	**3,751**	**6,548**	**5,836**

Our trade receivables increased from RMB3.8 million as of December 31, 2022 to RMB6.5 million as of December 31, 2023, primarily due to the increase in our settlement through public medical insurance programs in 2023. Our trade receivables decreased by 10.9% from RMB6.5 million as of December 31, 2023 to RMB5.8 million as of December 31, 2024, which corresponds with reduced revenue in 2024.

We perform an impairment analysis at the end of each reporting period using a provision matrix to measure ECLs for trade receivables. The provision rates are based on the aging of trade receivables. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each reporting period about past events, current conditions and forecasts of future economic conditions. We recorded provision for impairment of trade receivables of RMB0.2 million, RMB0.3 million and RMB0.3 million as of December 31, 2022, 2023 and 2024, respectively. The increase of our impairment of trade receivables in 2023 was mainly caused by the increase in our trade receivables balances.

The following table sets forth aging analysis of trade receivables, based on transaction date and net of loss allowance, as of the dates indicated:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
Within three months	3,615	6,124	5,399
Three months to six months	133	311	246
Six months to one year	3	49	191
One year to two years	–	64	–
Total	**3,751**	**6,548**	**5,836**

Our trade receivables aging within three months increased from RMB3.6 million as of December 31, 2022 to RMB6.1 million as of December 31, 2023, primarily due to the increase of dental services covered by local medical insurance bureaus, following the expansion of dental service coverage under the public medical insurance programs in 2023.

We calculate the trade receivables turnover days using the average of the opening and ending trade receivables balances for the year, divided by revenue for the relevant year, multiplied by 365 days. The following table sets forth the number of our trade receivables turnover days for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Trade receivables turnover days	4	4	6

As our customers generally prepay fees for our dental services except for transactions paid through public medical insurance programs or third-party e-commerce platforms, our trade receivables turnover days were relatively short during the Track Record Period. Our trade receivables turnover days remained relatively stable throughout the Track Record Period.

As of April 30, 2025, RMB5.8 million, or approximately 94.3% of our trade receivables as of December 31, 2024 were subsequently settled.

Prepayments, Other Receivables and Other Assets

The current portion of our prepayments, other receivables and other assets primarily comprise (i) deferred listing expenses, which are expected to be deducted from equity upon the Global Offering (ii) other receivables, mainly representing (a) amounts due from certain minority shareholders of our dental institutions and Hefei Dazhong Dental Co., Ltd. to meet their capital demands during daily operations, which were interest free and had been fully settled in 2024, and (b) petty cash advance to our employees for business purpose, as well as consideration receivable from our disposal of equity interests and subsidiaries; (iii) our prepayments to suppliers of marketing services, consulting services and dental materials, as well as property management service suppliers for the property management fees of our short-term leases; (iv) rental deposits, representing deposits we paid to lessors for our leases with a term of within one year; and (v) receivables for contingent consideration arrangements, representing receivables from transferors of dental institutions as certain acquired dental institutions failed to meet the operational targets subsequent to the acquisitions; and (vi) receivable from disposal of a subsidiary. The non-current portion of our prepayments, other receivables and other assets primarily comprise (i) rental deposits, representing deposits we paid for our leases with a term of over one year; and (ii) prepayment of property, plant and equipment, representing our prepayments to dental equipment suppliers. We maintain strict control over our outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our deposits and other receivable balances.

The following table sets forth our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Current			
Deferred listing expenses	–	–	9,043
Other receivables	7,859	2,930	2,568
Prepayments	3,521	3,578	4,473
Rental deposits	936	1,137	1,066
Receivables for contingent consideration arrangements	–	1,000	–
Receivable from disposal of a subsidiary	600	–	–
Sub-total	**12,916**	**8,645**	**17,150**
Non-current			
Rental deposits	4,599	3,897	3,995
Prepayment of property, plant and equipment	279	12	679
Sub-total	**4,878**	**3,909**	**4,674**
Impairment allowance	**(49)**	**(59)**	**(43)**
Total	**17,745**	**12,495**	**21,781**

Our prepayments, other receivables and other assets decreased from RMB17.7 million as of December 31, 2022 to RMB12.5 million as of December 31, 2023, primarily due to a decrease of RMB5.5 million in other receivables as we received the consideration from the transferee for our disposal of equity interests in certain dental institutions.

Our prepayments, other receivables and other assets increased from RMB12.5 million as of December 31, 2023 to RMB21.8 million as of December 31, 2024, primarily due to an increase of RMB9.0 million in deferred listing expenses in relation to the Listing, partially offset by the decrease of RMB1.0 million in receivables for contingent consideration arrangements.

As of April 30, 2025, RMB5.9 million, or approximately 34.8% of our prepayments, other receivables and other assets as of December 31, 2024 were subsequently settled.

Inventories

Our inventories primarily comprise medical consumables for our dental services. The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
Medical consumables	6,127	5,709	3,655
Total	**6,127**	**5,709**	**3,655**

Our inventories decreased from RMB6.1 million as of December 31, 2022 to RMB5.7 million as of December 31, 2023. Our inventories further decreased from RMB5.7 million as of December 31, 2023 to RMB3.7 million as of December 31, 2024. Such continuous decrease was mainly because (a) we adhere to a first-in-first-out inventory management strategy while maintaining close communication with suppliers to dynamically adjust procurement amount based on our actual business needs; and (b) we conduct centralized inventory allocation across our dental institutions under the direct chain model, significantly enhancing the overall inventory consumption efficiency. Besides, the decrease of inventories from December 31, 2023 to December 31, 2024 was also caused by reduced purchases resulting from the declined customers in 2024.

We have implemented a strict inventory management system at our headquarters level to monitor the procurement, storage and distribution of inventories. We typically conduct monthly reviews on inventories to check the medical consumables on hand against the records in our information technology systems. We track, determine and record reasons for any identified discrepancy to keep accurate inventory records. Our headquarters timely review our inventory balance and turnover status, and remind the relevant dental institutions of any identified issues. See "Business — Inventory Management" for details of our inventory management policies.

We periodically assess the impairment on our inventories. In particular, we review our inventories at the end of each accounting period and timely utilize the relevant inventories before the expiration date. As of December 31, 2022, 2023 and 2024, we did not recognize any impairment loss on our inventories.

We calculate the inventory turnover days using the average of the opening and ending inventory balances for the year, divided by cost of sales for the relevant year, multiplied by 365 days. The following table sets forth the number of our inventory turnover days for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Inventory turnover days	10	8	7

Our inventory turnover days decreased from 10 days in 2022 to 8 days in 2023 and further to 7 days in 2024. Such decrease throughout the Track Record Period was primarily attributable to (i) the decrease in our inventory balance as we adhere to a first-in-first-out inventory management strategy while maintaining close communication with suppliers to dynamically adjust procurement amount based on our actual business needs; and (ii) our improved inventory management through centralized inventory allocation across our dental institutions under the direct chain model, significantly enhancing the overall inventory consumption efficiency.

As of April 30, 2025, RMB1.9 million, or approximately 52.8% of our inventories as of December 31, 2024 had been utilized or sold.

Contingent Consideration

Our contingent consideration represents receivables from certain Independent Third Party transferors under our dental institution acquisition agreements signed in 2019. Pursuant to such acquisition agreements, we are entitled to the compensation by transferors based on the valuation adjustment mechanism when the acquired dental institutions failed to meet the operational targets in three years subsequent to the acquisitions. Our management reassessed the fair value of the contingent consideration as of December 31, 2022, concluded that the fair value change was recognized in profit or loss. By the end of May 2023, all these compensation arrangements with the transferors had been terminated. For details, please see Note 19 to the Accountants' Report included in Appendix I to this prospectus. Our receivables for contingent consideration arrangement was RMB1.0 million, nil and nil, as of December 31, 2022, 2023 and 2024, respectively. The fair value of such contingent consideration amounted to RMB2.2 million as of the acquisition date and has been included in contingent consideration on the consolidated statements of financial position. Our management has reassessed the fair value of the contingent consideration as of December 31, 2022, concluded that the fair value change was recognized in profit or loss.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss included (i) wealth management products at fair value we purchased; and (ii) the unlisted equity investments at fair value, in relation to our equity investments in Hefei Dazhong Dental Co., Ltd. from May 2022 to April 2023, during which we held 10% equity interest in such company. Such unlisted equity investments were classified as financial assets at fair value through profit or loss as our Group have not elected to recognize the fair value gain or loss through other comprehensive income.

Our Internal Measures on Investment on Wealth Management Products

As part of our treasury management, during the Track Record Period, we purchased and held several wealth management products issued by several commercial banks and other authorized financial institutions in China, with expected return rates ranging from 1.65% to 4.40% per annum. Such wealth management products are generally redeemable on demand and non-principal-guaranteed. We managed and evaluated the performance of our investments on wealth management products in accordance with our internal risk management and investment strategies.

We have established criteria and internal policies in assessing, purchasing and managing the wealth management products. Under our investment policies, we are prohibited from investing in high-risk products and the proposed investment must not interfere with our business operations or capital expenditure. As of the Latest Practicable Date, our investment decisions did not deviate from our investment policies. We believe that our internal policies and the related risk management mechanism are adequate. We may invest in wealth management products and time deposits in consistent with our investment policy, after consultation with and approval by our Board where we believe it is prudent to do so after the Listing.

We recorded financial assets at fair value through profit or loss of RMB0.1 million as of December 31, 2022 in relation to unlisted equity investments at fair value, representing our investments in the minority equity interests in Hefei Dazhong Dental Co., Ltd..

Cash and Cash Equivalents

Our cash and cash equivalents consist of cash and bank balances we maintained. All of our cash and cash equivalents during the Track Record Period were denominated in Renminbi. During the Track Record Period, we did not have any restricted cash deposits.

Our cash and cash equivalents increased from RMB178.0 million as of December 31, 2022 to RMB227.1 million as of December 31, 2023, mainly due to the operating cash inflow. Our cash and cash equivalents decreased from RMB227.1 million as of December 31, 2023 to RMB95.0 million as of December 31, 2024, mainly due to our payments made for share repurchase and profit distribution to shareholders in the second half of 2024.

Right-of-use Assets

Our right-of-use assets consist of dental institution and office premises. We recognize right-of-use assets at the commencement date of the lease, which is the date when the underlying asset is available for use. We measure right-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, 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. For details of the accounting policy of right-of-use assets, see Note 2.3 to the Accountants' Report included in Appendix I to this prospectus.

Our right-of-use assets decreased by 9.8% from RMB110.0 million as of December 31, 2022 to RMB99.2 million as of December 31, 2023, primarily due to the depreciation charge of RMB37.5 million. Our right-of-use assets increased from RMB99.2 million as of December 31, 2023 to RMB108.4 million as of December 31, 2024, primarily due to the additions of RMB55.6 million mainly as we had renewal of existing lease agreements and entered into new lease agreements in 2024.

Property, Plant and Equipment

Our property, plant and equipment consist of (i) leasehold improvements; (ii) buildings; (iii) medical equipment; (iv) furniture and fixtures; (v) construction in progress, mainly in relation to our construction and renovation of dental institutions; and (vi) motor vehicles. The following table sets forth a breakdown of the net carrying amount of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
Leasehold improvements	25,266	21,062	23,257
Buildings	19,299	21,720	20,769
Medical equipment	24,243	22,797	19,979
Furniture and fixtures	6,838	5,827	5,433
Construction in progress	358	2,430	6,589
Motor vehicles	576	420	485
Total	**76,580**	**74,256**	**76,512**

Our property, plant and equipment remained relatively stable as of December 31, 2022, 2023 and 2024, amounting to RMB76.6 million, RMB74.3 million and RMB76.5 million, respectively.

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of our previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. For details of the accounting policy of goodwill, see Note 2.3 to the Accountants' Report included in Appendix I to this prospectus.

The carrying value of our goodwill remained stable at RMB63.1 million as of December 31, 2022, 2023 and 2024, respectively.

Impairment Testing of Goodwill

During the Track Record Period, we did not record any impairment loss on our goodwill. For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units (the "**CGUs**"). Such group of CGUs represents the lowest level within our Group for which the goodwill is monitored for internal management purpose.

Our management considered that we only have one group of CGUs which represents the entire business of our Group according to our business operations during the Track Record Period. The recoverable amount of the industrial products cash-generating unit has been determined based on a value in use (the "**VIU**") calculation using cash flow projections based on financial budgets covering a five-year period approved by our senior management. Cash flows beyond the projected period are extrapolated using the estimated terminal growth rates. Our management leveraged their experience in the industry and provided forecast based on past performance and their expectation of future business plans and external sources of information. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation. The following table sets forth key assumptions used in the calculation:

	As of December 31,		
	2022	**2023**	**2024**
Revenue compound growth rate	3.7%	2.8%	3.5%
Budgeted gross margin	36.3% to 38.1%	36.3% to 36.9%	35.2% to 35.9%
Terminal growth rate	2.3%	2.3%	1.9%
Pre-tax discount rate	15.3%	15.4%	12.9%
VIU of the group of CGUs (*RMB'000*)	664,000	675,000	690,000
Carrying amount of the group of CGUs (*RMB'000*)	252,022	238,582	249,788
Headroom of the group of CGUs (*RMB'000*)	411,978	436,418	440,212

Assumptions were used in the value in use calculation of the CGU as of the end of each year during the Track Record Period. The following describes each key assumption on which our management has based its cash flow projections to undertake impairment testing of goodwill:

- *Revenue*. The basis used to determine the budgeted revenue is based on our management's expectations of future expansion. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development and customer preferences.

- *Terminal growth rate*. The forecasted terminal growth rate is based on our management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGU.

- *Budgeted gross margins*. The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

- *Discount rates*. The discount rates used are before tax and reflect specific risks relating to the relevant units.

Based on the impairment assessment conducted by our Group utilizing the above key assumptions, the recoverable amount of the CGU estimated from the cash flow forecast exceeded the carrying amount of the group of CGUs and therefore no impairment was considered necessary as of the end of each year during the Track Record Period.

Our Group performs a sensitivity analysis based on the reasonably possible changes in key assumptions. If the estimated key assumptions changed as below, the headroom would be decreased to:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Budgeted gross margin decreases of 5% .	227,978	253,417	243,212
Terminal growth rate decreases of 1% . . .	381,978	406,417	414,212
Pre-tax discount rate increases of 1% . . .	369,978	394,417	400,212

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

Considering there was still sufficient headroom based on the assessment, our management believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount and would not result in an impairment provision of goodwill.

Other Intangible Assets

Our other intangible assets comprise software. The following table sets forth our intangible assets as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Software	2,328	2,020	1,749
Total	**2,328**	**2,020**	**1,749**

Our other intangible assets decreased from RMB2.3 million as of December 31, 2022 to RMB2.0 million as of December 31, 2023 and further to RMB1.7 million as of December 31, 2024, primarily due to the amortization of software.

Trade Payables

Our trade payables primarily represent outstanding amounts due to our suppliers of medical consumables, medical devices, pharmaceuticals and marketing services. Our trade payables are non-interest-bearing and are normally settled in approximately 30 to 90 days.

Our trade payables remained relatively stable as of December 31, 2022 and 2023, amounting to RMB18.0 million and RMB17.3 million as of the same dates, respectively. Our trade payables decreased from RMB17.3 million as of December 31, 2023 to RMB14.7 million as of December 31, 2024, primarily due to discounts offered by suppliers due to our enhanced bargaining power and reduced purchases as a result of the reduced customers in 2024.

The following table sets forth an aging analysis of our trade payables, based on transaction dates, as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	(RMB'000)		
Within three months	12,001	13,545	11,687
Three months to six months	4,744	2,265	2,091
Six months to one year	769	885	591
Over one year	500	603	309
Total	**18,014**	**17,298**	**14,678**

We calculate the trade payables turnover days using the average of the opening and ending trade payables balances for the year, divided by cost of sales for the relevant year, multiplied by 365 days. The following table sets forth the number of our trade payables turnover days for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Trade payables turnover days	27	24	23

Our trade payables turnover days decreased from 27 days for the year ended December 31, 2022 to 24 days for the year ended December 31, 2023. Such decrease was primarily due to our streamlined payment procedure following our improved supplier management. Our trade payables turnover days remained relatively stable at 24 days for the year ended December 31, 2023 and 23 days for the year ended December 31, 2024.

As of April 30, 2025, RMB11.5 million, or approximately 78.3% of our trade payables as of December 31, 2024 were subsequently settled.

Our Directors confirm that we had no material defaults in our trade payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables and Accruals

Other payables and accruals primarily comprise (i) dividends payable, representing non-trade dividends payable by us under our 2023 annual profit distribution plan, which had been fully settled as of the Latest Practicable Date. See Note 11 to the Accountants' Report included in Appendix I to this prospectus for details; (ii) payroll payable, mainly representing the salaries, bonuses and other benefit expenses payable by us; (iii) payable for advertising and promotion, mainly in relation to amounts payable by us to our advertising and promotion services providers; (iv) payable for purchasing of property, plant and equipment, mainly representing the amount payable by us to the suppliers of dental equipment and renovation materials; (v) payable for listing expenses, representing the amount of expenses payable by us for the Listing; (vi) other tax payables, mainly representing withholding individual income tax, value-added tax and other taxes payable by us; (vii) dividends payable to non-controlling shareholders, representing dividends payable by us under our subsidiaries' profit distribution plans; (viii) accruals, mainly representing accrued fees and other daily operation expenses, such as water and electricity expenses; and (ix) payable for acquisition of subsidiaries, mainly representing the consideration payable by us for our acquisition of dental institutions.

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Dividends payable	–	–	19,397
Payroll payable	12,317	16,155	13,127
Payable for advertising and promotion	3,469	3,712	5,315
Payable for purchasing of items of property, plant and equipment	3,956	2,688	5,435
Payable for listing expenses	–	–	3,827
Other tax payables	2,079	2,825	1,123
Dividends payable to non-controlling shareholders	–	–	577
Accruals	686	983	128
Payable for acquisition of subsidiaries	551	837	15
Others[1]	1,431	1,886	1,812
Total	**24,489**	**29,086**	**50,756**

Note:

(1) Mainly representing rental and deposit payable to lessors, benefit expenses payable to our staff and other miscellaneous expenses payable by us.

Our other payables and accruals increased by 18.8% from RMB24.5 million as of December 31, 2022 to RMB29.1 million as of December 31, 2023, primarily due to an increase of RMB3.8 million in payroll payable, mainly due to the increase of our employees in 2023, in line with the expansion of our dental service network in 2023. Our other payables and accruals increased by 74.5% from RMB29.1 million as of December 31, 2023 to RMB50.8 million as of December 31, 2024, primarily due to (i) an increase of RMB19.4 million in non-trade dividends payable under our 2023 annual profit distribution plan; and (ii) an increase of RMB3.8 million in payable for listing expenses in relation to the Listing.

As of April 30, 2025, RMB45.0 million, or approximately 88.6% of our other payables and accruals as of December 31, 2024 were subsequently settled.

Our Directors confirm that we had no material defaults in our other payables and accruals during the Track Record Period and up to the Latest Practicable Date.

Contract Liabilities

Contract liabilities represent the obligation of our Group to transfer services to our customer for which our Group has received consideration (or an amount of consideration is due) from the customer. Our contract liabilities during the Track Record Period consisted of advances received for orthodontics services and implantology services. The following table sets forth the details of our contract liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Orthodontics services			
Current	15,549	16,438	14,854
Non-current	1,728	2,099	1,732
Implantology services			
Current	33,961	36,459	18,758
Total	**51,238**	**54,996**	**35,344**

Our contract liabilities increased from RMB51.2 million as of December 31, 2022 to RMB55.0 million as of December 31, 2023, primarily due to an increase of RMB2.5 million in the contract liabilities for implantology services as of December 31, 2023, resulting from more advances received from more new customers for our implantology services in 2023 following the resumption of offline activities in 2023. Our contract liabilities decreased from RMB55.0 million as of December 31, 2023 to RMB35.3 million as of December 31, 2024, mainly due to a decrease of RMB17.7 million in contract liabilities for implantology services as of December 31, 2024, resulting from less advances received from our customers in 2024, as we had less new customers of our implantology services affected by customers' consumption downgrade and reduced demands on consumption-oriented implantology services during the slower-than-expected post-pandemic economic recovery and our conservative marketing strategy outside Wuhan. Such decrease in contract liabilities was partially offset by less revenue recognized from contract liabilities in 2024, primarily as the average spending per customer visit decreased following our price reduction to implantology services. See "— Year to Year Comparison of Results of Operations" for details.

The following table sets forth the movement of contract liabilities for the years indicated:

	Year ended December 31,		
	2022	2023	2024
	(RMB'000)		
Balance at the beginning of the year	**53,983**	**51,238**	**54,996**
Advances received from our customers during the year	406,629	445,515	387,329
Revenue recognized from contract liabilities	(409,374)	(441,757)	(406,981)
Balance at the end of the year	**51,238**	**54,996**	**35,344**

Advances received from our customers increased from RMB406.6 million in 2022 to RMB445.5 million in 2023, primarily due to the increase in new customers of our implantology services in 2023 attributable to (i) customers' enhanced willingness to seek implantology services after the pricing reduction following the promulgation of centralized procurement policies and fierce market competition under the downward pricing pressure brought by such policies; and (ii) the surge in dental service demands following the resumption of offline activities immediately after the COVID-19 pandemic. Advances received from our customers decreased from RMB445.5 million in 2023 to RMB387.3 million in 2024, primarily due to the decrease in new customers of our implantology services in 2024 affected by customers' consumption downgrade and reduced demands on consumption-oriented implantology services during the slower-than-expected post-pandemic economic recovery and our conservative marketing strategy outside Wuhan.

Revenue recognized from contract liabilities increased from RMB409.4 million in 2022 to RMB441.8 million in 2023, primarily attributable to increase in the number of customer visits to complete the implantology and orthodontics treatment following (i) the resumption of offline activities immediately after the COVID-19 pandemic; and (ii) our enhanced follow-ups reminding customers of timely follow-up visits according to their treatment plans since late 2023. Revenue recognized from contract liabilities decreased from RMB441.8 million in 2023 to RMB407.0 million in 2024, primarily due to (i) decreased average spending per customer visit for our implantology services in 2024 mainly caused by customers' consumption downgrade and our pricing reduction on implantology services by approximately 25% to 40% across all of our dental institutions in mid-2023 in response to the implementation of centralized procurement policies and fierce market competition under the downward pricing pressure brought by such policies, being fully reflected in 2024 as compared to 2023; and (ii) decreased new customers of our implantology and orthodontics services mainly resulting from customers' consumption downgrade, which led customers to defer non-essential expenditures such as consumption-oriented implantology and orthodontics services as they are typically considered non-urgent and demand-driven, unlike essential, disease-driven dental treatments during the slower-than-expected post-pandemic economic recovery and our conservative marketing strategy outside Wuhan.

As of April 30, 2025, RMB15.7 million, or approximately 44.6% of our contract liabilities as of December 31, 2024 had been recognized as revenue.

Lease Liabilities

Our lease liabilities mainly represent the amount to be paid by us as the lessee for the leases of premises of our dental institutions. The following table sets forth the carrying amount of our lease liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Non-current	77,401	69,197	81,902
Current	34,434	32,488	31,211
Total	**111,835**	**101,685**	**113,113**

Our lease liabilities decreased from RMB111.8 million as of December 31, 2022 to RMB101.7 million as of December 31, 2023, primarily due to our payments of rent, which is offset by new leases for our newly established and acquired dental institutions in 2023. Our lease liabilities increased from RMB101.7 million as of December 31, 2023 to RMB113.1 million as of December 31, 2024, primarily as we entered into new long-term lease agreements for new establishment and relocation of dental institutions in 2024.

For a maturity analysis of our lease liabilities, see Note 40 to the Accountants' Report included in Appendix I to this prospectus.

Tax Payables

Our tax payables mainly represent enterprise income tax payable by us on a quarterly basis. Our tax payables increased from RMB1.2 million as of December 31, 2022 to RMB3.7 million as of December 31, 2023, primarily in line with the increase of our enterprise income tax. Our tax payables further increased from RMB3.7 million as of December 31, 2023 to RMB4.8 million as of December 31, 2024, primarily due to the increase in EIT in the fourth quarter of 2024, in line with the revenue growth during the same period.

Redeemable Preference Shares

Our redeemable preference shares represented shares we issued in connection with our Series A Investment and Series B Investment. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Fair Value Losses or gains on Redeemable Preference Shares" for details. We have recognized the redeemable preference shares as a whole as financial liabilities carried at fair value through profit or loss. See "History, Development and Corporate Structure — Pre-IPO Investments — Special Rights" and Note 26 to the Accountants' Report included in Appendix I to this prospectus for details.

As of December 31, 2023, the redeemable preference shares were presented by our management in current liabilities considering our Company's obligation to redeem the share held by certain pre-IPO investors, which were then terminated in September 2024. See "History, Development and Corporate Structure — Pre-IPO Investments — Special Rights."

The following table sets forth the redeemable preference shares recorded as current liabilities and non-current liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
		(RMB'000)	
Current	–	112,781	–
Non-current	110,450	–	–
Total	**110,450**	**112,781**	**–**

All special rights granted to the investors of redeemable preference shares have been terminated in September 2024 and we did not have any redeemable preference shares as of December 31, 2024. For further information regarding the preference shares, see Note 26 to the Accountants' Report in Appendix I to this prospectus.

NET CURRENT ASSETS/(LIABILITIES)

The table below sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
			(RMB'000)	
				(Unaudited)
Current assets:				
Cash and cash equivalents	177,970	227,083	95,046	72,393
Prepayments, other receivables and other assets	12,867	8,586	17,107	19,562
Trade receivables	3,751	6,548	5,836	7,203
Inventories	6,127	5,709	3,655	3,825
Contingent consideration	976	–	–	–
Financial assets at fair value through profit or loss	117	–	–	–
Total current assets	**201,808**	**247,926**	**121,644**	**102,983**
Current liabilities:				
Redeemable preference shares	–	112,781	–	–
Contract liabilities	49,510	52,897	33,612	24,668
Lease liabilities	34,434	32,488	31,211	29,502
Other payables and accruals	24,489	29,086	50,756	22,697
Trade payables	18,014	17,298	14,678	16,378
Tax payables	1,198	3,658	4,839	4,029
Total current liabilities	**127,645**	**248,208**	**135,096**	**97,274**
Net current assets/(liabilities)	**74,163**	**(282)**	**(13,452)**	**5,709**

We had net current assets of RMB5.7 million as of April 30, 2025, consisting of current assets of RMB103.0 million and current liabilities of RMB97.3 million, while we recorded net current liabilities of RMB13.5 million as of December 31, 2024. This was primarily attributable to (i) a decrease of RMB28.1 million in other payables and accruals mainly as a result of our distribution of profit to shareholders in February 2025; and (ii) a decrease of RMB8.9 million in contract liabilities primarily due to the decreased advances received from our customers in the four months ended April 30, 2025, resulting from the decreased new customers of our implantology and orthodontics services, which was partially offset by a decrease of RMB22.7 million in cash and cash equivalents as a result of our distribution of profit to shareholders in February 2025.

We had net current liabilities of RMB13.5 million as of December 31, 2024, consisting of current assets of RMB121.6 million and current liabilities of RMB135.1 million, which represented an increase of RMB13.2 million from our net current liabilities of RMB0.3 million as of December 31, 2023. This was primarily due to (i) a decrease of RMB132.0 million in cash and cash equivalents as a result of our payments made for share repurchase and profit distribution to shareholders in the second half of 2024; (ii) an increase of RMB21.7 million in other payables and accruals, mainly as a result of dividends payable under our 2023 annual profit distribution plan and increase in payable for listing expenses in relation to the Listing; and (iii) a decrease of RMB2.1 million in inventories mainly because (a) we adhere to a first-in-first-out inventory management strategy while maintaining close communication with suppliers to dynamically adjust procurement amount based on our actual business needs; and (b) we conduct centralized inventory allocation across our dental institutions under the direct chain model, significantly enhancing the overall inventory consumption efficiency. Such decrease was also caused by reduced purchases resulting from the declined customers in 2024.

We had net current liabilities of RMB0.3 million as of December 31, 2023, consisting of current assets of RMB247.9 million and current liabilities of RMB248.2 million, while we recorded net current assets of RMB74.2 million as of December 31, 2022. This was primarily due to (i) an increase of RMB112.8 million in redeemable preference shares considering our Company's obligation to redeem the share held by certain pre-IPO investors, whose special rights were subsequently terminated in September 2024; (ii) an increase of RMB4.6 million in other payables and accruals due to the increase in payroll payable following the increase of employees during our service network expansion in 2023; and (iii) a decrease of RMB4.3 million in prepayments, other receivables and other assets, mainly as a result of the decrease in other receivables as we received consideration from the transferee for our disposal of equity interests in certain dental institutions. This was partially offset by an increase of RMB49.1 million in cash and cash equivalents as a result of the continuous operating cash inflow.

As of December 31, 2022, we had net current assets of RMB74.2 million, consisting of current assets of RMB201.8 million and current liabilities of RMB127.6 million. Our current assets as of December 31, 2022 primarily comprise (i) cash and cash equivalents of RMB178.0 million; (ii) prepayments, other receivables and other assets of RMB12.9 million; and (iii) inventories of RMB6.1 million. Our current liabilities as of December 31, 2022 primarily comprise (i) contract liabilities of RMB49.5 million; (ii) lease liabilities of RMB34.4 million; (iii) other payables and accruals of RMB24.5 million; (iv) trade payables of RMB18.0 million; and (v) tax payables of RMB1.2 million.

We have taken and will continue to take the following measures to improve our net current liabilities position.

(i) *Monitoring our cash flow situation on a regular basis*. We implement annual budget planning to ensure the cash flow of our Group remains healthy. The annual budget planning and expansion plans are approved by our management after thorough reviews of the financial position of our Group. Our Financial Center also holds internal meetings to discuss necessary steps to improve our Group's cashflow and liquidity position. We will continue to closely monitor our liquidity position to ensure sufficient working capital is maintained.

(ii) *Maintaining strict procurement and inventory management*. We implement a strict inventory management system at headquarters level to monitor the procurement, storage and distribution of inventories. We will continue to prudently evaluate demands for medical consumables, medical devices, pharmaceuticals and marketing services arising from daily operations, in order to form reasonable procurement plans.

(iii) *Maintaining stable relationships with banks.* We will maintain stable relationships with banks so as to timely obtain bank borrowings on acceptable terms once necessary.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including cash and cash equivalents as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings and Pre-IPO investments. As of December 31, 2022, 2023 and 2024, we had cash and cash equivalents of RMB178.0 million, RMB227.1 million and RMB95.0 million, respectively.

Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Net cash flows from operating activities	119,926	148,999	100,636
Net cash flows from/(used in) investing activities	21,539	(16,789)	(20,068)
Net cash flows used in financing activities	(98,406)	(83,097)	(212,605)
Net increase/(decrease) in cash and cash equivalents	43,059	49,113	(132,037)
Cash and cash equivalents at the beginning of the year	134,911	177,970	227,083
Cash and cash equivalents at the end of the year	**177,970**	**227,083**	**95,046**

Operating Activities

Cash flows from operating activities consist of profit before income tax adjusted for certain non-cash or non-operating activities related items, primarily including depreciation of property, plant and equipment, depreciation of right-of-use assets, finance costs, share-based payments, loss on disposal of items of property, plant and equipment, investment income from wealth management products and COVID-19-related rent concessions from lessors, among others. We derive our cash inflow mainly from operating activities through (i) provision of general dentistry services; (ii) provision of implantology services; and (iii) provision of orthodontics services. Cash outflow from operating activities primarily comprises payments for procuring dental devices, pharmaceuticals and marketing services, employee benefit expenses, and other operating expenses incurred during our daily operations. We recorded net operating cash inflow throughout the Track Record Period.

Our net cash from operating activities was RMB100.6 million for the year ended December 31, 2024. This net cash inflow was primarily attributable to profit before tax of RMB70.8 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB35.3 million, depreciation of property, plant and equipment of RMB21.1 million and finance costs of RMB5.3 million. These were partially offset by (i) a decrease in contract liabilities of RMB19.7 million, mainly due to the decreased advances received from our customers from 2023 to 2024, resulting from the decreased new customers of our implantology and orthodontics services, mainly caused by customers' consumption downgrade and reduced demands on consumption-oriented implantology and orthodontics services during the slower-than-expected post-pandemic economic recovery and our conservative marketing strategy outside Wuhan. Such decrease was partially offset by the slight decrease in revenue recognized from contract liabilities from 2023 to 2024, primarily due to the decreased average spending per customer visit following our price reduction to implantology and orthodontics services; (ii) income tax paid of RMB8.5 million; and (iii) a decrease in other payables and accruals of RMB3.1 million.

Our net cash from operating activities was RMB149.0 million for the year ended December 31, 2023. This net cash inflow was attributable to (i) profit before tax of RMB78.9 million, as adjusted to reflect non-cash or non-operating items, which primarily comprise depreciation of right-of-use assets of RMB37.5 million, depreciation of property, plant and equipment of RMB23.1 million and finance costs of RMB5.5 million; (ii) an increase in other payables and accruals of RMB5.6 million, mainly due to the increase in payroll payable following the increase of our employees during our service network expansion in 2023; (iii) a decrease in prepayments, other receivables and other assets of RMB5.4 million, mainly as a result of the decrease in other receivables as we received consideration from the transferee for our disposal of equity interests in certain dental institutions; and (iv) an increase in contract liabilities of RMB3.8 million, primarily due to more advances received from increased number of new customers for our implantology services in 2023 following the resumption of offline activities in the same year. These were partially offset by (i) income tax paid of RMB9.3 million; and (ii) an increase in trade receivables of RMB3.0 million, primarily due to the increase in our settlement through public medical insurance programs in 2023.

Our net cash from operating activities was RMB119.9 million for the year ended December 31, 2022. This net cash inflow was primarily attributable to (i) profit before tax of RMB63.5 million, as adjusted to reflect non-cash or non-operating items, which principally included depreciation of right-of-use assets of RMB39.0 million, depreciation of property, plant and equipment of RMB24.0 million and finance costs of RMB6.7 million; and (ii) an increase in other payables and accruals of RMB4.5 million. These were partially offset by (i) income tax paid of RMB7.3 million; and (ii) an increase in prepayments, other receivables and other assets of RMB5.8 million.

Investing Activities

Our cash used in investing activities mainly comprises our cash used in purchases of items of property, plant and equipment, cash used in purchases of wealth management products, cash used in settlement of consideration for the acquisition of subsidiaries and cash used in purchase of other intangible assets. Our cash generated from investing activities mainly comprises proceeds from disposal of property, plant and equipment, proceeds from disposal of wealth management products, investment income from wealth management products, disposal of subsidiaries and partial disposal of interests in the subsidiaries without loss of control.

Our net cash used in investing activities was RMB20.1 million for the year ended December 31, 2024. This net cash outflow was primarily due to (i) purchases of wealth management products of RMB135.0 million; (ii) purchases of property, plant and equipment of RMB23.4 million; and (iii) acquisition of subsidiaries of RMB0.8 million. This net cash outflow was partially offset by (i) proceeds from disposal of wealth management products of RMB136.5 million; (ii) proceeds from disposal of property, plant and equipment of RMB1.7 million; and (iii) contingent consideration received of RMB1.0 million.

Our net cash used in investing activities was RMB16.8 million for the year ended December 31, 2023. This net cash outflow was primarily due to (i) purchases of wealth management products of RMB375.0 million; (ii) purchases of property, plant and equipment of RMB18.5 million; and (iii) acquisition of subsidiaries of RMB2.1 million. This net cash outflow was partially offset by proceeds from disposal of wealth management products of RMB377.7 million.

Our net cash from investing activities was RMB21.5 million for the year ended December 31, 2022. This net cash inflow was primarily attributable to (i) proceeds from disposal of wealth management products of RMB299.2 million; and (ii) disposal of subsidiaries of RMB2.9 million. This net cash inflow was partially offset by (i) purchases of wealth management products of RMB264.0 million; and (ii) purchases of items of property, plant and equipment of RMB14.0 million.

Financing Activities

Our cash used in financing activities mainly comprises our cash used in dividends paid, repayment of bank borrowings, dividends paid to non-controlling shareholders, principal portion of lease payments and interest paid. Cash generated from financing activities mainly comprises proceeds from issuance of ordinary shares and redeemable preference shares, proceeds from bank borrowings and capital injection from non-controlling shareholders.

Our net cash used in financing activities was RMB212.6 million for the year ended December 31, 2024. This net cash outflow was primarily due to (i) repurchase of redeemable preferred shares of RMB111.1 million; (ii) principal portion of lease payments of RMB31.9 million; (iii) dividends paid of RMB30.6 million; (iv) dividends paid to non-controlling shareholders of RMB17.7 million; and (v) capital deduction of RMB10.8 million. This net cash outflow was offset by (i) partial disposal of interests in the subsidiaries without loss of control of RMB2.1 million; and (ii) capital injection from non-controlling shareholders of RMB1.7 million.

Our net cash used in financing activities was RMB83.1 million for the year ended December 31, 2023. This net cash outflow was primarily due to (i) dividends paid of RMB36.6 million; (ii) principal portion of lease payments of RMB36.5 million; (iii) dividends paid to non-controlling shareholders of RMB9.6 million; and (iv) interests paid of RMB5.5 million. This net cash outflow was partially offset by (i) capital injection from non-controlling shareholders of RMB3.6 million; and (ii) partial disposal of interests in the subsidiaries without loss of control of RMB1.6 million.

Our net cash used in financing activities was RMB98.4 million for the year ended December 31, 2022. This net cash outflow was primarily due to (i) dividends paid of RMB39.0 million; (ii) principal portion of lease payments of RMB34.2 million; (iii) repayment of bank borrowings of RMB10.0 million; (iv) dividends paid to non-controlling shareholders of RMB7.0 million; and (v) interest paid of RMB6.7 million. This net cash outflow was partially offset by capital injection from non-controlling shareholders of RMB2.1 million.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations, bank borrowings and Pre-IPO investments.

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this prospectus.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

During the Track Record Period, our indebtedness mainly consisted of (i) lease liabilities; and (ii) redeemable preference shares. The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of April 30,
	2022	2023	2024	2025
			(RMB'000)	*(Unaudited)*
Included in current liabilities				
Lease liabilities	34,434	32,488	31,211	29,502
Redeemable preference shares	–	112,781	–	–
Sub-total	**34,434**	**145,269**	**31,211**	**29,502**
Included in non-current liabilities				
Lease liabilities	77,401	69,197	81,902	72,777
Redeemable preference shares	110,450	–	–	–
Sub-total	**187,851**	**69,197**	**81,902**	**72,777**
Total	**222,285**	**214,466**	**113,113**	**102,279**

Our Directors confirm that there has been no material change in our indebtedness position from April 30, 2025 to the Latest Practicable Date. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date.

As of April 30, 2025, we had unutilized bank facilities of RMB50.0 million. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

Contingent Liabilities

As of April 30, 2025, we did not have any material outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) property, plant and equipment; (ii) acquisition of subsidiaries; and (iii) other intangible assets. The following table sets forth our capital expenditures for the years indicated:

	Year ended December 31,		
	2022	2023	2024
		(RMB'000)	
Property, plant and equipment	13,957	18,521	23,420
Acquisition of subsidiaries	3,629	2,137	821
Other intangible assets	887	–	27
Total	**18,473**	**20,658**	**24,268**

We expect to incur capital expenditure of approximately RMB40.9 million in the year ending December 31, 2025, primarily related to establishing new dental institutions, upgrading our existing dental institutions, purchasing dental equipment and improving our information technology systems. We intend to fund our planned capital expenditures through a combination of the net proceeds from the Global Offering as well as cash generated from operating activities.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in China, the availability of financing on terms acceptable to us and development in the regulatory environment in China. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business in the future.

Contractual Commitments

The following table sets forth our contractual commitments as of the dates indicated:

	As of December 31,		
	2022	2023	2024
		(RMB'000)	
Contracted, but not provided for:			
Property, plant and equipment	4,109	2,982	373
Total	**4,109**	**2,982**	**373**

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not our related parties and the market price during the relevant year. Upon the completion of this Global Offering, we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

Transactions with Related Parties

During the Track Record Period, our transactions with related parties mainly comprised (i) purchase of goods from related parties; (ii) rental payments to related parties; and (iii) rental income from related parties. See Note 37 to the Accountants' Report in Appendix I to this prospectus for details of transactions carried out with our related parties during the Track Record Period.

Purchases of Goods

During the Track Record Period, we purchased dental consumables and pharmaceuticals from Nanjing Pharmaceutical Hubei Co., Ltd. (南京醫藥湖北有限公司). For the years ended December 31, 2022, 2023 and 2024, our purchases of goods from Nanjing Pharmaceutical Hubei Co., Ltd. amounted to RMB1.2 million, RMB1.3 million and RMB1.5 million, respectively. All of such purchases were made according to the published prices and conditions offered by Nanjing Pharmaceutical Hubei Co., Ltd. to its other independent customers.

Rental Payments

During the Track Record Period, we leased certain properties as our office premises from Zhongshan Medical Investment, one of our Controlling Shareholders. For the years ended December 31, 2022, 2023 and 2024, our rental payments for leases from Zhongshan Medical Investment amounted to RMB0.3 million, RMB0.3 million and RMB0.5 million, respectively.

Rental Income

During the Track Record Period, we, as the lessor, leased certain properties as premises of retail pharmacy to Nanjing Pharmaceutical Hubei Co., Ltd.. For the years ended December 31, 2022, 2023 and 2024, our rental income received from Nanjing Pharmaceutical Hubei Co., Ltd. amounted to RMB0.1 million, nil and nil, respectively.

It is the view of our Directors that each of the related party transactions set out in Note 37 of the Accountants' Report in Appendix I to this prospectus (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

Balances with Related Parties

As of December 31, 2022, 2023 and 2024, we had trade payables due to Nanjing Pharmaceutical Hubei Co., Ltd. of RMB4 thousand, RMB3 thousand and nil, respectively, which was in connection with the abovementioned purchases of dental consumables and pharmaceuticals. As of December 31, 2022, 2023 and 2024, we had non-trade dividends payable due to Zhongshan Medical Investment of nil, nil and RMB19.4 million, respectively, representing the dividends payable by us under our 2023 annual profit distribution plan. In February 2025, we had already settled such payment.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	Year ended December 31,		
	2022	2023	2024
Profitability ratios			
Gross profit margin (%)(1)	36.3	38.1	37.4
Net profit margin (%)(2)	13.8	15.2	15.4
Adjusted net profit margin (non-IFRS measure) *(%)*	14.5	15.9	16.8
Return on equity (%)(3)	41.2	42.8	37.9
Return on assets (%)(4)	11.5	14.1	14.4

	As of December 31,		
	2022	2023	2024
Liquidity ratios			
Current ratio(5)	1.6x	1.0x	0.9x
Quick ratio(6)	1.5x	1.0x	0.9x

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated based on profit for the year divided by revenue and multiplied by 100%.

(3) Return on equity is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%.

(4) Return on assets is calculated based on profit for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(5) Current ratio is calculated based on total current assets divided by total current liabilities.

(6) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

Gross Profit Margin and Net Profit Margin

See "— Year to Year Comparison of Results of Operations" for a discussion of the factors affecting our gross profit margin and net profit or loss margin during the respective years.

Return on Equity

Our return on equity increased from 41.2% in 2022 to 42.8% in 2023, primarily due to the increase in our net profit in 2023. Our return on equity decreased from 42.8% in 2023 to 37.9% in 2024, primarily due to the decrease in our net profit in 2024.

Return on Assets

Our return on assets increased from 11.5% in 2022 to 14.1% in 2023, primarily due to the increase in our net profit in 2023. Our return on assets remained relatively stable at 14.1% in 2023 and 14.4% in 2024.

Current Ratio

Our current ratio decreased from 1.6 as of December 31, 2022 to 1.0 as of December 31, 2023, primarily due to the increase in redeemable preference shares. Our current ratio remained relatively stable at 0.9 as of December 31, 2024, compared to 1.0 as of December 31, 2023.

Quick Ratio

Our quick ratio decreased from 1.5 as of December 31, 2022 to 1.0 as of December 31, 2023, primarily due to the increase in our total current liabilities as a result of the increase in redeemable preference shares as of December 31, 2023. Our quick ratio remained relatively stable at 0.9 as of December 31, 2024, compared to 1.0 as of December 31, 2023.

FINANCIAL RISKS

We are exposed to a variety of financial risks, including credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, see Note 40 in the Accountants' Report set out in Appendix I to this prospectus.

Credit Risk

Credit risk mainly arises from cash and cash equivalents, trade receivables, other receivables and other financial assets, which represent our maximum exposure equal to credit risk in relation to the financial assets. For details of the maximum exposure to credit risk based on our credit policy, see Note 40 to the Accountants' Report set out in Appendix I to this prospectus.

It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimize the credit risk, we review the recoverable amount of each individual trade receivable periodically and our management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. We expect that there is no significant credit risk associated with other receivables and other financial assets since counterparties to these financial assets have no history of default.

Liquidity Risk

We monitor the risks to a shortage of funds using a recurring liquidity planning tool, which considers both the maturity of our financial instruments and financial assets and projected cash flows from operations. For our financial liabilities by relevant maturity grouping based on contractual undiscounted payments, see Note 40 to the Accountants' Report set out in Appendix I to this prospectus.

DIVIDENDS

We are incorporated under the laws of the PRC. We do not currently have a formal dividend policy or a predetermined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

For the years ended December 31, 2022, 2023 and 2024, our dividends paid amounted to RMB39.0 million, RMB36.6 million and RMB30.6 million, respectively. We had non-trade dividends payable of RMB19.4 million under our 2023 annual profit distribution plan as of December 31, 2024, which had been fully settled in February 2025.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above. As advised by our PRC Legal Advisors, our Company cannot pay dividends if we are in an accumulated loss position. Our PRC companies will consider to conduct the dividend payments as such companies are in an accumulated profit position. No dividend shall be declared or payable except out of our profits lawfully available for distribution. Our Directors have the absolute discretion to recommend any dividend subject to our constitutional documents and the relevant laws. We cannot assure you that our Company will be able to declare dividends of any amount each year or in any year.

DISTRIBUTABLE RESERVES

As of December 31, 2024, our Company had retained profits of RMB23.4 million. Our retained profits could be distributed subject to current articles of association of the Company and the PRC Company Law.

LISTING EXPENSES

Our listing expenses mainly include underwriting commissions, professional fees paid to legal advisors, the Reporting Accountants and other professional parties for their services rendered in relation to the Listing and the Global Offering.

The estimated total listing expenses (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised) for the Global Offering are approximately RMB36.0 million (HK$39.4 million), including (i) underwriting commissions, SFC transaction levy, Stock Exchange trading fees and AFRC transaction levy for all Offer Shares of approximately HK$9.0 million; and (ii) non-underwriting related expenses of approximately HK$30.4 million, which consist of (a) fees and expenses of legal advisors and reporting accountant of approximately HK$21.1 million; and (b) sponsor fee and other fees and expenses of approximately HK$9.3 million, representing approximately 4.1% of the gross proceeds of the Global Offering based on the same assumptions. During the Track Record Period, we incurred listing expenses of RMB14.2 million (HK$15.6 million), of which (i) RMB5.2 million was recognized as administrative expenses; and (ii) RMB9.0 million was directly recognized as deduction in equity. We expect to incur additional listing expenses of approximately RMB5.0 million (HK$5.4 million) as administrative expenses and approximately RMB16.8 million (HK$18.4 million) as a deduction in equity directly upon the Listing.

Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2025.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2024 as if Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of December 31, 2024 or any future date. It is prepared based on the consolidated net tangible assets as of December 31, 2024 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report on the historical financial information as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to the equity shareholders of our Company as of December 31, 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as of December 31, 2024	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as of December 31, 2024	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$20.00 per Share	50,792	167,934	218,726	4.43	4.85
Based on an Offer Price of HK$21.40 per Share	50,792	181,265	232,057	4.70	5.15

Notes:

(1) The unaudited consolidated net tangible assets attributable to owners of the parent as of December 31, 2024 is extracted from the historical financial information set out in Appendix I to this prospectus, which is arrived after deducting intangible assets attributable to owners of the parent and goodwill of RMB1,749,000 and RMB63,090,000, respectively, from the unaudited consolidated net assets attributable to owners of the parent of RMB115,631,000 as of December 31, 2024.

(2) The estimated net proceeds from the Global Offering are calculated based on the Offer Price of HK$20.00 and HK$21.40 per Share, being the low-end price and high-end price of the stated Offer Price range, respectively, after deduction of the underwriting fees and other related expenses payable by our Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and do not take into account any shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 49,379,042 shares were in issue assuming the Global Offering had been completed on December 31, 2024 and the respective Offer Price of HK$20.00 and HK$21.40 per Share.

(4) In connection with the preparation of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at a rate of HK$1=RMB0.9133. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollar, or vice versa at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2024.

RECENT DEVELOPMENT

Recent Business and Financial Performance

Subsequent to December 31, 2024 and up to the Latest Practicable Date, we expanded our dental service network to serve more customers with reliable and accessible dental services. During such period, we established 8 dental out-patient departments in Wuhan, Hubei province, all of which are located in or adjacent to local communities. During the same period, we voluntarily terminated the operations of 2 dental institutions based on our evaluation on the market condition and future business strategies. As of the Latest Practicable Date, we had 92 dental institutions in operation in total.

In the first quarter of 2025, our operational and financial performance remained relatively stable. Our service capacity enhanced along with our dedicated efforts in expanding dental service network. Meanwhile, we refined our internal operational management through improving informatization, which further contributed to our business growth. Despite the impact brought by seasonality, particularly fewer customer visits shortly before and during the Chinese New Year holiday in late January 2025, the total number of our customer visits only recorded a slight decrease from 189,346 in the fourth quarter of 2024 to 175,141 in the first quarter of 2025, attributable to our continuous efforts to expand service network while enhancing service quality and experience. Meanwhile, the number of our new customers grew by approximately 3% from 36,564 in the fourth quarter of 2024 to 37,553 in the first quarter of 2025.

No Material Adverse Change

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, (i) there had been no material adverse change in our business, the industry where we operate, or market or regulatory environment to which we are subject; (ii) there has been no material adverse change in our financial or trading position or prospects since December 31, 2024, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this prospectus; or (iii) there has been no event since December 31, 2024 that would materially affect the information shown in the Accountants' Report set forth in Appendix I to this prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

FUTURE PLANS

Please see the section headed "Business — Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK$20.7 per Offer Share (being the mid-end of the Offer Price range stated in this prospectus), will be approximately HK$185.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering and assuming the Over-allotment Option is not exercised.

We intend to use the net proceeds of the Global Offering for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 35.0% (or HK$64.9 million) will be used for establishing new dental institutions in Wuhan and other cities in Central China, with the aim to cater to the growing demands for dental services in Central China and enhance our market presence and market share. We expect to use an aggregate of approximately HK$141.4 million for such expansion plan in the next five years, among which HK$64.9 million is expected to be financed by the proceeds from the Global Offering, while the remaining HK$76.5 million is expected to be financed by our operating cash flow and bank borrowings. In order to offer convenient, accessible and affordable dental services to residents in local communities, we plan to establish approximately 80 to 100 new dental institutions in Central China in the next five years, including approximately 80 in Hubei province and approximately 15 in Hunan province. Each of the new dental institutions is expected to occupy approximately 300 sq.m. to 500 sq.m. with approximately 6 to 20 dental chairs. The following table sets forth the details of our future establishment.

	Estimated number of institutions					Estimated total number of institutions	Estimated number of dental chairs
	2025	2026	2027	2028	2029		
Dental hospitals	0	0	0	5	5	**10**	20 per each
Dental out-patient departments	15	15	15	20	20	**85**	6 per each
Dental clinics	0	0	0	0	0	**0**	0
Total	**15**	**15**	**15**	**25**	**25**	**95**	**710**

We typically take into account the following key factors when establishing new dental institutions: (a) the city where the new dental institution to be established shall align with our business expansion strategy; (b) the site of the new dental institution shall be in densely populated areas and adjacent to local communities; (c) medical resources, especially medical professionals, available in the relevant regions; (d) the expected number of customers, dental service demands and monthly breakeven periods shall be commercially reasonable and practicable; and (e) the estimated initial investment amount for leases and recruitment, among others.

The actual implementation of such establishment plans will depend on numerous factors, some of which are beyond our control. We may make necessary adjustments to our expansion plan based on market conditions, operational performance of our existing dental institutions, coverage of our dental service network and other relevant factors, to strike a balance between our business expansion and profitability.

For details of establishing new dental institutions, please see "Business — Business Strategies" and "Business — Our Future Expansion — Organic Growth — New Establishment;"

- approximately 25.0% (or HK$46.4 million) will be used for acquisition of dental institutions. We expect to seek and assess the potential acquisition targets with a strategic geographic focus on Central China, particularly in Hubei and Hunan provinces. As of the Latest Practicable Date, we had not entered into any letter of intent or agreement with respect to future acquisitions and had not identified any definite acquisition targets that meet our criteria. We plan to acquire approximately 40 to 65 dental institutions in the next five years, including approximately 20 in Hubei province, approximately 20 in Hunan province and approximately 15 in Henan province, through acquiring the majority equity interests of the acquisition targets. We expect to use an aggregate of approximately HK$141.4 million for such expansion plan in the next five years, among which HK$46.4 million is expected to be financed by the proceeds from the Global Offering, while the remaining HK$95.0 million is expected to be financed by our operating cash flow and bank borrowings. We plan to acquire dental institutions, which demonstrate high growth potential and strong compatibility with our corporate culture, at reasonable valuation and acquisition consideration. The following table sets forth the details of our future acquisition.

	Estimated number of institutions					Estimated total number of institutions	Estimated number of dental chairs
	2025	2026	2027	2028	2029		
Dental hospitals	0	0	5	0	0	**5**	20 per each
Dental out-patient departments	5	10	5	15	15	**50**	6 per each
Dental clinics	0	0	0	0	0	**0**	0
Total	**5**	**10**	**10**	**15**	**15**	**55**	**400**

When acquiring dental institutions, we generally consider the following key factors: (i) the target's compatibility with our corporate culture and dental service network; (ii) the target's annual revenue; (iii) the profitability of the target; (iv) the target's service capacity, such as management team and medical professional team; and (v) estimated initial investment amount, ongoing operating expenses and capital requirements of the targets, among others. According to Frost & Sullivan, based on expert interviews and market research, there were sufficient dental institutions in Central China that meet our selection criteria for our strategic acquisition as of the Latest Practicable Date.

The actual implementation of such acquisition plans will depend on numerous factors, such as then market condition, our then business strategies, negotiation results and scale and consideration of the actual acquisition.

For details of acquisition of dental institutions, please see "Business — Business Strategies" and "Business — Our Future Expansion — Strategic Acquisition."

During the site selection and acquisition target selection process, we conduct detailed local market research to evaluate potential customer demands based on multiple factors, such as population density and composition, local economy, residents' consumption power and preferences. We generally avoid establishing or acquiring a dental institution within the service radius of our existing dental institutions. We believe the risk of cannibalization among our existing dental institutions and dental institutions to be established or acquired by us is relatively low, considering (i) the above measures taken by us to mitigate potential competition; (ii) the broad unmet demands for dental care among the general public in Central China.

Robust Market Demands with Sustained Growth Potential

According to Frost & Sullivan, based on expert interviews and market research, there are sufficient market demands for dental care in Central China for us to expand our dental service network by establishment or acquisitions in the next five years. As the largest private dental services provider in Central China with a focus on Hubei and Hunan provinces in terms of revenue in 2024, we are well positioned to address the broad unmet market demands.

- *Demand Surge Fuels Market Expansion*. Demands for dental services in Central China is driven by multiple factors, such as increasing disposable income and per capita health expenditure, growing awareness of dental health, aging population and the implementation of two-child and three-child policies. The market size of the dental services market in Central China in terms of revenue generated by dental services providers is expected to increase at a CAGR of 6.9% from RMB28.6 billion in 2024 to RMB40.0 billion in 2029, among which the market share of private dental services providers is projected to reach 63.3% in 2029.

- *Direct Chain Model Unlocks Growth Potential*. As of December 31, 2024, only 3% of dental services providers operated under chain models. Chain standardization enables reliable clinical practice, uniform service quality and cohesive branding. Intensifying market competition accelerates consolidation and further increases the market share of dental services providers with chain operations. We adopt a direct chain model with unified operation philosophy, operational management, service standards and brand image across our dental service network. By expanding our dental service network under our direct chain model, we are poised to increase our market share and entrench our competitiveness.

Strategic Pricing Adjustments Accommodating Market Conditions

In line with the industry practice among private dental services providers, we make strategic pricing adjustments after thorough risk assessments, market research and customer demand analysis to broaden our customer base and increase market penetration. In 2024, we made appropriate price reduction for implantology services involving consumables affected by centralized procurement policies and orthodontics services involving certain high-value consumables, such as clear aligners to actively capture unmet market demands. As for the general dentistry services in which we have strong technical competitive advantages, no significant price adjustments were made for oral medicine, oral surgery and pediatric dentistry. While these pricing adjustments were in place, we have been enhancing operational efficiency and optimizing cost structures to maintain overall profitability. We believe the pricing strategy, combining with our strong brand and consistent service quality, allows us to continuously deliver customer benefits, and effectively compete and gain market share. Since the first quarter of 2025, the dental services market witnessed price stabilization with a subsequent moderate rebound emerging.

Differentiated Business Model and Operational Capabilities

- *Differentiated Business Model*. Unified operation philosophy, operational management, service standards and brand image have fully leveraged the synergies and economies of scale of our direct chain operations. This structured approach ensures consistent management standards and improves operational efficiency. Meanwhile, upholding the principle of "direct chain and direct partnerships," the Partnership Program has enriched our medical professional resources and fueled the expansion of our dental service network.

- *Differentiated Operational Capabilities.* Adhering to the spirit of "rooted in medical and driven by technology (醫療本源、技術驅動)," we improve talent cultivation and specialty development, entrenching our advantages in technologies. We have adopted advanced technologies, such as digital scanning, 3D modeling and robotic-assisted implant, among others, to facilitate diagnosis and treatment. Cultivating general dentists with strengths in advantageous specialties and developing both the service spectrum and advantageous specialties of our dental institutions also differentiated us from our competitors. We offer one-stop service experience, digitalized service procedures and intimate follow-ups. We also stay in proximity to customers and offer prompt responses and diversified activities, constantly building our trustworthy reputation among residents. As such, reliable treatment quality combined with satisfied customer experience encourages word-of-mouth referral, driving the growth of customer base and loyalty. We also organize and participate in various academic conferences in the industry, continuously enhancing our exposure to seasoned dentists and amassing dental resources to our service network.

We do not rely on price reductions to remain competitive. Instead, our long-term leadership is supported by advanced technologies, superior service experience, digitalized operations and trustworthy brand image. We are dedicated to combining "affordable prices" with customer-perceived "high value," while building competitive advantages, such as dentist-customer relationships, community engagement and brand loyalty. This approach ultimately enables the transition from "price competition" to "value competition."

Our Major Evaluations during Expansion through Establishments and Acquisitions

We will prudently evaluate our future acquisitions and new establishments based on multiple factors, including among others, our development stage, actual business needs, then market conditions and specific commercial negotiations. To further expand our market share in Central China, we have adopted a regionally differentiated expansion strategy. Specifically,

- *Wuhan*. We will upscale our network coverage in Wuhan mainly through new establishment, fostering synergies among dental institutions.

- *Outside Wuhan in Hubei province*. We will establish new dental institutions in the third- and fourth-tier cities across Hubei province, addressing significant unmet demands for reliable dental care among local residents.

- *Outside Hubei province*. We expect to strengthen our presence mainly through establishing joint ventures with seasoned dentists under the Partnership Program to rapidly increase market share while amassing dentist resources in our dental service network.

Moreover, when proper opportunities arise, we will also pursue acquisition opportunities in the above regions if we identify potential targets that meet our acquisition criteria and align with our then development strategies.

Establishments

- *Policy Support and Regional Resource Allocation.* Taking advantage of favorable policies to private medical institutions, we strategically target both regions with sufficient unmet dental care demands and functional communities, such as aging neighborhoods, school districts, business districts, to stay in proximity to potential customers.

- *Market Demand and Competitive Analysis*. We conduct market research to evaluate the density, service capacities and pricing of local dental institutions. We assess our brand awareness in the target region and conduct pre-launch marketing.

- *Site Selection*. We generally prioritize residential, commercial or school-adjacent locations for customer accessibility, targeting 10,000 to 50,000 residents within a radius of 2 to 5 kilometers.

- *Service Capacity*. We evaluate the sufficiency of qualified management and seasoned dentists. We assign seasoned dentists for technical mentoring during the first two years of the newly established dental institutions.

- *Capital Planning*. We rigorously evaluate funding adequacy, utilization efficiency and investment payback period, while mitigating capital mismatches.

Acquisitions

- *Resources*. We prioritize acquisition targets with established local brand awareness, customer base and dentist resources, ensuring standard management and technical standards for seamless integration into our direct chain dental service network.

- *Culture*. We believe cultural alignment is critical. The acquisition targets, especially core management and dentists practicing at such institutions, should adhere to our centralized management and respect our corporate value.

- *Compliance*. We pay attention to the historical compliance performance and review due diligence reports to mitigate risks arising from acquisitions.

- *Financial assessments*. Our financial assessments focus on business model and cost control performance, with valuations benchmarked to price-to-earnings ratio and/or price-to-sales ratio, and growth potential.

- *Capital planning*. Our capital allocation prioritizes efficiency, evaluating the investment amount based on anticipated returns.

Our cautious approach in network expansion during the Track Record Period, particularly in 2023 and 2024, allowed us to navigate market uncertainties and optimize existing operations. However, these underlying structural opportunities remain robust. The net proceeds of the Global Offering provide the necessary capital to strategically pursue this long-term market potential. As a result, we believe such expansion plan aligns with our long-term growth strategy to reinforce our dominant position in Central China and consistently increase our market share. In particular:

Capitalizing on Long-Term Growth Drivers Amid Market Fluctuations. Despite the immediate demand surge during the post-pandemic period in 2023, there was a broader economic slowdown impacting consumer spending in 2024. Our expansion plan is predicated on compelling long-term structural growth drivers of the private dental services market in Central China, such as supportive government policies and growing demands for dental services along with residents' rising disposal income and oral health awareness, rather than short-term cyclical fluctuations. For details of the market growth drivers, please see "Industry Overview — Dental Services Market in Central China — Market Drivers of the Dental Services Market in Central China."

Proven Scalability and Replicable Model. Our nearly 20 years of operational experience serves as the foundation of a highly standardized and replicable system for establishing and managing dental institutions. Since 2007, we have accumulated dental resources, established brand awareness and formed a standardized and mature internal system for establishing and acquiring dental institutions. Despite the growth of our dental service network decelerated during and immediately after the pandemic, the number of our dental institutions grown at a considerable rate historically accompanied by high-quality operation, doubling every two to three years and reaching 13, 31 and 67 as of December 31, 2015, 2018, and 2020, respectively, representing a CAGR of 38.8% from 2015 to 2020, demonstrating our proven capability to execute expansion efficiently when market conditions are appropriate and adequate capital is available. The pace of our future expansion, increasing by 20 to 40 dental institutions per year and 150 dental institutions in total in the next five years, is generally in line with our historical growth rate.

Strategic Market Entry and Proximity to Customers. We prioritize institution density in new markets to efficiently drive brand exposure and cultivate scale effects. Combining online and offline marketing with multi-institution deployment accelerates local customer acquisition. Meanwhile, deploying dental institutions in proximity to customers in communities facilitates their frequent offline visits during the treatment procedure and deepens our market penetration. Therefore, the planned network expansion is crucial to rapidly achieve these economies of scale and network effects.

Long-term Profitability Goals. We are committed to improving our financial performance. Leveraging proven direct chain model in the thriving dental services industry in Central China, we expect to enhance economies of scale and profitability with the expansion of dental service network.

- approximately 10.0% (or HK$18.6 million) will be used for upgrading and renovating some of our existing dental institutions. In particular, we plan to upgrade the dental facilities and equipment at our dental institutions and renovate our dental institutions progressively, with the aim to enhance the service capacity while improving customers' satisfaction during their visits to our dental institutions. For details of acquisition of dental institutions, please see "Business — Business Strategies" and "Business — Our Future Expansion — Strategic Acquisition;"

- approximately 10.0% (or HK$18.6 million) will be used to optimize our information technology infrastructure and information technology systems. We expect to integrate our information technology systems to achieve real-time business, financial and operational management. Additionally, we will increase our investment in the infrastructure of cybersecurity and data protection to ensure the safety of our digitalized operations and the reliability of our information technology systems.

In the future, we plan to improve our internal management procedures, elevate both operational and management efficiency, and develop a standardized, scalable and replicable business model to strengthen our competitive advantages in the market and provide high-quality and customer-centric dental services to our customers.

For details of propelling digitalization of our dental service network, please see "Business — Business Strategies" and "Business — Information Technology Systems;"

- approximately 10.0% (or HK$18.6 million) will be used for developing our medical professional team to further support the sustainable growth of our dental service network. In particular, we plan to develop our internal training system to cultivate dentists with multifaceted dental expertise and strengths in selected specialties. We aim to expand their expertise beyond their primary specialties, guiding them to become excellent dentists with holistic dental expertise and strengths in selected specialties. To achieve this, we will also encourage in-house research and development activities by incentivizing innovation and clinical advancements. Moreover, we plan to recruit talents to accommodate the growing demands for high-quality dental services and empower our long-term growth. We will focus on recruiting well-educated, senior-level dental talents and experienced management talents. The actual frequency and scale of our recruitment are subject to the operational performance of our dental service network.

  For details of talent cultivation and recruitment, please see "Business — Business Strategies" and "Business — Medical Professionals — Recruitment, Management and Cultivation of Medical Professionals;"

- approximately 10.0% (or HK$18.6 million) for working capital and other general corporate purposes.

If the Offer Price is fixed at HK$21.4 per Offer Share (being the high-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$7.3 million. If the Offer Price is fixed at HK$20.0 per Offer Share (being the low-end of the Offer Price range stated in this prospectus) and assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$7.3 million. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-end of the estimated Offer Price range. We intend to apply the additional net proceeds to the above purposes on a pro rata basis in the event that the Over-allotment Option is exercised.

To the extent that the net proceeds are not immediately applied to the above purposes, we will only deposit the net proceeds into short-term interest bearing accounts at licensed commercial banks and/or other authorized financial institutions as defined under the Securities and Futures Ordinance or the applicable laws and regulations in other jurisdictions.

In the event of any material change in our use of net proceeds of the Global Offering from the purposes described above or in our allocation of the net proceeds among the purposes described above, a formal announcement will be made.

HONG KONG UNDERWRITERS

Haitong International Securities Company Limited

Livermore Holdings Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company has agreed to offer the Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of the Hong Kong Underwriting Agreement and this prospectus.

Subject to (a) the Stock Exchange granting approval for the listing of, and permission to deal in, our H Shares in issue and to be issued pursuant to the Global Offering on the Main Board as mentioned in this prospectus (including any additional H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and the Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by written notice from the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the Hong Kong Underwriters), at any time prior to 8:00 a.m. on the Listing Date if:

(1) there shall develop, occur, exist or come into effect:

   (a) any or a series of national, regional or international event(s) or circumstance(s) in the nature of force majeure (including, without limitation, any acts of government, declaration of a regional, national or international emergency or war, calamity, crisis, epidemic, pandemic (including Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Coronavirus Disease 2019 (COVID-19), H1N1, H5N1, H7N9, Ebola virus, Middle East respiratory syndrome and such related or mutated forms and variants), or interruption or delay in transportation, outbreak, escalation, mutation or aggravation of disease, economic sanctions, withdrawal of trading status or privileges, strikes, labour disputes, lock-outs, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), paralysis in government operations, in or directly or indirectly affecting the Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to our Group or the Global Offering (collectively, the "**Relevant Jurisdictions**"); or

(b) any change, or any development involving a prospective change, or any event or circumstance or series of events which may result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, securities or exchange control or any monetary or trading settlement system or other financial markets (including without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdictions; or

(c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market or the London Stock Exchange; or

(d) any moratorium on commercial banking activities in the Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), the PRC, New York (imposed at Federal or New York State level or other competent Authority), London, European Union (as a whole) or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(e) any new law, or any change or any development involving a prospective change or any event or circumstance or series of events which may result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or

(f) the imposition of sanctions or the withdrawal of trading privileges, in whatever form, directly or indirectly, under any sanction laws, or regulations in any Relevant Jurisdiction; or

(g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the United States dollar, Hong Kong dollar, Euro or the Renminbi against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the currency of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting investments in the Offer Shares; or

(h) any litigation, dispute, legal action or claim, regulatory or administrative investigation being contemplated, threatened or instigated or announced against any member of our Group or any Controlling Shareholder, Director, Supervisor or member of our Company's senior management as named in this prospectus; or

(i) any contravention by any member of our Group or any Controlling Shareholder, Director or Supervisor of the Listing Rules or applicable laws; or

(j) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Offer Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(k) any change or development involving a prospective change in, or a materialization of any of the risks set out in the section headed "Risk Factors" of this prospectus; or

(l) any demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(m) any order or petition is presented for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution is passed for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters):

(A) has or will have or may have a material adverse change, or any development involving a prospective material adverse change, whether directly or indirectly, on or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, trading positions, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or

(B) has or will have or may have an adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of indications of interest under the International Offering; or

(C) makes or will make or may make it inadvisable or inexpedient or impracticable or incapable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering and the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Offer Related Documents (as defined below); or

(D) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(2) there has come to the notice of the Sole Sponsor and/or the Sole Overall Coordinator:

(a) that any statement contained in any of this prospectus, the formal notice, the offering circulars, the application proofs, the post hearing information pack and/or in any public notices, announcements, circulars, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (collectively, the

"**Offer Related Documents**") (including any supplement or amendment thereto, but excluding information in relation to the Underwriters, consisting only of the name, logo, address and qualification of each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries) was, when it was issued, or has become, untrue, incorrect, incomplete in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Related Documents (including any supplement or amendment thereto) made by our Company and its Directors is not fair and honest and based on reasonable grounds or reasonable assumptions; or

(b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Hong Kong Prospectus, constitute a material omission from, or misstatement in, any of the Offer Related Documents (including any supplement or amendment thereto); or

(c) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) or any aspect of the Global Offering with the Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the CSRC Rules (as defined under the Hong Kong Underwriting Agreement), or any other applicable laws; or

(d) any breach of the obligations or undertakings imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Sole Sponsor, the Hong Kong Underwriters or the International Underwriters); or

(e) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties (as defined in the Hong Kong Underwriting Agreement) pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement; or

(f) any material adverse change, or any development involving a prospective material adverse change, whether directly or indirectly, on or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, revenue, profits, losses, trading position, results of operations, position or condition, financial or otherwise, or performance of our Group, taken as a whole; or

(g) any breach of, or any event or circumstance rendering untrue or incorrect, incomplete in any respect or misleading, any of the representations, warranties, agreements and undertakings given by our Company and the Controlling Shareholders under the Hong Kong Underwriting or the International Underwriting Agreement; or

(h) that the approval by the Stock Exchange of the listing of, and permission to deal in, the H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(i) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the H Shares pursuant to the terms of the Global Offering; or

(j) that our Company withdraws any of this prospectus, the formal notice or the Global Offering; or

(k) the chairman, the general manager, any Director, Supervisor or member of the senior management of our Company as named in this prospectus vacating his or her office; or

(l) a Director or a member of our Company's senior management as named in this prospectus being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company or being subject to any disciplinary proceedings in any Relevant Jurisdiction (including, in particular, the CSRC and its local branches and representative offices); or

(m) any order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or

(n) that any of the experts described under "Statutory and General Information — E. Other Information — 8. Qualification of Experts" in Appendix VI of this prospectus has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(o) that any person has withdrawn or is subject to withdrawing its consent to being named in the Hong Kong Prospectus or to the issue of any of this prospectus, the formal notice; or

(p) that a material portion of the orders placed or confirmed in the bookbuilding process at the time of the International Underwriting Agreement is entered into, have been withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange Pursuant to the Listing Rules

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange, that no further Shares or securities convertible into equity securities of our Company (including warrants or other convertible securities) (whether or not of a class already listed) may be issued or sold or transferred out of treasury or form the subject of any agreement to such an issue, or sale or transfer out of treasury by our Company within six months from the Listing Date (whether or not such issue of Shares or securities of our Company, or sale or transfer of shares out of treasury will be completed within six months from the Listing Date), except for (a) any capitalization issue, capital reduction or consolidation or sub-division of the Shares; (b) pursuant to the Global Offering and the exercise of the Over-allotment Option; or (c) under any of the circumstances provided under Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

By virtue of Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering and the Over-allotment Option, they will not and will procure that the relevant registered holder(s) (if any) of our H Shares in which any of them has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

(i) at any time in the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which they are shown to be the beneficial owner in this prospectus (the "**Relevant Shares**"); and

(ii) at any time in the period of six months commencing from the expiry of the First Six-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares to such extent that, immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, they will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the period commencing from the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(i) when he/she/it pledges or charges any securities or interests in any securities of our Company beneficially owned by any of them, whether directly or indirectly, in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledge or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Stock Exchange in writing as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement pursuant to the requirements under the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Except for the offer, issue and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and otherwise pursuant to the Listing Rules, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"), our Company hereby undertakes to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries not to, and to procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase any legal or beneficial interest in any Shares or other securities of our Company, or any interest in any of the foregoing (including, but not limited to, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or securities of our Company, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company, or any interest in any of the foregoing (including without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

(iv) offer to or contract to or agree to or announce or publicly disclose any intention to effect any transaction specified in (i), (ii) or (iii) above,

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or contracts to or agrees to or announces or publicly discloses any intention to effect any such transaction, our Company undertakes to take all reasonable steps to ensure that such transaction, agreement, announcement or disclosure (as the case maybe) will not create a disorderly or false market in the securities of our Company. The Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries to procure our Company to comply with the undertakings above.

(B) Undertakings by our Controlling Shareholders

Each of the Controlling Shareholders hereby jointly and severally undertakes to each of our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries that, without the prior written consent of the Sole Sponsor and the Sole Overall Coordinator (for itself and on behalf of the other Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(i) he, she or it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him, her or it and the companies controlled by him, her or it and/or entities which entrusted him, her or it to exercise their voting rights will not, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company, or any interest in any of the foregoing (including, but not limited to, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable or any interest in any of the foregoing) (the "**Locked-up Securities**"), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of, any Locked-up Securities, or (c) enter into any transaction with the same economic effect as any transaction specified in paragraph (i)(a) or (b) above, or (iv) offer to or contract to or agree to or announce or publicly disclose any intention to effect any transaction specified in paragraph (i)(a), (b) or (c) above, in each case, whether any of the transactions specified in paragraph (i)(a), (b) or (c) above is to be settled by delivery of the Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);

(ii) during the Second Six Month Period, he, she or it will not, and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him, her or it and the companies controlled by him, her or it will not, at any time, enter into any transaction described in paragraph (i) (a), (b) or (c) above in respect of any Locked-up Securities or offer to or contract to or agree to or announce or publicly disclose any intention to enter into any such transaction if, immediately following such transaction or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, any of the Controlling Shareholder (individually or in aggregate) will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company and/or a group of controlling shareholders (as defined in the Listing Rules) of our Company, as the case may be;

(iii) until the expiry of the Second Six-Month period, in the event that he or she or it enters into any of the transactions specified in paragraph (i) (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he, she or it will take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the securities of our Company provided that, subject to strict compliance with any requirements of applicable Laws (including, without limitation and for the avoidance of doubt, the requirements of the Stock Exchange or of the SFC or of any other relevant authority).

The restrictions aforesaid do not apply to any pledge or charge of any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing (including, but not limited to, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company, as applicable, or any interest in any of the foregoing) after the Global Offering in favour of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a *bona fide* commercial loan, provided that at any time during the First Six-Month Period and the Second Six-Month Period, he, she or it will and will procure that the relevant registered holder(s) and the companies controlled by him, her or it will (i) if and when he, she or it pledges or charges any Shares or other securities of our Company beneficially owned by him, her or it, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such pledge or charge together with the number of Shares or other securities (or interest therein) of our Company so pledged or charged; and (ii) if and when he, she or it or the relevant registered holder(s) or the companies controlled by him, her or it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interest therein) of our Company will be disposed of, immediately inform our Company, the Sole Sponsor and the Sole Overall Coordinator in writing of such indications. The Company shall, as soon as practicable upon receiving such information in writing from the member of the Controlling Shareholders and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

Indemnity

We and our Controlling Shareholders have agreed to indemnify, among others, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Capital Market Intermediaries for certain losses which they may suffer, including, among others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and our Controlling Shareholders of the Hong Kong Underwriting Agreement.

The International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the Sole Sponsor, the Sole Overall Coordinator and the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters would severally and not jointly agree to purchase, or procure purchasers to purchase, the Offer Shares being offered pursuant to the International Offering (subject to, among others, any reallocation between the International Offering and the Hong Kong Public Offering). It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

It is expected that each of our Controlling Shareholders will undertake to the International Underwriters not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of the H Shares held by it in our Company for a period similar to such undertakings given by them pursuant to the Hong Kong Underwriting Agreement, which is described in "— Underwriting Arrangements and Expenses — Undertakings pursuant to the Hong Kong Underwriting Agreement — (B) Undertakings by our Controlling Shareholders" above.

Over-allotment Option and Stabilization

We expect to grant to the International Underwriters, exercisable in whole or in part by the Sole Overall Coordinator at absolute discretion (for itself and on behalf of the International Underwriters), the Over-allotment Option, which will be exercisable from the Listing Date until up to (and including) the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 1,629,200 H Shares, representing no more than 15.0% of the number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

For more details of the arrangements relating to the Over-allotment Option and stabilization, see "Structure of the Global Offering" in this prospectus.

Commission and Expenses

Our Company will pay an underwriting commission of 3% of the aggregate Offer Price of all the Offer Shares (including H Shares to be issued if the Over-allotment Option is exercised) (the "**Fixed Fees**"). Our Company may also in our sole and absolute discretion pay any one or all of the Underwriters an additional incentive fee in aggregate of up to 1% of the aggregate Offer Price for all of the Offer Shares (including H Shares to be issued if the Over-allotment Option is exercised) (the "**Discretionary Fees**"). For the purpose of disclosure of the ratio of fixed and discretionary fees payable (the "**Fee Split Ratio**") as required under paragraph 3B of Appendix D1A to the Listing Rules, the Fees Split Ratio will be approximately 52.5:47.5, assuming the Discretionary Fees will be paid in full, whether or not the Over-allotment Option is exercised. For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

Assuming the Over-allotment Option is not exercised, the aggregate commissions and fees, together with Stock Exchange listing fees, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565%, AFRC transaction levy of 0.00015%, legal and other professional fees and printing and all other expenses payable by us relating to the Global Offering are currently estimated to amount in aggregate to approximately HK$39.4 million (assuming an Offer Price of HK$20.7 per Offer Share, being the mid-point of the indicative Offering Price range stated in this prospectus).

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Pursuant to the PRC Company Law, our Shares issued prior to the Listing shall not be transferred within 12 months from the Listing Date.

INDEPENDENCE OF THE SOLE SPONSOR

The Sole Sponsor satisfies the independence criteria applicable to sponsor set out in Rule 3A.07 of the Listing Rules.

UNDERWRITERS' INTERESTS IN OUR COMPANY

Save as disclosed in this prospectus and save for the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, as at the Latest Practicable Date, none of the Underwriters has any shareholding or beneficial interests in any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

Following the completion of the Global Offering, the Sole Overall Coordinator and the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Such activities may affect the market price or value of our H Shares, the liquidity or trading volume in our H Shares and the volatility of the price of our H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(a) the Hong Kong Public Offering of initially 1,086,200 H Shares (subject to reallocation) in Hong Kong, as described in "— The Hong Kong Public Offering" below; and

(b) the International Offering of initially 9,775,600 H Shares (subject to reallocation and the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in "— The International Offering" below.

The 10,861,800 H Shares initially being offered in the Global Offering will represent approximately 22% of the total number of issued Shares immediately after completion of the Global Offering, without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option. The underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting" in this prospectus.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering, or, if qualified to do so, apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 1,086,200 Hong Kong Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of H Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.2% of our Company's enlarged share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a several basis under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price. Completion of the Hong Kong Public Offering is subject to the conditions as set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of the Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Offering referred to below) will be divided equally into two pools (with any odd lots being allocated to pool A): pool A and pool B. Pool A will comprise 543,100 Hong Kong Offer Shares and pool B will comprise 543,100 Hong Kong Offer Shares initially. Both of which are available on an equitable basis to successful applicants. All valid applications that have applied for Hong Kong Offer Shares with a total subscription price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of HK$5 million or below will fall into pool A. All valid applications that have applied for Hong Kong Offer Shares with a total subscription price (excluding brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% payable) of over HK$5 million and up to the total value of pool B will fall into pool B.

For the purpose of this sub-section only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 543,100 Hong Kong Offer Shares (being 50% of the 1,086,200 Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

Assuming that the Over-allotment Option is not exercised, the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation on the following basis:

(a) where the International Offer Shares are fully subscribed or oversubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) has the authority (but not the obligation) in their absolute discretion to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Overall Coordinator deems appropriate to satisfy demand under the International Offering;

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 1,086,200 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering in accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 2,172,400 Offer Shares, representing twice of the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Over-allotment Option);

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 2,172,400 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 3,258,600 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 3,258,600 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 4,344,800 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and

(v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 4,344,700 Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 5,430,900 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

(b) where the International Offer Shares are undersubscribed and:

(i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless fully underwritten by the Underwriters; and

(ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 1,086,200 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 2,172,400 Offer Shares, representing twice of the number of the Offer Shares initially available under the Hong Kong Public Offering (before any exercise of the Over-allotment Option).

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the sole and absolute discretion of the Sole Overall Coordinator. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Sole Overall Coordinator has the authority (but not the obligation) in its sole and absolute discretion to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Sole Overall Coordinator deems appropriate.

In addition to any mandatory reallocation required as described above, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) may reallocate the Offer Shares from the International Offering to the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, (i) the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 2,172,400 Offer Shares), and (ii) the final Offer Price shall be fixed at HK$20.0 per Offer Share, the low-end of the Offer Price range stated in this prospectus.

In the event of a reallocation of the Offer Shares from the International Offering to the Hong Kong Public Offering in the circumstances under paragraphs (a)(ii), (a)(iii), (a)(iv), (a)(v) or (b)(ii) above, the number of Offer Shares allocated to the International Offering will be correspondingly reduced.

Applications

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered H Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Overall Coordinator so as to allow it to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for H Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering may be required to pay, on application (subject to application channels), the maximum price of HK$21.4 per Offer Share in addition to the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "— Pricing and Allocation" below, is less than the maximum price of HK$21.4 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. Further details are set out in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 9,775,600, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, and is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "— Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely hold or sell, H Shares, after the Listing. Such allocation is intended to result in a distribution of the H Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Overall Coordinator (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Overall Coordinator (for itself and on behalf of the Underwriters) so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the reallocation arrangement described in "— The Hong Kong Public Offering — Reallocation" above, the exercise of the Over-allotment Option in whole or in part described in "— Over-allotment Option" below and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, which will be exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Overall Coordinator (for itself and on behalf of the International Underwriters) at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to

1,629,200 new H Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering, to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.2% of the total number of Shares in issue immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, *inter alia*, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing H Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the H Shares that may be issued under the Over-allotment Option, namely, 1,629,200 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong). Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares;

(b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;

(c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, any of the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling or agreeing to sell any of the H Shares in order to liquidate any position established as a result of those purchases; and

(f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

Prospective applications for investors in the Offer Shares should note that:

(a) as a result of effecting transactions to stabilize or maintain the market price of the H Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the H Shares;

(b) the size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain;

(c) liquidation of any such long position by the Stabilizing Manager and selling in the open market may lead to a decline in the market price of the H Shares;

(d) no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period, which begins on the Listing Date, and is expected to expire on Sunday, August 3, 2025, being the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the H Shares, and their market price, could fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the H Shares. As a result, the price of the H Shares may be higher than the price that otherwise may exist in the open market;

(e) any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilizing period; and

(f) stabilizing bids or transactions effected in the course of the stabilizing action may be made at a price at or below the Offer Price and therefore at or below the price paid by applicants for, or investors in, the Offer Shares.

In order to effect stabilization actions, the Stabilizing Manager will arrange cover of up to an aggregate of 1,629,200 H Shares, representing up to 15% of the initial Offer Shares, through delayed delivery arrangements with investors who have been allocated Offer Shares in the International Offering. The delayed delivery arrangements (if specifically agreed by an investor) relate only to the delay in the delivery of the Offer Shares to such investor and the Offer Price for the Offer Shares allocated to such investor will be paid on the Listing Date. Both the size of such cover and the extent to which the Over-allotment Option can be exercised will depend on whether arrangements can be made with investors such that a sufficient number of H Shares can be delivered on a delayed basis. If no investor in the International Offering agrees to the delayed delivery arrangements, no stabilizing actions will be undertaken by the Stabilizing Manager and the Over-allotment Option will not be exercised.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilizing period.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about Monday, July 7, 2025, by agreement between the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share, as determined by the Sole Overall Coordinator (for and on behalf of the Underwriters) and our Company.

The Offer Price will not be more than HK$21.4 per Offer Share and is expected to be not less than HK$20.0 per Offer Share, unless otherwise announced by our Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offering, which is Friday, July 4, 2025, as further explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

If, for any reason, our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 12:00 noon on Monday, July 7, 2025, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Sole Overall Coordinator (for itself and on behalf of the other Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be announced on the website of our Company at **www.chinadzyl.com** and the website of the Stock Exchange at **www.hkexnews.hk**, notices of the reduction, and the cancellation of the Global Offering and relaunch of the offer at the revised number of Offer Shares and/or the revised Offer Price.

As soon as practicable after such reduction of the number of Offer Shares and/or the Offer Price, we will also issue a supplemental prospectus or a new prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, and giving investors at least three business days to consider the new information. The supplemental or new prospectus should include at least the following: updated (i) Offer

Price and market capitalization; (ii) listing timetable and underwriting obligations; (iii) price/earning multiple, unaudited pro forma and adjusted net tangible assets; and (iv) use of proceeds and working capital adequacy confirmation based on the revised proceeds.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering, which is Friday, July 4, 2025. In the absence of any such supplemental or new prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Overall Coordinator (for itself and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

If there is any change to the offer size due to change in the number of Offer Shares offered in the Global Offering (other than pursuant to the reallocation mechanism as disclosed in this prospectus), or change to the Offer Price which leads to the resulting price falling outside the indicative Offer Price range as stated in this prospectus, or if the Company becomes aware that there has been a significant change affecting any matter contained in this prospectus or a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this prospectus if it had arisen before this prospectus was issued, after the issue of this prospectus and before the commencement of dealings in our Offer Shares as prescribed under Rule 11.13 of the Listing Rules, our Company is required to cancel the Global Offering and issue a supplemental prospectus or a new prospectus and subsequently relaunched on FINI pursuant to the supplemental prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Overall Coordinator (for itself and on behalf of the Underwriters) may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering. The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Overall Coordinator (for itself and on behalf of the Underwriters).

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the results of indications of interest in the International Offering, the results of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations are expected to be announced on Tuesday, July 8, 2025 on the website of our Company at **www.chinadzyl.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptances of all applications for Offer Shares pursuant to the Global Offering will be conditional on, among others:

(a) the Stock Exchange granting approval for the listing of, and permission to deal in, the H Shares in issue and the H Shares to be issued pursuant to the (i) Global Offering, and (ii) the exercise of the Over-allotment Option, and such approval not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

(b) the Offer Price having been duly agreed between our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) on the Price Determination Date;

(c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(d) the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Overall Coordinator (for itself and on behalf of the Underwriters) by 12:00 noon on Monday, July 7, 2025, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at **www.hkexnews.hk** and the website of our Company at **www.chinadzyl.com** on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares — D. Dispatch/Collection of Share Certificates and Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates will only become valid evidence of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering (including the H Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or proposed to be sought in the near future.

SHARES WILL BE ELIGIBLE FOR CCASS

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day. All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our H Shares to be admitted into CCASS.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, July 9, 2025, it is expected that dealings in the H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, July 9, 2025. The H Shares will be traded in board lots of 100 H Shares. The stock code of the H Shares will be 2651.

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.chinadzyl.com.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **HK eIPO White Form** service only).*

Unless permitted by the Listing Rules or a waiver and/or consent has been granted by the Stock Exchange to us, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or its close associates; or
- are a Director or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Monday, June 30, 2025 and end at 12:00 noon on Friday, July 4, 2025 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	**www.hkeipo.hk**	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Monday, June 30, 2025 to 11:30 a.m. on Friday, July 4, 2025, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, July 4, 2025, Hong Kong time.
HKSCC EIPO channel	Your broker or custodian who is a HKSCC Participant will submit an **EIPO** application on your behalf through HKSCC's FINI system in accordance with your instruction.	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your broker or custodian for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

The **HK eIPO White Form** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You <u>must</u> provide the following information with your application:

For Individual Applicants	For Corporate Applicants
• Full name(s)[2] as shown on your identity document	• Full name(s)[2] as shown on your identity document
• Identity document's issuing country or jurisdiction	• Identity document's issuing country or jurisdiction

For Individual Applicants	For Corporate Applicants
• Identity document type, with order of priority: i. HKID card; or ii. National identification document; or iii. Passport; and	• Identity document type, with order of priority: i. LEI registration document; or ii. Certificate of incorporation; or iii. Business registration certificate; or iv. Other equivalent document; and
• Identity document number	• Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

2. The applicant's full name as shown on their identity document must be used and the surname, given name, middle and other names (if any) must be input in the same order as shown on the identity document. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card (including both Hong Kong Residents and Hong Kong Permanent Residents), the HKID number must be used when making an application to subscribe for shares in a public offer. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint account holders on FINI is capped at four[1] in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

(1) Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sole Overall Coordinator, as our agent, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	100 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$21.4 per H Share. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

By instructing your broker or custodian to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** Channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage, SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy by debiting the relevant nominee bank account at the designated bank for your broker or custodian.

If you are applying through the **HK eIPO White Form** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment	No. of Hong Kong Offer Shares applied for	Maximum Amount payable(2) on application/ successful allotment
	HK$		*HK$*		*HK$*		*HK$*
100	2,161.58	2,000	43,231.64	10,000	216,158.19	200,000	4,323,163.80
200	4,323.17	2,500	54,039.54	20,000	432,316.38	250,000	5,403,954.76
300	6,484.74	3,000	64,847.46	30,000	648,474.56	300,000	6,484,745.70
400	8,646.32	3,500	75,655.36	40,000	864,632.75	350,000	7,565,536.66
500	10,807.91	4,000	86,463.28	50,000	1,080,790.96	400,000	8,646,327.60
600	12,969.50	4,500	97,271.18	60,000	1,296,949.15	450,000	9,727,118.56
700	15,131.07	5,000	108,079.10	70,000	1,513,107.34	500,000	10,807,909.50
800	17,292.66	6,000	129,694.91	80,000	1,729,265.52	543,100(1)	11,739,551.29
900	19,454.24	7,000	151,310.72	90,000	1,945,423.71		
1,000	21,615.82	8,000	172,926.55	100,000	2,161,581.90		
1,500	32,423.73	9,000	194,542.37	150,000	3,242,372.86		

Notes:

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** service) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "*— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply*" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **HK eIPO White Form** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares.

The H Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("Best Practice Note") issued by the Federation of Share Registrars Limited.

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorize us and/or the Sole Overall Coordinator, as our agent, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **HK eIPO White Form** service (or as the case may be, the agreement you entered into with your broker or custodian), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your broker or custodian and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that our Company, the Sole Sponsor, the Sole Overall Coordinator, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, the Capital Market Intermediaries, and any of their or our Company's respective directors, officers, employees, partners, agents, advisors, and representatives, and any other parties involved in the Global Offering (collectively, the "**Relevant Persons**"), the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "*— G. Personal Data — 3. Purposes and 4. Transfer of personal data*" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "*— B. Publication of Results*" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "— *C. Circumstances In Which You* Will *Not Be Allocated Hong Kong Offer Shares*" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our Company or any of our subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the H Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Sole Overall Coordinator will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the **HK eIPO White Form** service or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and the **HK eIPO White Form** Service Provider and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through the **HK eIPO White Form** service or **HKSCC EIPO** channel:		
Website . . .	From the "Allotment Results" page at **www.hkeipo.hk/IPOResult** (or **www.tricor.com.hk/ipo/result**) with a "search by ID Number" function.	24 hours, from 11:00 p.m. on Tuesday, July 8, 2025 to 12:00 midnight on Monday, July 14, 2025 (Hong Kong time).
	The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at **www.hkeipo.hk/IPOResult** or **www.tricor.com.hk/ipo/result**.	
	The Stock Exchange's website at **www.hkexnews.hk** and our website at **www.chinadzyl.com** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, July 8, 2025 (Hong Kong time).
Telephone .	+852 3691 8488 — the allocation results telephone enquiry line provided by the H Share Registrar.	Between 9:00 a.m. and 6:00 p.m., from Wednesday, July 9, 2025 to Monday, July 14, 2025 (Hong Kong time) on a business day.

For those applying through **HKSCC EIPO** channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, July 7, 2025 (Hong Kong time), HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, July 7, 2025 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.chinadzyl.com** by no later than 11:00 p.m. on Tuesday, July 8, 2025 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sole Overall Coordinator, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— *A. Application for Hong Kong Offer Shares — 5. Multiple Applications Prohibited*" in this section on what constitutes multiple applications;
- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sole Overall Coordinator believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted H Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their designated bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their designated bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted H Shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the broker or custodian may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DISPATCH/COLLECTION OF H SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one H Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid at 8:00 a.m. on the Listing Date, provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" has not been exercised. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Dispatch/collection of H Share certificate[1]		
For application of 500,000 Hong Kong Offer Shares or more . .	Collection in person at the H Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong. **Time:** from 9:00 a.m. to 1:00 p.m. on Wednesday, July 9, 2025 (Hong Kong time). If you are an individual, you must not authorize any other person to collect for you. If you are a corporate applicant, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account. No action by you is required.

	HK eIPO White Form service	HKSCC EIPO channel
	Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk.	
For application of less than 500,000 Hong Kong Offer Shares	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk.	
	Date: Tuesday, July 8, 2025.	

Refund mechanism for surplus application monies paid by you

Date	Wednesday, July 9, 2025	Subject to the arrangement between you and your broker or custodian.
Responsible party	H Share Registrar.	Your broker or custodian.
Application monies paid through single bank account	**HK eIPO White Form** e-Auto Refund payment instructions to your designated bank account.	Your broker or custodian will arrange refund to your designated bank account subject to the arrangement between you and it.
Application monies paid through multiple bank accounts	Refund cheque(s) will be dispatched to the address as specified in your application instructions by ordinary post at your own risk.	

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, July 4, 2025 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- **Extreme Conditions**,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, July 4, 2025.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Stock Exchange's website at **www.hkexnews.hk** and our website at **www.chinadzyl.com** of the revised timetable.

If a **Bad** Weather Signal is hoisted on Tuesday, July 8, 2025, the H Share Registrar will make appropriate arrangements for the delivery of the H Share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, July 9, 2025.

If a **Bad** Weather Signal is hoisted on Tuesday, July 8, 2025, for application of less than 500,000 Offer Shares, the despatch of physical H Share certificates will be made by ordinary post when the post office re-opens after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, July 8, 2025 or on Wednesday, July 9, 2025).

If a **Bad** Weather Signal is hoisted on Wednesday, July 9, 2025, for application of 500,000 Offer Shares or more, physical H Share certificates will be made available for collection in person at the H Share Registrar's Office after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, July 9, 2025 or on Thursday, July 10, 2025).

Prospective investors should be aware that if they choose to receive physical H Share certificates issued in their own name, there may be a delay in receiving the H Share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

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

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

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the H Share Registrar, the receiving bank and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of our Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the collection of your personal data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to our Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of our Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform our Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **HK eIPO White Form** e-Auto Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the register of members of our Company;
- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the Shares;
- facilitating Hong Kong Offer Shares balloting;
- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and profiles of the holder of the H Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of personal data

Personal data held by our Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our Company's appointed agents such as financial advisors, receiving bank and overseas principal share registrar;
- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company or the H Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Stock Exchange's administration of the Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of personal data

Our Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfill the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. Our Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to our Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of our joint company secretaries, or the H Share Registrar for the attention of the privacy compliance officer.

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

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

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

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WUHAN DAZHONG DENTAL MEDICAL CO., LTD. AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Wuhan Dazhong Dental Medical Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-70, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2022, 2023 and 2024 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022, 2023 and 2024 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2022, 2023 and 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to note II 11 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
30 June 2025

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
REVENUE	5	409,444	441,841	407,083
Cost of sales		(260,970)	(273,615)	(254,743)
Gross profit		148,474	168,226	152,340
Other income and gains	5	7,541	4,464	5,414
Selling and distribution expenses		(41,709)	(44,687)	(40,473)
Administrative expenses		(33,992)	(32,549)	(34,875)
Research and development expenses		(6,618)	(6,823)	(6,669)
Other expenses		(2,175)	(1,885)	(1,307)
Finance costs	7	(6,679)	(5,507)	(5,329)
Fair value (losses)/gains on redeemable preference shares	26	(1,336)	(2,331)	1,716
PROFIT BEFORE TAX		63,506	78,908	70,817
Income tax expense	10	(7,056)	(11,870)	(8,317)
PROFIT FOR THE YEAR		56,450	67,038	62,500
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		56,450	67,038	62,500
Attributable to:				
Owners of the parent		43,342	50,069	41,916
Non-controlling interests		13,108	16,969	20,584
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic and diluted (RMB)	12	0.92	1.07	0.94

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	76,580	74,256	76,512
Right-of-use assets	*14*	110,024	99,216	108,438
Goodwill	*15*	63,090	63,090	63,090
Other intangible assets	*16*	2,328	2,020	1,749
Prepayments, other receivables and other assets	*17*	4,878	3,909	4,674
Deferred tax assets	*18*	786	594	1,885
Total non-current assets		257,686	243,085	256,348
CURRENT ASSETS				
Inventories	*20*	6,127	5,709	3,655
Trade receivables	*21*	3,751	6,548	5,836
Prepayments, other receivables and other assets	*17*	12,867	8,586	17,107
Contingent consideration	*19*	976	–	–
Financial assets at FVTPL	*22*	117	–	–
Cash and cash equivalents	*23*	177,970	227,083	95,046
Total current assets		201,808	247,926	121,644
CURRENT LIABILITIES				
Trade payables	*24*	18,014	17,298	14,678
Other payables and accruals	*25*	24,489	29,086	50,756
Redeemable preference shares	*26*	–	112,781	–
Contract liabilities	*27*	49,510	52,897	33,612
Lease liabilities	*14*	34,434	32,488	31,211
Tax payable		1,198	3,658	4,839
Total current liabilities		127,645	248,208	135,096
NET CURRENT ASSETS/(LIABILITIES)		74,163	(282)	(13,452)
TOTAL ASSETS LESS CURRENT LIABILITIES		331,849	242,803	242,896

	Notes	As at 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT LIABILITIES				
Redeemable preference shares	26	110,450	–	–
Contract liabilities	27	1,728	2,099	1,732
Deferred tax liabilities	18	421	355	253
Lease liabilities	14	77,401	69,197	81,902
Total non-current liabilities		190,000	71,651	83,887
Total liabilities		317,645	319,859	218,983
Net assets		141,849	171,152	159,009
EQUITY				
Equity attributable to owners of the parent				
Share capital	28	46,897	46,897	38,517
Treasury shares	29	(15,438)	(15,438)	(15,438)
Reserves	29	84,653	99,900	92,552
		116,112	131,359	115,631
Non-controlling interests		25,737	39,793	43,378
Total equity		141,849	171,152	159,009

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital	**Treasury shares**	**Capital reserve***	**Surplus reserve***	**Share-based payment reserve***	**Other reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total**
	RMB'000 *(note II 28)*	*RMB'000*	*RMB'000* *(note II 29)*	*RMB'000* *(note II 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	46,897	(15,438)	135,270	9,798	6,674	(96,434)	23,089	109,856	22,002	131,858
Total comprehensive income for the year	–	–	–	–	–	–	43,342	43,342	13,108	56,450
Transfer to surplus reserve	–	–	–	2,314	–	–	(2,314)	–	–	–
Acquisition of non-controlling interests^	–	–	316	–	–	–	–	316	(3,923)	(3,607)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(7,028)	(7,028)
Final 2021 dividend declared *(note II 11)*	–	–	–	–	–	–	(39,000)	(39,000)	–	(39,000)
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	2,103	2,103
Share-based payments	–	–	73	–	1,525	–	–	1,598	–	1,598
Disposal of subsidiaries *(note II 32)*	–	–	–	–	–	–	–	–	(525)	(525)
As at 31 December 2022	46,897	(15,438)	135,659	12,112	8,199	(96,434)	25,117	116,112	25,737	141,849

Year ended 31 December 2023

	Attributable to owners of the parent									
	Share capital	**Treasury shares**	**Capital reserve***	**Surplus reserve***	**Share-based payment reserve***	**Other reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total**
	RMB'000 *(note II 28)*	*RMB'000*	*RMB'000* *(note II 29)*	*RMB'000* *(note II 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	46,897	(15,438)	135,659	12,112	8,199	(96,434)	25,117	116,112	25,737	141,849
Total comprehensive income for the year	–	–	–	–	–	–	50,069	50,069	16,969	67,038
Transfer to surplus reserve	–	–	–	3,650	–	–	(3,650)	–	–	–
Acquisition of subsidiaries *(note II 31)*	–	–	–	–	–	–	–	–	2,327	2,327
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(9,638)	(9,638)
Final 2022 dividend declared *(note II 11)*	–	–	–	–	–	–	(36,600)	(36,600)	–	(36,600)
Share-based payments	–	–	–	–	1,053	–	–	1,053	–	1,053
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	3,559	3,559
Partial disposal of interests in subsidiaries without loss of control#	–	–	725	–	–	–	–	725	839	1,564
As at 31 December 2023	46,897	(15,438)	136,384	15,762	9,252	(96,434)	34,936	131,359	39,793	171,152

Year ended 31 December 2024

	Attributable to owners of the parent								Non-controlling interests	Total
	Share capital	Treasury shares	Capital reserve*	Surplus reserve*	Share-based payment reserve*	Other reserve*	Retained profits*	Total		
	RMB'000 *(note II 28)*	*RMB'000*	*RMB'000* *(note II 29)*	*RMB'000* *(note II 29)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2024	46,897	(15,438)	136,384	15,762	9,252	(96,434)	34,936	131,359	39,793	171,152
Total comprehensive income for the year	–	–	–	–	–	–	41,916	41,916	20,584	62,500
Transfer from retained profits	–	–	–	3,497	–	–	(3,497)	–	–	–
Acquisition of non-controlling interests^	–	–	(239)	–	–	–	–	(239)	(1,083)	(1,322)
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(18,315)	(18,315)
Final 2023 dividend declared *(note II 11)*	–	–	–	–	–	–	(50,000)	(50,000)	–	(50,000)
Share-based payments	–	–	1,353	–	1,002	–	–	2,355	–	2,355
Capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	1,716	1,716
Partial disposal of interests in subsidiaries without loss of control#	–	–	1,010	–	–	–	–	1,010	683	1,693
Repurchase of redeemable preferred shares *(note II 26)*	(7,690)	–	(89,710)	–	–	97,400	–	–	–	–
Capital deduction *(note II 28)*	(690)	–	(10,080)	–	–	–	–	(10,770)	–	(10,770)
As at 31 December 2024	38,517	(15,438)	38,718	19,259	10,254	966	23,355	115,631	43,378	159,009

^ In 2022, the Group acquire 38.5% interest in Xiangyang Dazhong Dental Medical Co., Ltd. and 49% interest in Jingzhou Dazhong Dental Daqiao Out-patient Department Co., Ltd. from certain third parties. In 2024, the Group acquire 49% interests in Wuhan Dazhong Hesheng Jinyinhu Dental Out-patient Department Co., Ltd. from a third party.

In 2023, the Group partially disposed of 49% of its interests in Xiangyang Xiangcheng District Public Oral Clinic Co., Ltd., 33% of its interests in Shaoyang Shuangqing Dazhong Furong Dental Clinic Co., Ltd., and 33% of its interests in Shaoyang Dazhong Furong Beita Dental Clinic Co., Ltd. to certain third parties. In 2024, the Group partially disposed of 49% of its interests in Wuhan Dazhong Baishazhou Dental Clinic Co., Ltd., 44% of its interests in Xiangyang Fancheng District Dazhong Dental Out-patient Department Co., Ltd., and 44% of its interests in Xiangyang Dazhong Kaidi Dental Out-patient Service Co., Ltd. to certain third parties.

* These reserve accounts comprised the consolidated reserves of RMB84,653,000, RMB99,900,000, and RMB92,552,000 in the consolidated statements of financial position as at 31 December 2022, 2023 and 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		63,506	78,908	70,817
Adjustments for:				
Finance costs	7	6,679	5,507	5,329
Loss on disposal of items of property, plant and equipment	6	217	522	512
Gain arising from lease modification	5	(714)	(386)	(1,120)
Gain on disposal of subsidiaries	5	(1,612)	–	–
Depreciation of property, plant and equipment	6	24,048	23,098	21,059
Amortisation of other intangible assets	6	267	308	298
Depreciation of right-of-use assets	6	38,971	37,519	35,262
Provision for impairment of trade receivables and other receivables		54	178	124
Covid-19-related rent concessions from lessors	14(b)	(3,404)	–	–
Fair value losses/(gains) on redeemable preference shares		1,336	2,331	(1,716)
Investment income from wealth management products	5	(2,425)	(2,693)	(1,527)
Share-based payments	6	1,598	1,053	2,355
Fair value loss on equity investment at FVTPL	5	–	117	–
Fair value adjustment in contingent consideration	5	(47)	(24)	–
		128,474	146,438	131,393

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Decrease in inventories		1,428	816	2,054
Decrease/(increase) in trade receivables		1,633	(2,965)	753
(Increase)/decrease in prepayments, other receivables and other assets		(5,756)	5,373	338
Decrease in trade payables		(672)	(716)	(2,620)
(Decrease)/increase in contract liabilities		(2,403)	3,758	(19,652)
Increase/(decrease) in other payables and accruals		4,509	5,579	(3,101)
Cash generated from operations		127,213	158,283	109,165
Income tax paid		(7,287)	(9,284)	(8,529)
Net cash flows from operating activities		119,926	148,999	100,636
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(13,957)	(18,521)	(23,420)
Proceeds from disposal of property, plant and equipment		1,986	576	1,673
Purchases of wealth management products		(264,000)	(375,000)	(135,000)
Proceeds from disposal of wealth management products		299,152	377,693	136,527
Addition to other intangible assets		(887)	–	(27)
Disposal of subsidiaries		2,874	600	–
Acquisition of subsidiaries		(3,629)	(2,137)	(821)
Contingent consideration received		–	–	1,000
Net cash flows from/(used in) investing activities		21,539	(16,789)	(20,068)

	Notes	Year ended 31 December 2022	2023	2024
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		(39,000)	(36,600)	(30,603)
Repayment of bank borrowings		(10,015)	–	–
Dividends paid to non-controlling shareholders		(7,028)	(9,638)	(17,738)
Capital injection from non-controlling shareholders		2,103	3,559	1,716
Acquisition of non-controlling interests		(3,607)	–	(1,322)
Principal portion of lease payments		(34,180)	(36,475)	(31,936)
Interest paid		(6,679)	(5,507)	(5,329)
Partial disposal of interests in the subsidiaries without loss of control		–	1,564	2,122
Payment of listing expenses		–	–	(7,680)
Repurchase of redeemable preferred shares		–	–	(111,065)
Capital deduction		–	–	(10,770)
Net cash flows used in financing activities		(98,406)	(83,097)	(212,605)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		43,059	49,113	(132,037)
Cash and cash equivalents at beginning of year		134,911	177,970	227,083
CASH AND CASH EQUIVALENTS AT END OF YEAR		177,970	227,083	95,046
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23	177,970	227,083	95,046
Cash and cash equivalents as stated in the statements of cash flows		177,970	227,083	95,046

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	37,663	32,673	42,009
Investment properties		–	3,233	3,129
Right-of-use assets	*14*	55,109	38,686	56,368
Goodwill		2,982	2,982	2,982
Other intangible assets		2,317	2,016	1,738
Investments in subsidiaries	*1*	93,400	98,883	101,716
Prepayments, other receivables and other assets	*17*	2,278	1,990	2,453
Total non-current assets		193,749	180,463	210,395
CURRENT ASSETS				
Inventories		2,376	1,895	1,118
Trade receivables		2,164	2,699	2,679
Prepayments, other receivables and other assets	*17*	10,045	5,689	18,376
Contingent consideration	*19*	976	–	–
Financial assets at FVTPL	*22*	117	–	–
Cash and cash equivalents	*23*	124,110	160,468	12,645
Total current assets		139,788	170,751	34,818
CURRENT LIABILITIES				
Trade payables	*24*	9,579	7,548	5,903
Other payables and accruals	*25*	40,184	74,595	75,799
Redeemable preference shares	*26*	–	112,781	–
Contract liabilities	*27*	19,829	18,113	9,308
Lease liabilities	*14*	20,865	16,299	16,322
Tax payable		–	1,379	1,360
Total current liabilities		90,457	230,715	108,692
NET CURRENT ASSETS/(LIABILITIES)		49,331	(59,964)	(73,874)
TOTAL ASSETS LESS CURRENT LIABILITIES		243,080	120,499	136,521

		As at 31 December		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Redeemable preference shares	*26*	110,450	–	–
Contract liabilities	*27*	875	836	667
Deferred tax liabilities		382	305	76
Lease liabilities	*14*	31,786	20,386	39,530
Total non-current liabilities		143,493	21,527	40,273
Net assets		99,587	98,972	96,248
EQUITY				
Share capital	*28*	46,897	46,897	38,517
Reserves	*29*	52,690	52,075	57,731
Total equity		99,587	98,972	96,248

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Wuhan Dazhong Dental Medical Co., Ltd. (the "Company") is a limited liability company established in the People's Republic of China ("PRC") on 10 July 2007. The registered office address of the Company is located at Room 5, 11/F and Rooms 601, 608-612, 6/F, Huayin Building, No. 786 Minzhu Road, Zhongnan Road Sub-District, Wuchang District, Wuhan, Hubei Province, the PRC. On 24 December 2014, the Company was converted to a joint stock company with limited liability, and a total of 20,000,000 ordinary shares with a par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under the names of these shareholders on 31 December 2014.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") were principally engaged in the dental clinic services.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are limited liability companies. The particulars of the Company's principal subsidiaries are set out below:

Name*	Note	Place and date of incorporation/ registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Wuhan Dazhong Dental Hospital Co., Ltd.	*(a)*	PRC/Wuhan, Hubei Province 22 May 2014	RMB5,000,000	100%	–	Provision of dental healthcare services
Wuhan Dazhong Hejian Baibuting Dental Clinic Co., Ltd.	*(a)*	PRC/Wuhan, Hubei Province 12 August 2019	RMB1,500,000	51%	–	Provision of dental healthcare services
Wuhan Dazhong Zaoyang Dental Hospital Co., Ltd.	*(a)*	PRC/Xiangyang, Hubei Province 25 March 2019	RMB2,600,000	51%	–	Provision of dental healthcare services
Jingzhou Dazhong Dental Medical Co., Ltd.	*(a)*	PRC/Jingzhou, Hubei Province 2 January 2020	RMB12,100,000	70%	–	Investment holding
Chenzhou Dazhong Furong Dental Hospital Co., Ltd.	*(a)*	PRC/Chenzhou, Hunan Province 13 December 2019	RMB2,000,000	51%	–	Provision of dental healthcare services
Shaoyang Dazhong Furong Dental Hospital Co., Ltd.	*(a)*	PRC/Shaoyang, Hunan Province 6 December 2019	RMB2,000,000	51%	–	Provision of dental healthcare services

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of the companies as they do not have official English names.

Note:

(a) The statutory financial statements of these entities for the year ended 31 December 2022 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Wuhan Hengfa Joint Certified Public Accountants Firm (General Partnership) (武漢恒發聯合會計師事務所(普通合夥)), certified public accountants registered in the PRC. No audited financial statements have been prepared for these entities for the years ended 31 December 2023 and 2024.

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.

Company

The carrying amounts of the Company's investments in subsidiaries:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost	93,400	98,883	101,716

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRS effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information consistently throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets at FVTPL, contingent consideration and financial liabilities at FVTPL which have been measured at fair value. Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss. This category includes derivative instruments and equity investments which we had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognized as other income in 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 FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category. 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 FVTPL.

As at December 31, 2024, the Group had net current liabilities of RMB13,452,000. Having considered the unutilised banking facilities of RMB50,000,000 and cash flow projections for the twelve months ending 31 December 2025, the board of directors are satisfied that the Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern. The board of directors of the Company has given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same Relevant Periods 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, and any non-controlling interest; 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.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS

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

Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Annual Improvements to IFRS Accounting Standards — Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 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 period beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRS upon initial application and has concluded that the adoption of them will not have a material impact on the Group's financial position and financial performance.

2.3 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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation 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.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

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 net 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.

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 wealth management products, contingent consideration, other equity instrument investment, contingent consideration and redeemable preference shares 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.

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 the 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.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Categories	Principal annual rates
Buildings	3.17%
Medical equipment	19%
Furniture and fixtures	19% to 31.67%
Motor vehicles	19%
Leasehold improvements	The shorter of the useful life and the lease term

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 when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any impairment losses.

The investment properties are depreciated on a straight-line basis at the rate of 3.17% per annum with the estimated residual value of 5% of the cost.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

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.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Category	Estimated useful lives
Software	5 to 10 years

The estimated useful life of the Group's software is based on the purchase contract or the useful life of similar software in the market.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Categories	Estimated useful lives
Clinic and office premises	2 to 16.5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (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). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Investments and other financial assets

Initial recognition and measurement

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

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 FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, 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 FVTPL.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at FVTPL

Financial assets at FVTPL 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 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 FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

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 FVTPL.

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. 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 30 to 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as redeemable preference shares, loans and borrowings, payables as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, interest-bearing bank borrowings, redeemable preference shares and financial liabilities included in other payables and accruals.

Subsequent measurement

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

Financial liabilities at FVTPL ("Redeemable preference shares")

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. 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 Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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 Relevant Periods.

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

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

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 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 IFRS 15. For contracts where the period between the payment by the customer and the transfer of the promised service exceeds one year, the transaction price is adjusted for the effects of a financing component, if significant.

Revenue from the rendering of dental services is recognised over time because the customers simultaneously receive and consume the benefits provided by the Group.

(a) Revenue from the rendering of orthodontics and implantology services is recognised over time, using an input method to measure progress towards complete satisfaction of the services. The input method recognises revenue on the basis of the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

(b) Revenue from the rendering of general dentistry services is recognised when the services have been rendered, given that such dental services are generally completed within a very short period of time.

Revenue from sales of goods is recognised when control of the goods has transferred, being when the goods are delivered to the customers.

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.

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Other employee benefits

Pension scheme

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

Housing fund — Chinese Mainland

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Share-based payments

The Company operates a restricted share scheme. Employees 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 the discounted cash flow and equity allocation method, further details of which are given in note II 30 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed dividends are disclosed in the notes to the Historical Financial Information.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Allocation of goodwill to groups of cash-generating units

The Group accounted for these business combinations by applying the acquisition method and recognised goodwill. The Group has determined that for the purpose of impairment testing of goodwill, goodwill is allocated to one group of cash-generating units which represents the entire business of the Group that are expected to benefit from the synergies of the combination with the consideration that it is the lowest level within the Group at which the goodwill is monitored for internal management purpose.

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 dental services is to be recognised over time because customers simultaneously receive and consume the benefits provided by the Group.

The Group determined that the input method is the best method in measuring the progress of orthodontics services and implantology 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 customers. The Group recognises revenue on the basis of incurred cost, including the staff costs and cost of inventories, consumables and customised products expended relative to the total expected costs to complete the service.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgment on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered. Further details are included in note II 18 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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. Other 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.

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. Further details are given in note II 15 to the Historical Financial Information.

Fair value of redeemable preference shares

The redeemable preference shares issued by the Group are not traded in an active market and the respective fair values are determined by using the equity allocation method. Key inputs used in valuing the underlying equity value are set forth in detail in note II 26 to the Historical Financial Information. The carrying amounts of redeemable preference shares as at 31 December 2022 and 2023 were RMB110,450,000 and RMB112,781,000, respectively.

Fair value measurement of share-based payments

The Group has set up a restricted share scheme to the Group's employees. Also, restricted shares were granted to the Company's directors, the Group's employees. The fair value of the restricted shares are determined by the discounted cash flow and equity allocation method at the grant dates, respectively. Significant estimates on assumptions, including the underlying equity value, discount rate, expected volatility, and dividend yield, are made by management. Further details are included in note II 30 to the Historical Financial Information.

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

During the Relevant Periods, all of the Group's revenue was derived from customers located in Chinese Mainland and all of the Group's non-current assets were located in Chinese Mainland, and therefore geographical information is presented in accordance with IFRS 8 *Operation Segments*.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES), NET

An analysis of revenue is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers	409,444	441,841	407,083

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
Orthodontics services	80,190	81,769	74,115
Implantology services	116,728	122,984	115,647
General dentistry services	212,526	237,088	217,321
Total	409,444	441,841	407,083
Geographical market			
Chinese Mainland	409,444	441,841	407,083
Timing of revenue recognition			
Services transferred over time	409,374	441,757	406,981
Goods transferred at a point in time	70	84	102
Total	409,444	441,841	407,083

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:			
Rendering orthodontics services	15,127	15,549	16,438
Rendering implantology services	30,669	24,867	30,531
Total	45,796	40,416	46,969

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Orthodontics and implantology services

The performance obligation of orthodontics and implantology services is satisfied over time when the services are rendered, and advances are normally required before rendering the services. Since the patient simultaneously receives and consumes the benefits of the Group's performance in the medical treatment, the relevant revenue of the orthodontics and implantology services is recognised over the period of the contracts by reference to the progress towards complete satisfaction of that performance obligation.

General dentistry services

The performance obligation of general dentistry services is satisfied over time when services are rendered.

Sale of goods

The performance obligation is satisfied upon delivery of the goods and payment.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts expected to be recognised as revenue:			
Within one year	49,510	52,897	33,612
After one year	1,728	2,099	1,732
Total	51,238	54,996	35,344

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to dentistry services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

An analysis of other income and gains/(losses), net, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	649	868	924
Government grants*	1,503	490	968
Rental income	504	270	384
Total other income	2,656	1,628	2,276
Other gains/(losses)			
Investment income from wealth management products	2,425	2,693	1,527
Fair value loss on an equity investment at FVTPL	–	(117)	–
Fair value adjustment on contingent consideration	47	24	–
Impairment of trade receivables and other receivables	(54)	(178)	(124)
Gain arising from lease modification	714	386	1,120
Gain on disposal of subsidiaries *(note II 32)*	1,612	–	–
Others	141	28	615
Total gains	4,885	2,836	3,138
Total other income and gains	7,541	4,464	5,414

* Government grants have been received from the PRC local government authorities for the purpose of encouraging business development of local enterprises. There are no unfulfilled conditions related to these government grants.

6. PROFIT BEFORE TAX

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

		Year ended 31 December		
	Notes	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories, consumables and customised products sold		71,559	75,238	65,864
Depreciation of property, plant and equipment	*13*	24,048	23,098	21,059
Depreciation of right-of-use assets	*14(a)*	38,971	37,519	35,262
Amortisation of other intangible assets	*16*	267	308	298
Lease payments not included in the measurement of lease liabilities	*14(c)*	2,026	932	1,508
Auditor's remuneration		200	200	–
Listing expenses		–	–	5,207
Employee benefit expense:				
– Wages, salaries and allowances		138,054	150,009	141,418
– Share-based payment expenses*	*30*	1,598	1,053	2,355
– Pension scheme contributions		7,408	7,843	8,359
– Other employee benefits		8,433	8,368	8,607
Total		155,493	167,273	160,739
Fair value losses/(gains) on redeemable preference shares	*26*	1,336	2,331	(1,716)
Loss on disposal of property, plant and equipment		217	522	512

* The Group recognised share-based payment expenses of RMB1,525,000, RMB1,053,000 and RMB1,002,000 for the year ended 31 December 2022, 2023 and 2024, respectively, and other employee expenses of RMB73,000, nil and RMB1,353,000 for the year ended 31 December 2022, 2023 and 2024, respectively.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	125	–	–
Interest on lease liabilities *(note II 14(c))*	6,554	5,507	5,329
Total	6,679	5,507	5,329

8. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

The aggregate amounts of remuneration of the directors, supervisors and chief executives for the Relevant Periods are set out below:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and allowances	2,950	3,383	2,429
Share-based payment expenses	319	319	141
Pension scheme contributions	34	31	14
Other employee benefits	108	125	93
Total	3,411	3,858	2,677

(a) Independent non-executive directors

There were no emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors, supervisors and the chief executive

	Salaries, bonuses, allowances and benefits in kind	Share-based payment expenses	Pension scheme contributions	Other employee benefits	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2022					
Executive directors:					
Ms. Shen Hongmin	822	–	–	33	855
Mr. Wang Hong	819	–	11	36	866
Mr. Zhou Xianlue	732	186	–	–	918
Ms. Yan Junxin	444	36	11	25	516
Chief executive:					
Mr. Yao Xue	–	–	–	–	–
Supervisors:					
Mr. He Xiangdong	18	93	1	2	114
Ms. Yan Ge	115	4	11	12	142
Ms. Wang Li	–	–	–	–	–
Total	2,950	319	34	108	3,411

	Salaries, bonuses, allowances and benefits in kind	Share-based payment expenses	Pension scheme contributions	Other employee benefits	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2023					
Executive directors:					
Ms. Shen Hongmin	841	–	–	36	877
Mr. Wang Hong	868	–	5	38	911
Mr. Zhou Xianlue	767	186	–	–	953
Ms. Yan Junxin	442	36	12	26	516
Chief executive:					
Mr. Yao Xue	–	–	–	–	–

	Salaries, bonuses, allowances and benefits in kind	Share-based payment expenses	Pension scheme contributions	Other employee benefits	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Supervisors:					
Mr. He Xiangdong	347	93	11	16	467
Ms. Yan Ge	118	4	3	9	134
Ms. Wang Li	–	–	–	–	–
Total	3,383	319	31	125	3,858

	Salaries, bonuses, allowances and benefits in kind	Share-based payment expenses	Pension scheme contributions	Other employee benefits	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2024					
Executive directors:					
Ms. Shen Hongmin	575	–	–	36	611
Mr. Guo Jiaping	557	77	–	–	634
Ms. Liu Hongchan	335	60	14	28	437
Chief executive:					
Mr. Yao Xue	95	–	–	–	95
Independent Non-Executive Director:					
Mr. Shu Yijie	–	–	–	–	–
Ms. Huang Suzhen	–	–	–	–	–
Ms. Wang Taosha	–	–	–	–	–
Supervisors:					
Ms. Huang Meiyun	333	–	–	21	354
Ms. Xu Cen	415	–	–	–	415
Ms. Yan Ge	119	4	–	8	131
Total	2,429	141	14	93	2,677

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included three directors, two directors and no director, details of whose remuneration are set out in note II 8 to the Historical Financial Information. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and allowances	1,681	2,649	3,117
Share-based payment expenses	102	145	76
Pension scheme contributions	12	24	315
Other employee benefits	30	45	214
Total	1,825	2,863	3,722

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

	Year ended 31 December		
	2022	2023	2024
HK$1 to HK$500,001	–	–	–
HK$500,001 to HK$1,000,000	2	3	5
Total	2	3	5

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Chinese Mainland

Under the Law of PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2020 and the qualification was subsequently renewed in 2023, and therefore the Company was entitled to a preferential EIT rate of 15% for the Relevant Periods. "High and New Technology Enterprise" qualifications are subject to review by the relevant tax authority in the PRC every three years.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to preferential corporate income tax rates of 2.5% to 10% during the years ended 31 December 2022. In the years ending 31 December 2023 and 2024, the preferential tax rate was 5%, respectively.

The income tax charge of the Group for the Relevant Periods is analysed as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current — Chinese Mainland			
Charge for the year	6,612	11,769	9,710
Overprovision in prior years	(57)	(25)	–
Deferred *(note II 18)*	501	126	(1,393)
Total tax charge	7,056	11,870	8,317

A reconciliation of the tax charge applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of the Group's subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate, is as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	63,506	78,908	70,817
Tax at the statutory tax rate of 25%	15,877	19,727	17,704
Preferential tax rates enacted by local authority	(6,267)	(7,766)	(8,118)
Income not subjected to tax	(3,132)	–	–
Expenses not deductible for tax	1,038	1,011	232
Adjustments in respect of current tax of previous periods	(57)	(25)	–

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Additional deductible allowance for research and development expenses	(1,329)	(1,686)	(1,648)
Tax losses not recognised	926	609	147
Tax charge at the Group's effective tax rate	7,056	11,870	8,317

11. DIVIDENDS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Dividends approved by the Company's shareholders	39,000	36,600	50,000

In June 2022, the Company's shareholders approved the "2021 Annual Profit Distribution Plan" at the annual general meeting, pursuant to which non-trade dividend of an aggregate amount of RMB39,000,000 was paid in July 2022 to shareholders of the Company.

In June 2023, the Company's shareholders approved the "2022 Annual Profit Distribution Plan" at the annual general meeting, pursuant to which non-trade dividend of an aggregate amount of RMB36,600,000 was paid in July 2023 to shareholders of the Company.

In August 2024, the Company's shareholders approved the "2023 Annual Profit Distribution Plan" at the annual general meeting, pursuant to which non-trade dividend of an aggregate amount of RMB50,000,000 was distributed. As of December 2024, the Company has an unpaid balance of RMB19,397,000.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average numbers of the shares outstanding during the Relevant Periods. As the Group had no potentially dilutive ordinary shares outstanding during the Relevant Periods, no adjustment has been made on the basic earnings per share amounts presented for the Relevant Periods.

The weighted average numbers of shares for the purpose of basic/diluted earnings per share for the Relevant Periods are based on the weighted average numbers of shares have been issued.

The calculation of basic earnings per share is based on:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Earnings			
Profit attributable to ordinary equity holders of the parent:	43,342	50,069	41,916
Less: profit attributable to treasury shares	(5,315)	(6,140)	(5,382)
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	38,027	43,929	36,534
Shares			
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	41,146#	41,146#	39,051#

The weighted average number of shares was after taking into account the effect of treasury shares held.

13. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Medical equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	26,193	67,716	15,579	922	3,797	66,150	180,357
Accumulated depreciation	(6,064)	(34,681)	(6,931)	(106)	–	(33,207)	(80,989)
Net carrying amount	20,129	33,035	8,648	816	3,797	32,943	99,368
At 1 January 2022, net of accumulated depreciation	20,129	33,035	8,648	816	3,797	32,943	99,368
Additions	–	4,991	2,071	–	6,087	14	13,163
Disposals	–	(1,082)	(268)	(9)	–	(844)	(2,203)
Disposal of subsidiaries *(note II 32)*	–	(3,186)	(626)	(62)	–	(5,826)	(9,700)
Depreciation provided during the year	(830)	(9,515)	(2,987)	(169)	–	(10,547)	(24,048)
Transfers	–	–	–	–	(9,526)	9,526	–
At 31 December 2022, net of accumulated depreciation	19,299	24,243	6,838	576	358	25,266	76,580
At 31 December 2022:							
Cost	26,193	63,391	15,569	815	358	63,827	170,153
Accumulated depreciation	(6,894)	(39,148)	(8,731)	(239)	–	(38,561)	(93,573)
Net carrying amount	19,299	24,243	6,838	576	358	25,266	76,580

Group	Buildings	Medical equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	26,193	63,391	15,569	815	358	63,827	170,153
Accumulated depreciation	(6,894)	(39,148)	(8,731)	(239)	–	(38,561)	(93,573)
Net carrying amount	19,299	24,243	6,838	576	358	25,266	76,580
At 1 January 2023, net of accumulated depreciation	19,299	24,243	6,838	576	358	25,266	76,580
Additions	3,285	6,575	2,007	–	5,069	584	17,520
Acquisition of subsidiaries *(note II 32)*	–	1,967	289	–	–	2,096	4,352
Disposals	–	(752)	(345)	(1)	–	–	(1,098)
Depreciation provided during the year	(864)	(9,236)	(2,962)	(155)	–	(9,881)	(23,098)
Transfers	–	–	–	–	(2,997)	2,997	–
At 31 December 2023, net of accumulated depreciation	21,720	22,797	5,827	420	2,430	21,062	74,256
At 31 December 2023:							
Cost	29,478	65,782	16,515	812	2,430	68,650	183,667
Accumulated depreciation	(7,758)	(42,985)	(10,688)	(392)	–	(47,588)	(109,411)
Net carrying amount	21,720	22,797	5,827	420	2,430	21,062	74,256

Group	Buildings	Medical equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024							
At 1 January 2024:							
Cost	29,478	65,782	16,515	812	2,430	68,650	183,667
Accumulated depreciation	(7,758)	(42,985)	(10,688)	(392)	–	(47,588)	(109,411)
Net carrying amount	21,720	22,797	5,827	420	2,430	21,062	74,256
At 1 January 2024, net of accumulated depreciation	21,720	22,797	5,827	420	2,430	21,062	74,256
Additions	–	5,814	866	241	18,533	46	25,500
Disposals	–	(1,033)	(429)	(16)	–	(707)	(2,185)
Depreciation provided during the year	(951)	(7,599)	(2,306)	(160)	–	(10,043)	(21,059)
Transfers	–	–	1,475	–	(14,374)	12,899	–
At 31 December 2024, net of accumulated depreciation	20,769	19,979	5,433	485	6,589	23,257	76,512
At 31 December 2024:							
Cost	29,478	64,712	16,386	1,003	6,589	79,966	198,134
Accumulated depreciation	(8,709)	(44,733)	(10,953)	(518)	–	(56,709)	(121,622)
Net carrying amount	20,769	19,979	5,433	485	6,589	23,257	76,512

Company	Buildings	Medical equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	26,193	39,291	8,425	773	1,545	26,856	103,083
Accumulated depreciation	(6,064)	(26,167)	(4,961)	(65)	–	(20,069)	(57,326)
Net carrying amount	20,129	13,124	3,464	708	1,545	6,787	45,757
At 1 January 2022, net of accumulated depreciation	20,129	13,124	3,464	708	1,545	6,787	45,757
Additions	–	1,128	505	–	2,001	–	3,634
Disposals	–	(1,093)	(120)	(9)	–	(586)	(1,808)
Depreciation provided during the year	(830)	(4,403)	(1,213)	(152)	–	(3,322)	(9,920)
Transfers	–	–	–	–	(3,546)	3,546	–
At 31 December 2022, net of accumulated depreciation	19,299	8,756	2,636	547	–	6,425	37,663
At 31 December 2022:							
Cost	26,193	34,927	7,789	731	–	27,549	97,189
Accumulated depreciation	(6,894)	(26,171)	(5,153)	(184)	–	(21,124)	(59,526)
Net carrying amount	19,299	8,756	2,636	547	–	6,425	37,663

Company	Buildings	Medical equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	26,193	34,927	7,789	731	–	27,549	97,189
Accumulated depreciation	(6,894)	(26,171)	(5,153)	(184)	–	(21,124)	(59,526)
Net carrying amount	19,299	8,756	2,636	547	–	6,425	37,663
At 1 January 2023, net of accumulated depreciation	19,299	8,756	2,636	547	–	6,425	37,663
Additions	3,285	1,252	495	–	798	–	5,830
Disposals	–	(292)	(36)	–	–	–	(328)
Depreciation provided during the year	(829)	(3,005)	(1,081)	(139)	–	(2,153)	(7,207)
Transfers	–	–	–	–	(259)	259	–
Transfer to investment properties	(3,285)	–	–	–	–	–	(3,285)
At 31 December 2023, net of accumulated depreciation	18,470	6,711	2,014	408	539	4,531	32,673
At 31 December 2023:							
Cost	26,193	32,395	7,706	731	539	27,808	95,372
Accumulated depreciation	(7,723)	(25,684)	(5,692)	(323)	–	(23,277)	(62,699)
Net carrying amount	18,470	6,711	2,014	408	539	4,531	32,673

Company	Buildings	Medical equipment	Furniture and fixtures	Motor vehicles	Construction in progress	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024							
At 1 January 2024:							
Cost	26,193	32,395	7,706	731	539	27,808	95,372
Accumulated depreciation	(7,723)	(25,684)	(5,692)	(323)	–	(23,277)	(62,699)
Net carrying amount	18,470	6,711	2,014	408	539	4,531	32,673
At 1 January 2024, net of accumulated depreciation	18,470	6,711	2,014	408	539	4,531	32,673
Additions	–	3,930	334	–	12,541	–	16,805
Disposals	–	(397)	(306)	(16)	–	(521)	(1,240)
Depreciation provided during the year	(830)	(2,251)	(783)	(130)	–	(2,235)	(6,229)
Transfers	–	–	759	–	(6,979)	6,220	–
At 31 December 2024, net of accumulated depreciation	17,640	7,993	2,018	262	6,101	7,995	42,009
At 31 December 2024:							
Cost	26,193	33,567	7,847	681	6,101	32,696	107,085
Accumulated depreciation	(8,553)	(25,574)	(5,829)	(419)	–	(24,701)	(65,076)
Net carrying amount	17,640	7,993	2,018	262	6,101	7,995	42,009

14. LEASES

The Group as a leasee

The Group has lease contracts for clinic and office premises used in its operations. Leases of clinic and office premises generally have lease terms between 2 and 16.5 years.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

Group

	Clinic and office premises
	RMB'000
As at 1 January 2022	163,181
Additions	17,314
Disposal of subsidiaries *(note II 32)*	(19,605)
Lease modification	(11,895)
Depreciation	(38,971)
As at 31 December 2022 and 1 January 2023	110,024
Additions	31,578
Lease modification	(4,867)
Depreciation	(37,519)
As at 31 December 2023 and 1 January 2024	99,216
Additions	55,603
Lease modification	(11,119)
Depreciation	(35,262)
As at 31 December 2024	108,438

Company

	Clinic and office premises
	RMB'000
As at 1 January 2022	79,281
Additions	12,506
Lease modification	(14,753)
Depreciation	(21,925)
As at 31 December 2022 and 1 January 2023	55,109
Additions	10,182
Lease modification	(4,951)
Depreciation	(21,654)
As at 31 December 2023 and 1 January 2024	38,686
Additions	49,125
Lease modification	(10,077)
Depreciation	(21,366)
As at 31 December 2024	56,368

(b) ***Lease liabilities***

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

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	166,626	111,835	101,685
New leases	17,314	31,578	55,603
Disposal of subsidiaries *(note II 32)*	(21,912)	–	–
Lease modification	(12,609)	(5,253)	(12,239)
Accretion of interest recognised during the year	6,554	5,507	5,329
Covid-19-related rent concessions from lessors	(3,404)	–	–
Payments	(40,734)	(41,982)	(37,265)
Carrying amount at the end of year	111,835	101,685	113,113
Analysed into:			
Current portion	34,434	32,488	31,211
Non-current portion	77,401	69,197	81,902

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	78,113	52,651	36,685
New leases	12,506	10,182	49,125
Lease modification	(14,139)	(5,572)	(10,909)
Accretion of interest recognised during the year	2,808	2,428	2,390
Covid-19-related rent concessions from lessors	(1,902)	–	–
Payments	(24,735)	(23,004)	(21,439)
Carrying amount at the end of year	52,651	36,685	55,852
Analysed into:			
Current portion	20,865	16,299	16,322
Non-current portion	31,786	20,386	39,530

The maturity analysis of lease liabilities is disclosed in note II 40 to the Historical Financial Information.

The Group applied the practical expedient to all eligible covid-19-related rent concessions granted by the lessors for leases of certain properties during the year ended 31 December 2022.

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

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities *(note II 7)*	6,554	5,507	5,329
Depreciation charge of right-of-use assets	38,971	37,519	35,262
Modification of lease terms	(714)	(386)	(1,120)
Expense relating to short-term leases or leases of low-value asset *(note II 6)*	2,026	932	1,508
Covid-19-related rent concessions from lessors	(3,404)	–	–
Total amount recognised in profit or loss	43,433	43,572	40,979

(d) The cash outflows for leases:

The total cash outflows for leases are disclosed in note II 33(c), to the Historical Financial Information.

The Group as a lessor

The Group leases its property, plant and equipment (note II 13) consisting of one commercial property, and subleases its leases (note II 14) consisting of the clinics in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the Relevant Periods is included in note II 5 to the Historical Financial Information.

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

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	243	375	297
After one year but within two years	79	297	117
After two years but within three years	–	117	–
After three years but within four years	–	–	–
Total	322	789	414

15. GOODWILL

Group	*RMB'000*
As at 1 January 2022:	
Cost	63,090
Accumulated impairment	–
Net carrying amount	63,090
Cost at 1 January 2022, net of accumulated impairment	63,090
Impairment during the year	–
Cost and net carrying amount at 31 December 2022, 2023 and 2024	63,090

Impairment testing of goodwill

For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units ("CGUs"). Such group of CGUs represents the lowest level within the Group for which the goodwill is monitored for internal management purpose.

Management considered that the Group only has one group of CGUs which represents the entire business of the Group according to its business operation during the Relevant Periods. The recoverable amount of the industrial products cash-generating unit has been determined based on a value in use ("VIU") calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Cash flows beyond the projected period are extrapolated using the estimated terminal growth rates. The management leveraged their experience in the industry and provided forecast based on past performance and their expectation of future business plans and external sources of information. The valuation is considered to be level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

Key assumptions used in the calculation are as follows:

	As at 31 December		
	2022	2023	2024
Revenue (compound growth rate)	3.7%	2.8%	3.5%
Budgeted gross margin	36.3%-38.1%	36.3%-36.9%	35.2%-35.9%
Terminal growth rate	2.3%	2.3%	1.9%
Pre-tax discount rate	15.3%	15.4%	12.9%
VIU of the group of CGUs (in RMB'000)	664,000	675,000	690,000
Carrying amount of the group of CGUs (in RMB'000)	252,022	238,582	249,788
Headroom of the group of CGUs (in RMB'000)	411,978	436,418	440,212

Assumptions were used in the value in use calculation of the cash-generating unit as at the end of each of the Relevant Periods. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue — The basis used to determine the budgeted revenue is based on the management's expectation of the future expansion. The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding information that became available after the assessment. Such information includes current industry overview and estimated market development and customer preferences.

Terminal growth rate — The forecasted terminal growth rate is based on management expectations and does not exceed the long-term average growth rate for the industry relevant to the cash-generating unit.

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

Based on the impairment assessment conducted by the Group utilising the above key assumptions, the recoverable amount of the cash-generating unit estimated from the cash flow forecast exceeded the carrying amount of the group of CGUs and therefore no impairment was considered necessary as at the end of each of the Relevant Periods.

The Group performs a sensitivity analysis based on the reasonably possible changes in key assumptions. If the estimated key assumptions changed as below, the headroom would be decreased to:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Budgeted gross margin decreases of 5%	227,978	253,417	243,212
Terminal growth rate decreases of 1%	381,978	406,417	414,212
Pre-tax discount rate increases of 1%	369,978	394,417	400,212

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

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount, and would not result in an impairment provision of goodwill.

16. OTHER INTANGIBLE ASSETS

Group

Software	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	1,708	2,328	2,020
Additions	887	–	27
Amortisation provided during the year	(267)	(308)	(298)
At the end of year	2,328	2,020	1,749

17. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayment of property, plant and equipment	279	12	679
Rental deposits	4,599	3,897	3,995
Total non-current assets	4,878	3,909	4,674
Current:			
Prepayments	3,521	3,578	4,473
Deferred listing expenses	–	–	9,043
Rental deposits	936	1,137	1,066
Receivables for contingent consideration arrangements	–	1,000	–
Receivable from disposal of a subsidiary	600	–	–
Other receivables	7,859	2,930	2,568
Total current assets	12,916	8,645	17,150
Impairment allowance	(49)	(59)	(43)
Total	17,745	12,495	21,781

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Prepayment of property, plant and equipment	–	–	409
Rental deposits	2,278	1,990	2,044
Total non-current assets	2,278	1,990	2,453
Current:			
Prepayments	2,567	2,373	3,552
Deferred listing expenses	–	–	9,043
Rental deposits	503	450	547
Due from subsidiaries	1,582	1,502	4,119
Receivables for contingent consideration arrangements	–	1,000	–
Other receivables	5,418	393	1,133
Total current assets	10,070	5,718	18,394
Impairment allowance	(25)	(29)	(18)
Total	12,323	7,679	20,829

Financial assets included in prepayments, other receivables and other assets had no historical default. The financial assets included in the above balances related to receivables that were categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group and the Company consider the historical loss rate and adjust for forward-looking macroeconomic data. During the Relevant Periods, the Group and the Company estimated that the expected credit loss rate for other receivables and deposits was minimal.

The Group and the Company seek to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group and the Company do not hold any collateral or other credit enhancements over its deposits and other receivable balances.

18. DEFERRED TAX

Group

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

Deferred tax liabilities

	Right-of-use assets	Depreciation allowance in excess of related depreciation	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	17,914	–	17,914
Deferred tax (credited)/charged to the year	(6,065)	30	(6,035)
Gross deferred tax liabilities at 31 December 2022 and 1 January 2023	11,849	30	11,879
Deferred tax charged/(credited) to the year	173	(4)	169
Gross deferred tax liabilities at 31 December 2023 and 1 January 2024	12,022	26	12,048
Deferred tax charged/(credited) to the year	2,085	(4)	2,081
Gross deferred tax liabilities at 31 December 2024	14,107	22	14,129

Deferred tax assets

	Lease liabilities	Losses available for offsetting against future taxable profits	Assets impairment provision	Advertising fees	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	18,336	400	54	29	18,819
Deferred tax charged to the year	(6,426)	(71)	(22)	(17)	(6,536)
Disposal of subsidiaries *(note II 32)*	–	(37)	(2)	–	(39)
Gross deferred tax assets at 31 December 2022 and 1 January 2023	11,910	292	30	12	12,244
Deferred tax (charged)/ credited to the year	(44)	42	22	23	43
Gross deferred tax assets at 31 December 2023 and 1 January 2024	11,866	334	52	35	12,287
Deferred tax (credited)/ charged to the year	2,728	67	(4)	683	3,474
Gross deferred tax assets at 31 December 2024	14,594	401	48	718	15,761

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

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	786	594	1,885
Net deferred tax liabilities recognised in the consolidated statements of financial position	421	355	253

The Group had unused tax losses arising in Chinese Mainland of RMB7,321,000, RMB9,749,000, and RMB10,345,000 as at the end of each of the Relevant Periods, respectively, that would expire in one to five years for future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payments of dividends by the Company to its shareholders.

19. CONTINGENT CONSIDERATION

Group and Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	2,390	976	–
Unrealised fair value changes recognised in profit or loss	47	24	–
Transfers to other receivables	–	(1,000)	–
Settlements	(1,461)	–	–
Carrying amount at 31 December	976	–	–

The Company entered into a series of acquisition agreements with certain independent third parties in 2019. Pursuit to the acquisition agreements, contingent considerations are receivables, which are dependent on the amount of profit after tax or profit before tax during the 3-year period subsequent to such acquisitions.

The fair value of such contingent consideration amounted to RMB2,230,000 as at the acquisition date and has been included in contingent consideration in the Historical Financial Information. The management have reassessed the fair value of the contingent consideration as at 2022, and concluded that the fair value change was recognised in profit or loss.

20. INVENTORIES

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Medical consumables	6,127	5,709	3,655

21. TRADE RECEIVABLES

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	3,948	6,896	6,143
Impairment	(197)	(348)	(307)
Net carrying amount	3,751	6,548	5,836

The Group's trading terms with its customers are mainly on payment in advance, except for some transactions such as those covered by medical insurance bureaus, which are traded on credit. The settlement period is generally one month, extending up to three months for some customers. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on transaction dates and net of loss allowance, is as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	3,615	6,124	5,399
3 months to 6 months	133	311	246
6 months to 1 year	3	49	191
1 to 2 years	–	64	–
Total	3,751	6,548	5,836

The Group has applied the simplified approach method to provide for ECLs prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables without significant financing components. The management calculates the expected credit losses based on the customers' historical credit loss information and further incorporates forward-looking adjustments. The Company assessed that the expected loss rate of trade receivables of the Group was very low. The Company also assessed that there was no significant change in the ECL rates during the Relevant Periods, mainly because there was no change of historical default rates of trade receivables and there were no significant changes in the economic conditions and performance and behaviour of the customers, based on which the ECL rates were determined. The directors of the Company are of the opinion that the ECLs in respect of the balances of trade receivables are minimal.

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

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	292	197	348
Impairment losses, net	(49)	168	(41)
Amount written off as uncollectible	(5)	(17)	–
Disposal of subsidiaries	(41)	–	–
At end of year	197	348	307

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

Set out below is the information about the credit risk exposure on the Group's trade receivables as at the end of each of the Relevant Periods using a provision matrix:

	As at 31 December 2022		
	Within 1 year	1 to 2 years	Total
Expected credit loss rate	4.99%	10.00%	4.99%
Gross carrying amount (RMB'000)	3,948	–	3,948
Expected credit losses (RMB'000)	197	–	197

	As at 31 December 2023		
	Within 1 year	1 to 2 years	Total
Expected credit loss rate	5.00%	9.86%	5.05%
Gross carrying amount (RMB'000)	6,825	71	6,896
Expected credit losses (RMB'000)	341	7	348

	As at 31 December 2024		
	Within 1 year	1 to 2 years	Total
Expected credit loss rate	5.00%	10%	5.00%
Gross carrying amount (RMB'000)	6,143	–	6,143
Expected credit losses (RMB'000)	307	–	307

22. FINANCIAL ASSETS AT FVTPL

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products, at fair value	–	–	–
Unlisted equity investments, at fair value	117	–	–
Total	117	–	–

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wealth management products, at fair value	–	–	–
Unlisted equity investments, at fair value	117	–	–
Total	117	–	–

The above unlisted equity investments were classified as financial assets at FVTPL as the Group has not elected to recognise the fair value gain or loss through other comprehensive income.

The above financial products were wealth management products issued by banks and trusts in Chinese Mainland. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	177,970	227,083	95,046

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

Cash at banks earns interest at demand bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash and bank balances	124,110	160,468	12,645

24. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the transaction dates, is as follows:

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 3 months	12,001	13,545	11,687
3 months to 6 months	4,744	2,265	2,091
6 months to 1 year	769	885	591
More than 1 year	500	603	309
Total	18,014	17,298	14,678

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Within 3 months	6,704	6,324	5,331
3 months to 6 months	2,850	831	572
6 months to 1 year	9	364	–
More than 1 year	16	29	–
Total	9,579	7,548	5,903

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

25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payroll payable	12,317	16,155	13,127
Payable for acquisition of subsidiaries	551	837	15
Payable for purchasing of items of property, plant and equipment	3,956	2,688	5,435
Payable for advertising and promotion	3,469	3,712	5,315
Payable for listing expenses	–	–	3,827
Other tax payables	2,079	2,825	1,123
Accruals	686	983	128
Dividends payable *(note II 11)*	–	–	19,397
Dividends payable to non-controlling shareholders	–	–	577
Others	1,431	1,886	1,812
Total	24,489	29,086	50,756

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Payroll payable	7,563	9,250	5,806
Payable for acquisition of subsidiaries	551	837	15
Payable for purchasing of items of property, plant and equipment	1,838	446	3,725
Payable for advertising and promotion	2,692	2,986	4,921
Payable for listing expenses	–	–	3,827
Other tax payables	906	1,411	370
Accruals	421	576	17
Dividends payable	–	–	19,397
Due to subsidiaries	25,492	58,240	36,219
Others	721	849	1,502
Total	40,184	74,595	75,799

26. REDEEMABLE PREFERENCE SHARES

Since the date of incorporation, the Company has completed several rounds of financing arrangements by issuing redeemable preference shares, details of which are as follows:

In August 2017, the Company issued 3,000,000 A round equity shares with a par value of RMB1.00 per share ("Series A Shares") to two independent investors for an aggregate cash consideration of RMB29,400,000.

In June 2021, the Company issued 4,689,652 B round equity shares with a par value of RMB1.00 per share ("Series B Shares") to three independent investors for an aggregate cash consideration of RMB68,000,000.

The key terms of Series A Shares and Series B Shares (collectively, "Redeemable Preference Shares") are summarised as follows:

(a) Redemption rights

Each Redeemable Preference Shares held by investors shall be redeemable at the option of the investors, in accordance with the following terms. The Company, or Hubei Zhongshan Medical Investment Management Co., Ltd. and Mr. Yao Xue and Ms. Shen Hongmin (collectively, "Controlling Shareholders") shall pay the investors the total redemption price. Upon the occurrence of any of the specified contingent events, including but not limited to (each, a "Redemption Event"):

Series A Shares: (i) the failure by the Company to submit an application for a qualified initial public offering on or before 31 December 2024 ("Qualified IPO"); (ii) any administrative penalties or other major violations of laws and regulations made by the Controlling Shareholders, related parties and key management of the Company; (iii) horizontal competition business by the beneficial Controlling Shareholders, main management of the Company and other related parties of the Company.

Series B Shares: (i) the failure by the Company to submit an Qualified IPO; (ii) any indicators, such as the Company abandon affecting the Company's qualified IPO or material substantial obstacles occurrence; (iii) substantive changes of the Company in its operating model and business scope without consent of investors; (iv) any occurrence base on valuation adjustment mechanism with other investors; (v) any administrative penalties or other major violations of laws and regulations made by the Controlling Shareholders, related parties and key management of the Company; (vi) any Integrity matters from the management team of the Company; (vii) accumulated losses during twelve months reaching 50% of the net assets as of December 31, 2020.

The redemption price per share for Series A Shares shall be equal to the aggregate of the original issue price plus interest at 10% per annum (before June 2021) or 8% per annum (after June 2021), calculated on a simple basis for the period from the payment date of the consideration to the redemption date, less dividends already paid with respect thereto per Series A Shares then held by such holder.

The redemption price per share for Series B Shares shall be equal to either which higher:

(i) The audited net asset of the Group corresponding to the Series B held by investor; or

(ii) The aggregate of the original issue price plus interest at 8% per annum calculated on a simple basis for the period from the payment date of the consideration to the redemption date, less dividends already paid with respect thereto per Series B Shares then held by such holder.

(b) Liquidation preference

In the event of any liquidation or dissolution (the "Liquidation Event") of the Company, Series B Shares shall be entitled to receive the amount equal to investment costs that have accrued on the paid-in capital, plus interest at 8% per annum calculated on a simple basis for the period from the payment date of the consideration (the "Priority Liquidation Amount"). After the Priority Liquidation Amount is paid off, if the Company still has net assets legally available for distribution, Series B Shares shall be entitled to the residual assets according to their actual investment ratio. If Series B Shares fail to obtain the Priority Liquidation Amount, the founders shall be obliged to compensate Series B Shares for the difference to the extent of the distribution property obtained from all of their equity.

In the event of deemed liquidation of the Company, including changing the actual controller of the Group, disposal of core assets of the Group, the investors of the Series B Shares shall be entitled to receive an amount equal to the higher of the following two options: (i) the gain from the disposal of such core assets multiplied by the percentage owned by the investors of the Shares; (ii) the amount based on the Liquidation Event calculation.

(c) Anti-dilution right

If the Company allows new investments at a price lower than the price paid by the Series A Shares investors on a per share basis, the investors of Series A Shares have a right to require the Company to issue additional shares to them at the same consideration, so that the percentage of their Shares is not less than immediately before new issuance by the Company.

If the Company allows new investments at a price lower than the price paid by the Series B Shares investors on a per share basis, the investors of Series B Shares have a right to request the Company, or Hubei Zhongshan Medical Investment Management Co., Ltd. and Mr. Yao Xue and Ms. Shen Hongmin to provide certain compensation.

(d) Presentation and classification

The Group and the Company have recognized the shares as redeemable preference shares as a whole as financial liabilities carried at FVTPL. Subsequent to initial recognition, the fair value change of the redeemable preference shares is charged to profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The Company does not have the right to defer settlement of the Redeemable Preference Shares in the next 12 months since 31 December 2023. As such, the redeemable preference shares were presented by management in current liabilities as at 31 December 2023.

The movements of the redeemable preference shares are set out as follows:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of year	109,114	110,450	112,781
Redemption	–	–	(111,065)
Change in fair value	1,336	2,331	(1,716)
At the end of year	110,450	112,781	–

Analysed into:

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current portion	–	112,781	–
Non-current portion	110,450	–	–
At the end of the year	110,450	112,781	–

Note: In September 2024, the Company entered into share repurchase agreements with each of CITIC Securities Investment Co., Ltd., Wuhan Zhongyuan Jiupai Industry Investment Management Co., Ltd., Mr. Zhu Chao, and Wuhan Zhidao Technology Innovation Venture Capital Partnership (Limited Partnership), pursuant to which the Company agreed to repurchase all the 7,689,652 Shares held by these investors at a total consideration of RMB111.1 million. The consideration was fully settled on 8 October, 2024.

The fair value is determined by an external valuer using the equity allocation method, key valuation assumptions used to determine the fair value of the redeemable preference shares as at the end of each of the Relevant Periods are as follows:

	As at 31 December	As at 31 December	Sensitivity of fair value to the input
	2022	2023	
Risk-free interest rate	2.35%	2.08%	(a)
Discount for lack of marketability ("DLOM")	16.60%	11.10%	(b)
Volatility	53.90%	33.20%	(c)

(a) 1% increase/decrease of risk-free interest rate while with all other variables constant would result in a decrease/increase in fair value by RMB1,004,000/RMB465,000 and RMB1,021,000/RMB472,000 as at 31 December 2022 and 2023, respectively.

(b) 1% increase/decrease in DLOM while with all other variables constant would result in a decrease/increase in fair value by RMB743,000/RMB806,000 and RMB742,000/RMB674,000 as at 31 December 2022 and 2023, respectively.

(c) 1% increase/decrease in volatility with all other variables constant would result in a decrease/increase in fair value by RMB85,000 and RMB79,000 as at 31 December 2022, and result in a increase/decrease in fair value by RMB48,000 and RMB47,000 as at 31 December 2023.

Management estimated the risk-free interest rate based on the Chinese government bond yield with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the discount for lack of marketability. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration date.

27. CONTRACT LIABILITIES

Details of contract liabilities are as follows:

Group

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Orthodontics services			
Current	15,549	16,438	14,854
Non-current	1,728	2,099	1,732
Implantology services			
Current	33,961	36,459	18,758
Total	51,238	54,996	35,344

Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Orthodontics services			
Current	6,988	6,949	5,522
Non-current	875	836	667
Implantology services			
Current	12,841	11,164	3,786
Total	20,704	18,949	9,975

Contract liabilities include advances received to render dental related services.

28. SHARE CAPITAL

Group and Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Issued and fully paid: 38,517,242 (2023 and 2022: 46,896,548) ordinary shares	46,897	46,897	38,517

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 2022, 2023 and 2024	46,896,548	46,897
Repurchase of redeemable preferred shares	(7,689,652)	(7,690)
Capital deduction	(689,654)	(690)
At 31 December 2024	38,517,242	38,517

Notes:

(i) In September 2024, the Company repurchased and cancelled Series A Shares and Series B Shares, which further details are set out in note II 26.

(ii) In September 2024, the Company entered into capital reduction agreements with Mr. Wang Qingsong and Mr. Li Jiansheng, pursuant to which the Company agreed to repurchase all the 689,654 Shares held by these investors at a total consideration of RMB10.7 million, the consideration was fully settled on 8 October 2024.

29. TREASURY SHARES AND RESERVES

Group

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

Treasury shares

The treasury shares of the Group represents the 2,741,000, 1,505,000 and 1,505,000 ordinary shares held by Wuhan Xinglin Management Consulting Partnership (Limited Partnership) ("Wuhan Xinglin"), Wuhan Zhulin Management Consulting Partnership (Limited Partnership) ("Wuhan Zhulin") and Wuhan Taolin Management Consulting Partnership (Limited Partnership) ("Wuhan Taolin"), respectively, for the benefit of eligible participants under the Employee Incentive Scheme, which further details are set out in note II 30.

Capital reserve

The Capital reserve of the Group represents the share premium contributed by the shareholders of the Company.

Surplus reserve

In accordance with the Company Law of the People's Republic of China, each company in the PRC is required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the company registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the company. The statutory reserve is not available for dividend distribution to shareholders of PRC subsidiaries.

Other reserve

Other reserve of the Group mainly represent the carrying amount of the equity shares with redemption features as stipulated in note II 26 to the Historical Financial Information.

Company

	Capital reserve	Surplus reserve	Share-based payment reserve	Other reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	119,832	9,798	6,674	(96,434)	24,829	64,699
Total comprehensive income for the year	–	–	–	–	25,393	25,393
Transfer to surplus reserve	–	2,314	–	–	(2,314)	–
Share-based payments	73	–	1,525	–	–	1,598
Final 2021 dividend declared *(Note II 11)*	–	–	–	–	(39,000)	(39,000)
As at 31 December 2022	119,905	12,112	8,199	(96,434)	8,908	52,690
As at 1 January 2023	119,905	12,112	8,199	(96,434)	8,908	52,690
Total comprehensive income for the year	–	–	–	–	34,932	34,932
Transfer to surplus reserve	–	3,650	–	–	(3,650)	–
Share-based payments	–	–	1,053	–	–	1,053
Final 2022 dividend declared *(Note II 11)*	–	–	–	–	(36,600)	(36,600)
As at 31 December 2023	119,905	15,762	9,252	(96,434)	3,590	52,075
As at 1 January 2024	119,905	15,762	9,252	(96,434)	3,590	52,075
Total comprehensive income for the year	–	–	–	–	55,691	55,691
Transfer to surplus reserve	–	3,497	–	–	(3,497)	–
Share-based payments	1,353	–	1,002	–	–	2,355
Final 2023 dividend declared *(Note II 11)*	–	–	–	–	(50,000)	(50,000)
Repurchase of redeemable preferred shares	(89,710)	–	–	97,400	–	7,690
Capital deduction	(10,080)	–	–	–	–	(10,080)
As at 31 December 2024	21,468	19,259	10,254	966	5,784	57,731

30. SHARE-BASED PAYMENTS

The Group adopted a restricted share scheme ("Employee Incentive Scheme"), which became effective in 2017, for the purpose of attracting and retaining directors, senior management and employees who promote the success of the Group's operations. Two of the Controlling Shareholders, Ms. Shen Hongmin and Zhongshan Medical Investment, have transferred 5,751,000 shares of the Company to Wuhan Xinglin, Wuhan Zhulin and Wuhan Taolin for cash consideration. Wuhan Xinglin, Wuhan Zhulin and Wuhan Taolin are used as restricted share platforms to facilitate the administration of the Employee Incentive Scheme. Pursuant to the Employee Incentive Scheme, the subscription prices ranging from RMB2.00 per share to RMB7.72 per share for restricted shares were paid by the employees to the general partner or limited partners of the platforms at the respective grant dates of such scheme.

The restricted shares granted to grantees shall vest on the later of the two dates: the end of a 36-month service condition and the completion of public offering. The general partners of Wuhan Xinglin, Wuhan Zhulin and Wuhan Taolin, as well as any officers and employees designated by the general partners, have obligation to repurchase those forfeited restricted shares.

The following restricted shares were outstanding under the Employee Incentive Scheme during the Relevant Periods:

	As at 31 December		
	2022	2023	2024
At beginning of year/period	5,750,740	5,750,740	5,750,740
Granted during the year/period	940,000	75,000	–
Forfeited during the year/period	(940,000)	(75,000)	(400,000)
At end of year/period	5,750,740	5,750,740	5,350,740

Under the Employee Incentive Scheme, the Group recognised share-based payment expenses of RMB1,525,000, RMB1,053,000 and RMB1,002,000 for the year ended 31 December 2022, 2023 and 2024, respectively.

The fair value of the restricted shares as at the grant date were determined with reference to the fair value of ordinary shares on the grant date, using discounted cash flow and equity allocation method. Major inputs used for the determination of the fair value of ordinary shares are listed as follows:

	At grant date
Risk-free interest rate	1.44%-3.63%
Discount for lack of marketability	7.70%-19.40%
Expected volatility	30.30%-53.90%

31. BUSINESS COMBINATION

(a) Acquisition of a 51% interest in Wuhan Dazhong Heyu Gujie Dental Out-patient Service Co., Ltd. ("Wuhan Heyu Gujie")

Wuhan Heyu Gujie is a company that provides dental services to individual customers. To expand its market share in Wuhan, the Company entered into an agreement with an independent third party in March 2023 to acquire a 51% interest in Wuhan Heyugujie at a cash consideration of RMB637,000, of which cash consideration of RMB637,000 was paid in 2023. The acquisition was completed in April 2023.

The fair values of the identifiable assets and liabilities of Wuhan Heyu Gujie as at the date of acquisition were as follows:

	Fair value recognized on acquisition
	RMB'000
Property, plant and equipment	1,200
Inventories	50
Total identifiable net assets at fair value	1,250
Non-controlling interests	(613)
Satisfied by cash	637
Goodwill arising from acquisition	–
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration	637
Total net cash outflow in 2023	637

Since the acquisition, Wuhan Heyugujie contributed RMB2,167,000 to the Group's revenue and a profit of RMB10,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB442,268,000 and RMB66,990,000, respectively.

(b) Acquisition of a 51% interest in Wuhan Dazhong Hexu Guannanyuan Dental Out-patient Service Co., Ltd. ("Wuhan Hexuguannanyuan")

Wuhan Hexuguannanyuan is a company that provides dental services to individual customers. To expand its market share in Wuhan, the Company entered into an agreement with an independent third party in July 2023 to acquire a 51% interest in Wuhan Hexuguannanyuan at a cash consideration of RMB867,000, of which cash considerations of RMB780,300 and RMB86,700 were paid in 2023 and 2024. The acquisition was completed in August 2023.

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

	Fair value recognized on acquisition
	RMB'000
Property, plant and equipment	1,614
Inventories	85
Total identifiable net assets at fair value	1,699
Non-controlling interests	(832)
Satisfied by cash	867
Goodwill arising from acquisition	–
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration	867
Less: consideration paid in 2024	87
Total net cash outflow in 2023	780

Since the acquisition, Wuhan Hexuguannanyuan contributed RMB1,781,000 to the Group's revenue and a profit of RMB189,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB442,130,000 and RMB67,164,000, respectively.

(c) Acquisition of a 51% interest in Wuhan Dazhong Heyuan Dental Out-patient Service Co., Ltd. ("Wuhan Heyuan")

Wuhan Heyuan is a company that provides dental services to individual customers. To expand its market share in Wuhan, the Company entered into an agreement with the independent third parties in September 2023 to acquire a 51% interest in Wuhan Heyuan at a cash consideration of RMB918,000, of which cash considerations of RMB184,000 and RMB734,000 were paid in 2023 and 2024. The acquisition was completed in September 2023.

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

	Fair value recognized on acquisition
	RMB'000
Property, plant and equipment	1,538
Inventories	262
Total identifiable net assets at fair value	1,800
Non-controlling interests	(882)
Satisfied by cash	918
Goodwill arising from acquisition	–
An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:	
Cash consideration	918
Less: consideration paid in 2024	734
Total net cash outflow in 2023	184

Since the acquisition, Wuhan Heyuan contributed RMB1,160,000 to the Group's revenue and a profit of RMB37,000 to the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year ended 31 December 2023, the revenue of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB443,737,000 and RMB67,041,000, respectively.

32. DISPOSAL OF SUBSIDIARIES

	Notes	2022
		RMB'000
Net assets disposed of:		
Property, plant and equipment	*13*	9,700
Right-of-use assets	*14(a)*	19,605
Deferred tax assets	*18*	39
Inventories		563
Trade receivables		166
Prepayments, other receivables and other assets		411
Cash and cash equivalents		1,818
Trade payables		(1,237)
Other payables and accruals		(4,476)
Contract liabilities		(343)
Lease liabilities	*14(b)*	(21,912)
Tax payable		(12)
Non-controlling interests		(525)
Subtotal		3,797
Gain on disposal of subsidiaries *(note II 5)*		1,612
Total consideration		5,409
Satisfied by:		
Cash consideration		5,292
Unlisted equity investments		117
An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:		
Cash consideration		5,292
Consideration received in 2023		(600)
Cash and cash equivalents disposed of		(1,818)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries in 2022		2,874

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB17,314,000, RMB31,578,000 and RMB55,603,000 in respect of clinic and office premises, respectively.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings	Lease liabilities	Redeemable preference shares
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2022	10,015	166,626	109,114
Changes from financing activities	(10,140)	(40,734)	–
New leases	–	17,314	–
Decreases as a result of disposal of a subsidiary	–	(21,912)	–
Interest expenses on bank borrowings	125	–	–
Interest expenses on lease liabilities	–	6,554	–
Reassessment arising from lease modification	–	(12,609)	–
Covid-19-related rent concessions from lessors	–	(3,404)	–
Fair value losses on redeemable preference shares	–	–	1,336
At 31 December 2022	–	111,835	110,450
At 31 December 2022 and 1 January 2023	–	111,835	110,450
Changes from financing activities	–	(41,982)	–
New leases	–	31,578	–
Interest expenses on lease liabilities	–	5,507	–
Reassessment arising from lease modification	–	(5,253)	–
Fair value losses on redeemable preference shares	–	–	2,331
At 31 December 2023	–	101,685	112,781
At 31 December 2023 and 1 January 2024	–	101,685	112,781
Changes from financing activities	–	(37,265)	–
New leases	–	55,603	–
Interest expenses on lease liabilities	–	5,329	–
Reassessment arising from lease modification	–	(12,239)	–
Repurchase of redeemable preferred shares	–	–	(111,065)
Fair value gains on redeemable preference shares	–	–	(1,716)
At 31 December 2024	–	113,113	–

(c) Total cash outflows for leases

The total cash outflows for leases included in the statements of cash flows are as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	2,026	932	1,508
Within financing activities	40,734	41,982	37,265
Total	42,760	42,914	38,773

34. CONTINGENT LIABILITIES

As at 31 December 2022, 2023 and 2024, the Group did not have any material contingent liabilities.

35. PLEDGE OF ASSETS

The Group did not have any pledge of assets not disclosed in the Historical Financial Information at the end of each of the Relevant Periods.

36. COMMITMENTS

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

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	4,109	2,982	373

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship

The directors of the Group are of the view that the following companies are related parties that had transactions or balances with the Group during the Relevant Periods:

Name of related parties	Relationship with the Group
Nanjing Pharmaceutical Hubei Co., Ltd.	An entity controlled by one of the Company's shareholders
Hubei Zhongshan Medical Investment Management Co., Ltd.	An entity controlled by one of the Company's shareholders

(b) Transactions with related parties

The Group had the following transactions with related parties during the Relevant Periods:

		As at 31 December		
		2022	2023	2024
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Purchases of goods	*(i)*	1,211	1,309	1,467
Rental payments		330	300	488
Rental income		120	–	–
Total		1,661	1,609	1,955

Note:

(i) The transactions with the related parties were made in accordance with the terms and conditions mutually agreed by the parties involved. The balances with the related parties are trade in nature, unsecured, interest-free and payable on demand.

(c) Outstanding balances with related parties

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade for payables:			
Nanjing Pharmaceutical Hubei Co., Ltd.	4	3	–
Dividends payable (non-trade):			
Hubei Zhongshan Medical Investment Management Co., Ltd.	–	–	19,397

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

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Wages, salaries and allowances	4,018	4,749	3,897
Share-based payment expenses	285	406	281
Pension scheme contributions	36	44	42
Other employee benefits	121	168	209
Total compensation paid to key management personnel	4,460	5,367	4,429

Further details of directors' and the chief executive's emoluments are included in note II 8 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2022

Financial assets

	Financial assets at FVTPL	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	–	3,751	3,751
Financial assets included in prepayments, other receivables and other assets	–	11,461	11,461
Financial assets at FVTPL	117	–	117
Cash and cash equivalents	–	177,970	177,970
Contingent consideration	976	–	976
Total	1,093	193,182	194,275

Financial liabilities

	Financial liabilities at FVTPL	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	18,014	18,014
Financial liabilities included in other payables and accruals	–	9,407	9,407
Redeemable preference shares	110,450	–	110,450
Total	110,450	27,421	137,871

As at 31 December 2023

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	6,548
Financial assets included in prepayments, other receivables and other assets	6,922
Cash and cash equivalents	227,083
Total	240,553

Financial liabilities

	Financial liabilities at FVTPL	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	17,298	17,298
Financial liabilities included in other payables and accruals	–	9,123	9,123
Redeemable preference shares	112,781	–	112,781
Total	112,781	26,421	139,202

As at 31 December 2024

Financial assets

	Financial assets at amortised cost
	RMB'000
Trade receivables	5,836
Financial assets included in prepayments, other receivables and other assets	7,274
Cash and cash equivalents	95,046
Total	108,156

Financial liabilities

	Financial liabilities at FVTPL	Financial liabilities at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	–	14,678	14,678
Financial liabilities included in other payables and accruals	–	12,577	12,577
Total	–	27,255	27,255

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, the current portion of financial assets included in prepayments, other receivables, the current portion of 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 finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the financial director. At the end of 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 director.

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 changes in fair value as a result of the Group's own non-performance risk for financial assets included in non-current prepayments, other receivables and other assets as at 31 December 2022, 2023 and 2024 were assessed to be insignificant.

Below is a summary of significant unobservable inputs used in valuing equity investments designated at FVTPL and contingent consideration whose fair value measurements are categorised as Level 3 as at the end of each of the Relevant Periods together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Valuation technique	Significant unobservable input	Weighted average	Sensitivity of fair value to the input
Unlisted equity investments as at 31 December 2022	Recent transaction method	Price	RMB480,000	5% increase/decrease in price of recent transaction would result in an increase/decrease in fair value by RMB58,500/ RMB58,500
Contingent consideration as at 31 December 2022	Scenario analysis	Discount rate	3.06%	10% increase/decrease discount rate would result in an decrease/increase in fair value by RMB10,000/ RMB10,000

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 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL	–	–	117	117
Contingent consideration	–	–	976	976

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Redeemable preference shares	–	–	110,450	110,450

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Redeemable preference shares	–	–	112,781	112,781

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, financial assets at FVTPL, redeemable preference shares and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors meet periodically to analyse and formulate measures to manage the Group's exposure to these risks.

Credit risk

The carrying amounts of cash and cash equivalents, trade receivables, other receivables and other financial assets represent the Group's maximum exposure equal to credit risk in relation to the financial assets.

The Group expects that there is no significant credit risk associated with cash and cash equivalents since they are substantially held in reputable state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from on-performance by these counterparties.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In order to minimise the credit risk, the Group reviews the recoverable amount of each individual trade receivable periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue receivables. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also expects that there is no significant credit risk associated with other receivables and other financial assets since counterparties to these financial assets have no history of default.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	3,948	3,948
Financial assets included in prepayments, other receivables and other assets — Normal**	11,510	–	–	–	11,510
Cash and cash equivalents — Not yet past due	177,970	–	–	–	177,970
Total	189,480	–	–	3,948	193,428

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	6,896	6,896
Financial assets included in prepayments, other receivables and other assets — Normal**	6,981	–	–	–	6,981
Cash and cash equivalents — Not yet past due	227,083	–	–	–	227,083
Total	234,064	–	–	6,896	240,960

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	–	–	–	6,143	6,143
Financial assets included in prepayments, other receivables and other assets — Normal**	7,317	–	–	–	7,317
Cash and cash equivalents — Not yet past due	95,046	–	–	–	95,046
Total	102,363	–	–	6,143	108,506

* For trade receivables to which the Group applies the simplified approach method for impairment, information is disclosed in note II 21 to the Historical Financial Information.

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

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2022				
	On demand	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	18,014	–	–	–	18,014
Financial liabilities included in other payables and accruals	5,938	–	–	–	5,938
Lease liabilities	–	38,115	54,492	41,232	133,839
Redeemable preference shares	–	–	125,972	–	125,972
Total	23,952	38,115	180,464	41,232	283,763

	As at 31 December 2023				
	On demand	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	17,298	–	–	–	17,298
Financial liabilities included in other payables and accruals	5,411	–	–	–	5,411
Lease liabilities	–	37,922	48,843	31,513	118,278
Redeemable preference shares	–	126,400	–	–	126,400
Total	22,709	164,322	48,843	31,513	267,387

	As at 31 December 2024				
	On demand	Within 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	14,678	–	–	–	14,678
Financial liabilities included in other payables and accruals	12,577	–	–	–	12,577
Lease liabilities	–	35,643	55,270	31,095	122,008
Total	27,255	35,643	55,270	31,095	149,263

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

41. EVENTS AFTER THE RELEVANT PERIODS

In February 2025, the unpaid non-trade dividend of RMB19,397,000 was settled by the Company, pursuant to "2023 Annual Profit Distribution Plan" at the annual general meeting approved the Company's shareholders.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of its subsidiaries in respect of any period subsequent to 31 December 2024.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for illustration purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets as at 31 December 2024 as if Global Offering had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets attributed to the owners of the parent has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at 31 December 2024 or any future date. It is prepared based on the consolidated net tangible assets as at 31 December 2024 as set out in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report on the Historical Financial Information as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to the equity shareholders of the Company as of 31 December 2024	**Estimated net proceeds from the Global Offering**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as at 31 December 2024**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as at 31 December 2024**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an Offer Price of HK$20.00 per Share	50,792	167,934	218,726	4.43	4.85
Based on an Offer Price of HK$21.40 per Share	50,792	181,265	232,057	4.70	5.15

Notes:

(1) The unaudited consolidated net tangible assets attributable to owners of the parent as at 31 December 2024 is extracted from the Historical Financial Information set out in Appendix I to this prospectus, which is arrived after deducting intangible assets attributable to owners of the parent and goodwill of RMB1,749,000 and RMB63,090,000, respectively, from the unaudited consolidated net assets attributable to owners of the parent of RMB115,631,000 as at 31 December 2024.

(2) The estimated net proceeds from the Global Offering are calculated based on the Offer Price of HK$20.00 and HK$21.40 per Share, being the low-end price and high-end price of the stated Offer Price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company (excluding the listing expense that have been charged to profit or loss during the Track Record Period) and do not take into account any shares which may be issued upon exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company and the amounts per Share are arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 49,379,042 shares were in issue assuming the Global Offering had been completed on 31 December 2024 and the respective Offer Price of HK$20.00 and HK$21.40 per Share.

(4) In connection with the preparation of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at a rate of HK$1=RMB0.9133. No representation is made that the RMB amounts have been, could have been or may be converted into Hong Kong dollar, or vice versa at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 December 2024.

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

安永會計師事務所
香港鰂魚涌英皇道 979號
太古坊一座 27樓

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

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Wuhan Dazhong Dental Medical Co., Ltd.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wuhan Dazhong Dental Medical Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2024, and related notes as set out on pages II-1 to II-2 in part A of Appendix II of the prospectus dated 30 June 2025 issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note pages II-1 to II-2 in part A of Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group's financial position as at 31 December 2024 as if the transaction had taken place at 31 December 2024. As part of this process, information about the Group's financial position, has been extracted by the Directors from the Group's financial statements for the period ended 31 December 2024, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong
30 June 2025

PRC TAXATION

Taxation of Security Holders

The taxation of income and capital gains of holders of H shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective PRC laws and practises and no predictions are made about changes or adjustments to relevant laws or policies, and no comments or suggestions will be made accordingly. The discussion does not deal with all possible tax consequences relating to an investment in the H shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H shares. The discussion is based upon PRC laws and relevant interpretations in effect as at the date of this prospectus, all of which are subject to change and may have retrospective effect. Prospective investors are urged to consult their financial adviser regarding the PRC and other tax consequences of owning and disposing of H shares.

Taxation on dividends

Individual investors

Pursuant to the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法), which was last amended on August 31, 2018 by the SCNPC and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法實施條例), which were last amended on December 18, 2018 by the State Council and came into effect on January 1, 2019, dividends paid by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from a PRC enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by an applicable tax treaty.

Pursuant to the Notice of the STA on Issues Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045) (Guo Shui Han [2011] No. 348) (國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) issued by the STA on 28 June 2011, which came into effect on the same day, domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends, withhold individual income tax at the rate of 10%. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of lower than 10%, non-foreign-invested enterprises listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax treatments, and, upon approval by the tax authorities, the excessive withholding amount will be refunded. For the individual holders of H shares receiving dividends who are citizens of countries that have entered into a tax treaty with the PRC with tax rate of higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the agreed rate under the treaties, and no application procedures will be necessary. For the individual holders of H shares receiving dividends who are citizens of countries without taxation treaties with the PRC or are under other situations, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Enterprise investors

According to the EIT Law, which was latest amended by the SCNPC and implemented on December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) enacted on December 6, 2007 by the State Council and became effective on January 1, 2008, and latest amended on December 6, 2024 and came into force on January 20, 2025, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises is deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知(國稅函[2008]897號)), which was issued and implemented by the STA on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (Guo Shui Han [2009] No. 394) (關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆(財稅函[2009]394號)), which was issued by the STA and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) (the "**Arrangement**"), which was signed between the STA and the Hong Kong Government on August 21, 2006, the PRC government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company. The Fifth Protocol to the Arrangement between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書), which came into effect on December 6, 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (Guo Shui Han [2009] No. 81) (國家稅務總局關於執行稅收協定股息條款有關問題的通知(國稅函[2009]81號)).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC enterprises. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

Taxation on share transfer

*Value-Added Tax ("**VAT**") and Local Surcharges*

Pursuant to the Notice on the Full Implementation of Pilot Programme for Transition from Business Tax to VAT (Cai Shui [2016] No. 36) (關於全面推開營業稅改徵增值稅試點的通知(財稅[2016]36號)), effective from May 1, 2016, entities and individuals engaged in sales of services within the PRC shall be subject to VAT and sales of services within the PRC refers to the situation where either the seller or the buyer of a taxable service is located within the PRC. The notice also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable income (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals are exempt from VAT upon transfer of financial products.

VAT taxpayers are also subject to urban maintenance and construction tax, education surcharge and local education surcharge (collectively, "**local surcharges**"), which is usually at 12% of the VAT payable, if any. However, pursuant to the Urban Maintenance and Construction Tax Law of the PRC (中華人民共和國城市維護建設稅法) which became effective on September 1, 2021, no urban maintenance and construction tax shall be levied on value-added tax or consumption tax paid for the sale of labour services, other services and intangible assets in China by overseas entities or individuals. Meanwhile, pursuant to Announcement on the

Measures for Determining the Tax Basis of Urban Maintenance and Construction Tax and Other Matters (關於城市維護建設稅計稅依據確定辦法等事項的公告), the basis for calculating and levying education surcharges and local education surcharges is consistent with the basis for calculating the urban maintenance and construction tax since September 1, 2021. In conclusion, no urban maintenance and construction tax, education surcharges, and local education surcharges will be levied on value-added tax paid for the sale of intangible assets in China by overseas entities or individuals since September 1, 2021.

However, it is still uncertain whether the non-PRC resident enterprises are required to pay the PRC VAT for the disposal of H shares in practise. If relevant tariffs are imposed in the future, the investment value of such holders in H shares may be materially and adversely affected.

Income Tax

Individual investor

According to the Individual Income Tax Law of the PRC and its implementation rules, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption from Individual Income Tax on the Income From Stocks Transfer (Cai Shui Zi [1998] No. 61) (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知(財稅字[1998]61號)) promulgated by the STA and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. In the newly revised Individual Income Tax Law of the PRC, the STA did not clearly stipulate whether to continue to exempt individuals from tax on the income from transfer of stocks of listed companies.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2009] No. 167) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知(財稅[2009]167號)) jointly issued by the MOF, the STA and the CSRC and implemented on 31 December 2009 stipulates that individuals' income from the transfer of listed shares obtained from the public offering of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from the individual income tax, provided that it excludes the relevant restricted shares as defined in the Supplementary Notice Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (Cai Shui [2010] No. 70) (關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知(財稅[2010]70號)) jointly issued by these departments and implemented on 10 November 2010. As at the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC-resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

In accordance with the EIT Law and its implementation rules, a non-resident enterprise that has not established an establishment or premises in the PRC or it has established an establishment and premises but the income received has no actual connection with the establishment and premises, it shall pay an enterprise income tax at a rate of 10% for the income arising within the PRC (including the income from sale of equity interests of PRC-resident enterprise). The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise on each payment or when it is payable on due date. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Stamp Duty

In accordance with the Stamp Tax Law of the People's Republic of China (中華人民共和國印花稅法) promulgated by the Standing Committee of the NPC on 10 June 2021 and came into effect on 1 July 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to stamp duty.

Estate Duty

As at the Latest Practicable Date, no estate duty is levied within the PRC.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法), promulgated by the National People's Congress on 16 March 2007, came into effect on 1 January 2008 and last amended on 29 December 2018, as well as the Implementation Rules of the Enterprise Income Tax Law (中華人民共和國企業所得稅法實施條例), promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and latest amended on 6 December, 2024 and came into force on 20 January, 2025, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its implementation rules, enterprises are classified into resident enterprises and non-resident enterprises. Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income are obtained outside the PRC but have an actual connection with the set-up institutions or sites. And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Pursuant to the Administrative Measures on Accreditation of High-tech Enterprises (高新技術企業認定管理辦法) promulgated on 14 April 2008 and amended on 29 January 2016, qualifications of an accredited high-tech enterprise shall be valid for three years from the date of issuance of the certificate. Upon obtaining the qualification as a high-tech enterprise, the enterprise shall complete tax reduction and exemption formalities with the tax authorities in charge pursuant to the provisions of Article 4 of these Measures.

Value-Added Tax

The major PRC Law governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) issued on 13 December 1993 by the State Council, came into effect on 1 January 1994, and last revised on 19 November 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) issued on 25 December 1993 by the MOF, came into effect on the same day and last revised on 28 October 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (Cai Shui [2018] No. 32) (關於調整增值稅稅率的通知(財稅[2018]32號)) on 4 April 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, and this adjustment became effect on 1 May 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (關於深化增值稅改革有關政策的公告) on 20 March 2019 to make a further adjustment, which came into effect on 1 April 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

PRC FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange regulation according to relevant laws and regulations. SAFE, with the authorisation of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange regulatory regulations.

On 29 January 1996, the State Council promulgated the Regulations of the PRC for Foreign Exchange Control (中華人民共和國外匯管理條例) (the "**Foreign Exchange Control Regulations**") which became effective on 1 April 1996. The Foreign Exchange Control Regulations classify all international payments and transfers into current items and capital items. Most of the current items are no longer subject to SAFE's approval, while capital items remain unchanged. The Foreign Exchange Control Regulations were subsequently amended on 14 January 1997 and 5 August 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that no restriction will be imposed on international current payments and transfers.

On 20 June 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (Yin Fa [1996] No. 210) (結匯、售匯及付匯管理規定(銀發[1996]210號)), which abolished the remaining restrictions on convertibility of foreign exchange under current items, while retaining the existing restrictions on foreign exchange transactions under capital items accounts.

According to the Announcement on Improving the Reform of the Renminbi (the PBOC Announcement [2005] No. 16) (關於完善人民幣匯率形成機制改革的公告(中國人民銀行公告[2005]第16號)), issued by the PBOC on 21 July 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

Starting from 4 January 2006, the PBOC introduced over-the-counter transactions into the interbank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practise of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On 1 July 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorising the China Foreign Exchange Trade System to make inquiries with the market makers before the interbank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD on that day using the weighted average of the remaining market makers' offered quotations after excluding the highest and lowest quotations, and announce the central parity of the RMB against currencies such as the USD at 9:15 a.m. on each working day. On 11 August 2015, the PBOC announced to improve the central parity quotations of RMB against the USD by authorising market makers to provide central parity quotations to the China Foreign Exchange Trading System before the interbank foreign exchange market opens every day with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates.

On 5 August 2008, the State Council promulgated the revised Foreign Exchange Control Regulations of the PRC, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities; second, the regulations have improved the RMB exchange rate floating system based on market supply and demand under management; third, in the event that international balance of payment suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures against international balance of payment; fourth, the regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to SAFE to enhance its supervisory and administrative powers.

According to the relevant laws and regulations in the PRC, PRC enterprises which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at designated banks that carry foreign exchange business, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, after paying taxes in according to the law, on the strength of resolutions of the board of directors on the distribution of profits, effect payment from foreign exchange accounts opened at designated banks that carry foreign exchange business, or effect exchange and payment at designated banks.

The Decisions on Matters including Cancelling and Adjusting a Batch of Administrative Approval Items (Guo Fa [2014] No. 50) (關於取消和調整一批行政審批項目等事項的決定(國發[2014]50號)) promulgated by the State Council and came into effect on 23 October 2014 provide to cancel the approval requirement of SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (關於境外上市外匯管理有關問題的通知(匯發[2014]54號)) issued by SAFE and became effective on 26 December 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the branch office of SAFE located at its registered address; the proceeds from an overseas listing of a domestic company may be repatriated to China or deposited overseas, provided that the intended use of the proceeds shall be consistent with the content of the document or other public disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a dedicated foreign exchange account at a domestic bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (關於進一步簡化和改進直接投資外匯管理政策的通知(匯發[2015]13號)) promulgated by SAFE on 13 February 2015 and became effective on 1 June 2015, and partially repealed on 30 December 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Notice on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No. 16) (關於改革和規範資本項目結匯管理政策的通知(匯發[2016]16號)) which was promulgated by SAFE and became effective on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (國家外匯管理局關於優化外匯管理支持涉外業務發展的通知(匯發[2020]8號)) issued by SAFE and became effective on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without providing materials to the bank in advance for authenticity verification on an item-by-item basis, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations related to the use of income under capital accounts. The concerned bank shall manage and control the relevant business risks under the principle of prudent business development and conduct spot checks afterwards in accordance with the relevant requirements. Local foreign exchange authorities shall strengthen monitoring and analysis and interim and ex-post supervision.

PRC LAWS AND REGULATIONS

This Appendix sets out summaries of certain aspects of PRC laws and regulations, which are relevant to the Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix III — Taxation and Foreign Exchange" to this prospectus. The principal objective of this summary is to provide potential investors with an overview of the principal PRC legal and regulatory provisions applicable to the Company. This summary is not intended to include all the information which may be important to potential investors. For more details on laws and regulations which are relevant to our business, please refer to the section headed "Regulatory Overview" in this prospectus.

The PRC Legal System

The PRC legal system is based on the PRC Constitution (中華人民共和國憲法) and is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory, and other regulatory documents. Court judgements do not constitute legally binding precedents, although they may be used for the purposes of judicial reference and guidance.

Pursuant to the PRC Constitution and the Legislation Law of the PRC (中華人民共和國立法法), the NPC and its standing committee are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing State organs, civil, criminal and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the PRC Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such regulations do not contravene any provision of the PRC Constitution, laws or administrative regulations. The people's congresses of cities with districts and their respective standing committees may formulate local regulations with respect to urban and rural construction and administration, environmental protection, historical and cultural protection and other aspects according to the specific circumstances and actual needs of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions, provided that such local regulations do not contravene any provision of the PRC Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions.

The ministries and commissions of the State Council, PBOC, the National Audit Office of the PRC and the subordinate institutions with administrative functions directly under the State Council may formulate rules and regulations within the authorisation of their respective departments in accordance with the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities directly under the central government and cities with districts may formulate rules and regulations in accordance with the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities directly under the central government.

The PRC Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the PRC Constitution. The PRC laws rank higher than administrative regulations, local regulations and rules. The administrative regulations rank higher than local regulations and rules. The rules enacted by the people's governments of the provinces or autonomous regions rank higher than the rules enacted by the people's governments of the cities with districts and autonomous prefectures within the administrative areas of such provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its standing committee, and to annul any autonomous regulations or separate regulations which have been approved by its standing committee, but which contravene the PRC Constitution or the PRC Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the PRC Constitution and laws, to annul any local regulations that contravene the PRC Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities, but which contravene the PRC Constitution and the PRC Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committees of local people's congresses have the power to annul inappropriate rules enacted by the people's governments at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the PRC Constitution, the power to interpret laws is vested in the SCNPC. Pursuant to the Resolution of the SCNPC Providing an Improved Interpretation of the Law (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, issues related to the further clarification or supplement of laws should be interpreted or provided by the SCNPC, issues related to the specific application of laws and decrees in a court trial should be interpreted by the Supreme People's Court, issues related to the specific application of laws and decrees in a prosecution process should be interpreted by the Supreme People's Procuratorate, and the legal issues other than the above-mentioned should be interpreted by the State Council and the competent authorities. If there are differences in principle in the interpretation of the Supreme People's court and the Supreme People's Procuratorate, they shall be submitted to the SCNPC for interpretation or decision. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Pursuant to the PRC Constitution and the Law of Organisation of the People's Courts of the PRC (中華人民共和國人民法院組織法) most recently revised on October 26, 2018 and taking effect on January 1, 2019, the people's courts are classified into the Supreme People's Court, the local people's courts at various local levels, and other special people's courts. The local people's courts at various local levels are divided into three levels, namely, the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are further divided into civil, criminal and economic tribunals. The intermediate people's courts have structure similar to those of the primary people's courts and other special tribunals, such as the intellectual property courts, military courts and maritime courts. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Procuratorate is authorised to supervise the judgement and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorised to supervise the judgement and ruling of a people's court at a lower level which have been legally effective. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts employ a two-tier appellate system. The judgements or rulings of the second instance at a people's court are final. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgements or rulings of the people's court are final. Judgements or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court are final. Judgements or rulings of the first instance of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at the next higher level discovers an error in a final and binding judgement or ruling which has taken effect in any people's court at a lower level, or the presiding judge of a people's court finds an error in a final and binding judgement or ruling which has taken effect in the court over which he presides, a retrial of the case may be initiated according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) adopted on April 9, 1991 and most recently amended on September 1, 2023, prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, and the procedures for enforcement of a civil judgement or ruling.

All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. A civil case is generally heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places directly connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located. However, such choice shall not in any circumstances contravene the provisions on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation that institute or respond to proceedings in a people's court is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a foreign court limit the litigation rights of PRC citizens and enterprises, the PRC court shall apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he/she or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or a participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation, collect evidence and conduct other actions on its behalf. A PRC court shall not accommodate any request made by a foreign court which will result in the violation of sovereignty, security or public interests of the PRC.

All parties to a civil action shall perform legally effective judgements and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years, subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement.

A party seeking to enforce a judgement or ruling of a people's court against another party who is not or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgement or ruling. Alternatively, the people's court may, pursuant to an international treaty concluded or acceded to by the PRC or in accordance with the principle of reciprocity, request the foreign court to recognise and execute the judgement or ruling. Likewise, if the PRC has entered into either a treaty relating to judicial enforcement with the relevant foreign country or according to the principle of reciprocity, a foreign judgement or ruling may also be recognised and enforced in accordance with the PRC enforcement procedures by a PRC court unless the people's court considers that the recognition or enforcement of such judgement or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or would not be in the public interest.

The PRC Company Law, Overseas Listing Trial Measures and Guidance for Articles of Association

A joint stock limited company incorporated in the PRC and seeking a listing on the Stock Exchange is mainly subject to the following laws and regulations in the PRC:

- The PRC Company Law (中華人民共和國公司法) which was promulgated on December 29, 2023 and took effect on July 1, 2024;

- The Overseas Listing Trial Measures and five relevant guidelines which were promulgated by the CSRC on February 17, 2023 pursuant to the PRC Securities Law and are applicable to the direct and indirect overseas share offering or listing of domestic companies; and

- The Guidelines for Articles of Association of Listed Companies (上市公司章程指引) (the "**Guidance for Articles of Association**") which was most recently amended on March 28, 2025 by the CSRC. The Articles of Association is formulated based on the Guidance for Articles of Association on a reference basis, the summary of which is set out in the section entitled "Appendix V — Summary of the Articles of Association" to this prospectus.

Set out below is a summary of the major provisions of the currently effective PRC Company Law, the Overseas Listing Trial Measures and the Guidance for Articles of Association which are applicable to the Company.

General

A joint stock limited company refers to a corporate legal person established in China under the PRC Company Law with its registered capital divided into shares. All shares of the company shall be either par value shares or no par value shares in accordance with the company's articles of association. Where par value shares are adopted, each share shall have equal value. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

The company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the company may not be a contributor that undertakes joint liabilities for the debts of the invested companies.

Incorporation

A company may be incorporated by promotion or floatation. A company shall be incorporated by a minimum of one but no more than 200 promoters, and at least half of the promoters must be residents within the PRC. Companies incorporated by promotion are companies of which the entire registered capital is subscribed for by the promoters. Shares in the company incorporated by promotion shall not be offered to others unless the registered capital has been fully paid up. If laws, administrative regulations and decisions of the State Council have separate provisions on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed if such assets are to be contributed as capital. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreements. After the promoters have confirmed the capital contribution under the articles of association, a board of directors and a board of supervisors shall be elected and the board of directors shall apply for registration of incorporation by filing the articles of association with the company registration authority, and other documents as required by laws or administrative regulations.

Where companies are incorporated by floatation, not less than 35% of their total number of shares must be subscribed for by the promoters, unless otherwise provided for by laws or administrative regulations. The promoters shall preside over and convene an inauguration meeting within thirty days from the date of the full payment of subscription capital. The inauguration meeting shall be formed by the promoters and subscribers. Where the shares issued are not fully subscribed for within the offer period stipulated in the share offering prospectus, or where the promoter fails to convene an inauguration meeting within thirty days of the subscription capital for the shares issued being fully paid up, the subscribers may demand that the promoters refund the subscription capital so paid together with the interest calculated at bank rates of a deposit for the same period. Within thirty days of the conclusion of the inauguration meeting, the board of directors shall apply to the registration authority for registration of the establishment of the company. A company is formally established and has the status of a legal person after the registration with the relevant administration for market regulation has been completed and a business licence has been issued.

Share Capital

The promoters may make a capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out pursuant to the provisions of laws or administrative regulations on valuation without any over-valuation or under-valuation.

There is no limit under the PRC Company Law as to the percentage of shares held by an individual shareholder in a company. The shares of a company are represented by stocks. A stock is a certificate issued by the company to certify the share held by a shareholder. The stock issued by the company shall be in the form of registered stock.

The issuance of shares shall be conducted in a fair and equitable manner. Each share of the same class must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. The same price per share shall be paid by any share subscriber (whether an entity or an individual). The share offering price may be equal to or greater than the par value of the share, but may not be less than the par value.

Under the Overseas Listing Trial Measures, if a domestic company offers shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

Under the PRC Company Law, a company issuing registered share certificates shall maintain a shareholder registry which sets forth the following matters:

(i) the name and domicile of each shareholder;

(ii) the number of shares held by each shareholder;

(iii) the serial numbers of shares held by each shareholder; and

(iv) the date on which each shareholder acquired the shares.

Increase in Share Capital

In light of its operational and development needs and in accordance with laws and regulations, a company may increase its share capital under any of the following methods, subject to the resolutions be passed at a shareholders' general meeting: (i) a public offering of shares; (ii) a private placement of shares; (iii) offering of bonus shares to existing shareholders; (iv) the conversion of reserve funds into shares; and (v) any other methods provided in law and administrative regulations and approved by the CSRC.

Pursuant to the PRC Company Law, a company may, according to its articles of association, issue the following classified shares, which have different rights from those of the common shares: (i) shares with priority or inferior rights to profits or remaining property in distribution; (ii) shares with more or less voting rights per share than those of the common shares; (iii) shares whose transfer is subject to the consent of the company and other restrictions; (iv) other classified shares provided by the State Council. A company making a public offering of shares shall not issue any of the classified shares as prescribed on items (ii) and (iii), except those issued prior to the public offering. Where a company is issuing new shares, resolutions shall be passed at general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and when the new shares are proposed to be issued to existing shareholders, the class and amount of such new shares.

To offer shares overseas, the domestic company shall report the application documents for offering and listing to the CSRC for record-filing within three business days after submission of the application documents for offering and listing overseas.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and a list of properties;

(ii) the reduction of registered capital must be approved by shareholders at the general meeting;

(iii) the company shall notify its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in newspapers or the National Enterprise Credit Information Publication System within thirty days of the resolution approving the reduction being passed;

(iv) the creditors of the company may within the statutory time limit require the company to repay its debts or provide guarantees for covering the debts; and

(v) the company must apply to the relevant company registration authority for registration of the change and reduction in registered capital.

Repurchase of Shares

Pursuant to the PRC Company Law, a company shall not purchase its own shares other than in any of the following circumstances:

(i) reducing its registered capital;

(ii) merging with another company which holds its shares;

(iii) utilising the shares for employee stock ownership plan or stock ownership incentive scheme;

(iv) acquiring its own shares at the request of its shareholders who vote in a shareholders' general meeting against a resolution regarding a merger or separation;

(v) utilising the shares for conversion of corporate bonds which are convertible into shares issued by a listed company; and

(vi) where it is necessary for a listed company to maintain its corporate value and stockholders' equity.

Any company's purchase of its own shares for any reason specified in item (i) and item (ii) of the preceding paragraph shall be subject to a resolution of the general meeting; any company's purchase of its own shares for any reason specified in item (iii), item (v) and item (vi) of the preceding paragraph may be subject to a resolution of the board meeting with two thirds or more of directors present, according to the provisions of the articles of associations or upon authorisation by the general meeting.

The shares acquired under the circumstance stipulated in item (i) hereof shall be deregistered within ten days from the date of acquisition of shares; the shares shall be assigned or deregistered within six months if the repurchase of shares is made under the circumstances stipulated in either item (ii) or item (iv); and the shares held in total by a company after the repurchase under any of the circumstances stipulated in item (iii), item (v) or item (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws. Pursuant to the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Registered shares may be transferred after the shareholders endorse the back of the share certificates or in any other manner specified by laws or administrative regulations. Following the transfer, the company shall enter the names and addresses of the transferees into its share register. No changes of registration in the share register described above shall be effected during a period of twenty days prior to convening a shareholders' general meeting or five days prior to the record date for the purpose of determining entitlements to dividend distributions, subject to any legal provisions on the registration of changes in the share register of listed companies.

Pursuant to the PRC Company Law, shares of the company issued prior to the public offering of shares may not be transferred within one year of the date of the company's listing on a stock exchange. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in the company and any changes thereof. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company per annum. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within half a year after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

Shareholders

Under the PRC Company Law, the rights of shareholders include the rights:

(i) to receive a return on assets, participate in significant decision-making and select management personnel;

(ii) to petition the people's court to revoke any resolution passed on a shareholders' general meeting or a meeting of the board of directors that has not been convened in compliance with the laws and regulations or the articles of association or whose voting has violated the laws, administrative regulations or the articles of association of the company, or any resolution the contents of which is in violation of the articles of association, provided that such petition shall be submitted within sixty days of the passing of such resolution;

(iii) to transfer the shares according to the applicable laws and regulations and the articles of association;

(iv) to attend or appoint a proxy to attend shareholders' general meetings and exercise the voting rights;

(v) to inspect the articles of association, share register, counterfoil of company debentures, minutes of shareholders' general meetings, board resolutions, resolutions of the board of supervisors and financial and accounting reports, and to make suggestions or inquiries in respect of the company's operations;

(vi) to receive dividends in respect of the number of shares held;

(vii) to participate in distribution of residual properties of the company in proportion to their shareholdings upon the liquidation of the company; and

(viii) any other shareholders' rights provided for in laws, administrative regulations, other normative documents and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription capital in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription capital agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in the articles of association.

Shareholders' General Meetings

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The general meeting may exercise its powers:

(i) to elect and remove the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the reports of the board of supervisors or supervisors;

(iv) to review and approve the company's profit distribution proposals and loss recovery proposals;

(v) to decide on any increase or reduction of the company's registered capital;

(vi) to decide on the issue of corporate bonds;

(vii) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(viii) to amend the company's articles of association; and

(ix) to exercise any other authority stipulated in the articles of association.

The general meeting may authorise the board of directors to make resolutions on the issuance of corporate bonds.

Pursuant to the PRC Company Law, a shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following circumstances:

(i) the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;

(ii) the outstanding losses of the company amounted to one-third of the company's total share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting is convened;

(iv) the board of directors deems necessary;

(v) the board of supervisors so proposes; or

(vi) any other circumstances as provided for in the articles of association.

A shareholders' general meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by more than half of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for ninety days or more consecutively may unilaterally convene and preside over such meeting. Where shareholders individually or in aggregately holding 10% or more of the company's shares request to convene an extraordinary general meeting, the board of directors and the board of supervisors shall, within ten days after receipt of such request, decide whether to convene the extraordinary general meeting and reply to the shareholders in writing.

In accordance with the PRC Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders twenty days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders fifteen days prior to the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' general meeting.

Pursuant to the PRC Company Law, shareholders (excluding classified shareholders) present at a shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Pursuant to the PRC Company Law, resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of resolutions relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by two-thirds or more of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the board of directors shall convene a shareholders' general meeting promptly to vote on such matters.

A shareholder may entrust a proxy to attend the general meeting on his/her behalf and the matters, power and time limit of the proxy shall be clarified by such shareholder. The proxy shall present the shareholders' power of attorney to the company and exercise voting rights within the scope of authorisation.

Minutes shall be prepared in respect of matters considered at the general meeting and the chairman and directors attending the meeting shall endorse such minutes by signature. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

A joint stock limited company shall have a board of directors which shall have at least three members, except for certain joint stock limited company with smaller scaler or few shareholders which may appoint one director without establishing a board of directors. For a company that has three hundred or more employees, the board of directors shall include the staff representative unless the board of supervisors has been established and already included the staff representative supervisor. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors may exercise its powers:

(i) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(ii) to implement the resolutions passed by the shareholders at the shareholders' meetings;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy manager and financial officer of the company and to decide on their remunerations;

(ix) to formulate the company's basic management system; and

(x) to exercise any other authority stipulated in the articles of association.

Any restrictions on the powers of the board of directors set out in the articles of association may not be claimed against any bona fide third party.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors ten days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing 10% or more of the voting rights, one-third or more of the directors or the board of supervisors. The chairman shall convene the meeting within ten days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board of directors. Directors shall attend the meetings of the board of directors in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation. The board of directors shall make minutes of the meeting's decisions on the matters discussed at the meeting, and the directors attending the meeting shall sign the minutes.

If a resolution of the board of directors violates any laws, administrative regulations or the articles of association or resolutions of the general meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company:

(i) a person without capacity or restricted capacity to undertake any civil liabilities;

(ii) a person who has been sentenced to any criminal penalty for corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist economic order, or who has been deprived of his political rights due to his crimes and such sentence has expired for no more than five years, or who is granted probation, if no more than two years have passed since the expiration of the probation period;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where no more than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) a person who has been a legal representative of a company or an enterprise that has had its business licence revoked due to violations of the law or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order to close down; or

(v) a person who is listed as a dishonest person subject to enforcement by the people's court due to failure to pay off a large amount of unliquidated mature debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Pursuant to the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director elected by more than half of the directors shall perform his/her duties.

Board of Supervisors

The board of supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, among which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors shall be elected by more than half of the supervisors. Directors and senior management shall not act concurrently as supervisors.

The chairman of the board of supervisors shall convene and preside over board of supervisors meetings. Where the chairman of the board of supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over supervisory board meetings. Where the vice chairman of the board of supervisors is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over meetings of the board of supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if re-elected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(i) to review the company's financial position;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or shareholders' resolutions;

(iii) when the acts of directors or senior management are detrimental to the company's interests, to require the director and senior management to correct these acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior management pursuant to the relevant provisions of the PRC Company Law; and

(vii) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

Manager and Senior Management

Pursuant to the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his/her powers in accordance with the company's articles of association or the authorization of the board of directors.

Other provisions in the articles of association on the manager's powers shall also be complied with. The manager shall be present at meetings of the board of directors. However, the manager shall have no voting rights at meetings of the board of directors unless he/she concurrently serves as a director.

Pursuant to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of directors of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors, Managers and Other Senior Management

Directors, supervisors and senior management are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and shall be obliged to be faithful and diligent towards the company. Where the controlling shareholder or actual controller of the company who does not serve as a director but actually attends to the company's affairs, shall comply with the foregoing provisions.

Directors, supervisors and management personnel are prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's property.

Directors, supervisors and senior management are prohibited from:

(i) seizing the assets of the company or misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) taking advantage of power to accept bribes or other illegal income;

(iv) accepting commissions paid by a third party for transactions conducted with the company for their own benefit;

(v) unauthorised divulgence of confidential information of the company; and

(vi) other acts in violation of their duty of loyalty to the company.

Where directors, supervisors and senior management directly or indirectly conclude any contract or engage in transactions with the company, they shall report to the board of directors or the shareholders' meeting and seek approval by resolutions of the board of directors or the shareholders' meeting in accordance with the articles of association. The requirement shall also apply to the conclusion of contracts or engagement in transactions by close relatives of the directors, supervisors and senior management or enterprises directly or indirectly controlled by close relatives of the directors, supervisors and senior management as well as persons who are otherwise related to the directors, supervisors and senior management.

Directors, supervisors and senior management shall not take advantage of duty to seek business opportunities for themselves or others that would have been directed to the company, unless such act has been reported to and approved by the board of directors or the shareholders' meeting in accordance with the articles of association or the company is unable to take the business opportunity in accordance with applicable laws, administrative regulations, and the articles of association.

Directors, supervisors and senior management shall not engage in the business similar to those of the company for themselves or others, unless such act has been reported to and approved by the board of directors or the shareholders' meeting in accordance with the articles of association.

Income generated by directors or senior management in violation of aforementioned shall be returned to the company.

A director, supervisor or senior management who contravenes any laws, regulations or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

The Guidance for Articles of Association provides that a company's directors and senior management shall have duties of diligence towards the company, for example, the directors shall be prudent, serious and diligent in exercising the authority conferred by the company to ensure that the business activities of the company comply with state's laws, administrative regulations and various economic policy requirements and that the business activities do not go beyond the scope of business activities specified in the company's business licence; the directors shall treat all shareholders equally; the shareholders shall keep abreast of the company's business management status; both the directors and the senior management shall sign written statements confirming periodic reports of the company and ensure that the information disclosed by the company is true, accurate and complete; both the directors and the senior management shall provide accurate information and materials to the board of supervisors and shall not interfere with the performance of duties by the board of supervisors or individual supervisors; both the directors and the senior management shall have other diligence duties prescribed by laws, administrative regulations, departmental rules and the company's articles of association.

Finance and Accounting

Pursuant to the PRC Company Law, a company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company twenty days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to the abovementioned reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, except for those which are not distributed in a proportionate manner as provided by the articles of association.

Profits distributed to shareholders in violation of the requirements described above must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium over the nominal value of the shares of the company on issue and other income as required by relevant government authorities to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. Where any losses need to be covered with reserve fund of the company, discretionary reserve fund and statutory common reserve fund shall first be used and if still insufficient, capital reserve fund can be used in accordance with applicable provisions. Upon the transfer of the statutory common reserve fund into increasing capital, the balance of the statutory common fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's capital shall not be deposited in any account opened under the name of an individual.

Appointment and Retirement of Auditors

The Guidance for Articles of Association provides that a company shall engage an accounting firm which is qualified with the PRC Securities Law to provide services including the audit of financial statements, the verification of net assets and other relevant consultancy services. The engagement term is one year and may be extended.

Pursuant to the PRC Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders at a shareholders' general meeting or the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the general meeting or the board of directors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal, withholding or falsification of information. Furthermore, the Guidance for Articles of Association provides that the audit fee for the accounting firm shall also be determined by shareholders at a general meeting.

Profit Distribution

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

Amendments to the Articles of Association

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by two-thirds or more of the votes held by shareholders attending the meeting.

Pursuant to the Guidance for Articles of Association, the company shall amend its articles of association under any of the following circumstances:

(i) where, after any amendment to the PRC Company Law or any other applicable law or administrative regulation, the provisions of the articles of association conflict with the law and/or administrative regulations amended;

(ii) where the company's circumstances change to such an extent that they are inconsistent with what is recorded in the articles of association; and

(iii) where the shareholders' general meeting decides to amend the articles of association.

The Guidance for Articles of Association further provides that where any amendment to the articles of association adopted by a shareholders' general meeting is subject to approval by the competent authorities, such amendment shall be submitted for approval; where any amendment involves the company's registration items, the company's registration with the authority shall also be amended. In addition, an announcement shall be made in accordance with the applicable provisions provided that the amendment to the articles of association is required to be disclosed by any law or regulation.

Dissolution and Liquidation

Pursuant to the PRC Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) the shareholders have resolved at a shareholders' general meeting to dissolve the company;

(iii) the company is dissolved by reason of its merger or division;

(iv) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent 10% or more of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders' interests.

On the occurrence of the abovementioned events, the company shall make an announcement on the National Enterprise Credit Information Publicity System within ten days.

In the event of paragraphs (i) and (ii) above, the company may carry on its existence by amending its articles of association if no property has been distributed to any shareholder. The amendments to the articles of association in accordance with the provisions described above shall require the approval of two-thirds or more of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, the liquidation procedures shall be conducted and directors shall be the company's liquidation obligor and it should establish a liquidation committee within fifteen days of the date on which the dissolution event occurs. The liquidation committee shall be composed of directors or any other persons determined by a shareholders' general meeting. If a liquidation committee is not established within the prescribed period or the liquidation fails to effect after the establishment of a liquidation committee, the interested party may file an application with a people's court, requesting that the court appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with and settle any outstanding business related to the liquidation;

(iv) to pay any outstanding tax together with any tax arising during the liquidation process;

(v) to settle the company's claims and liabilities;

(vi) to distribute the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within ten days from its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within sixty days.

A creditor shall lodge his claim with the liquidation committee within thirty days of receipt of the notification or within forty-five days of the date of the announcement if he has not received any notification.

A creditor shall, in making his claim, state matters relevant to his creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to repay its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion, and to the company registration authority to cancel the company's registration, and an announcement of its termination shall be published. Members of the liquidation committee are required to discharge their duties in good faith and in compliance with relevant laws. Members of the liquidation committee shall be prohibited from abusing their authority in accepting bribes or other unlawful income and from misappropriating the company's properties. Members of the liquidation committee are liable to indemnify the company and its creditors in respect of any loss arising from their wilful or material default.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Overseas Listing Trial Measures, both initial public offerings or listings in overseas markets shall be filed with the CSRC within three business days after the relevant application is submitted overseas. Subsequent securities offerings of an issuer in the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three business days after the offering is completed. Moreover, where the filing documents are complete and in compliance with stipulated requirements, the CSRC will, within twenty business days after receiving the filing documents, conclude the filing procedure and publish the filing results on the CSRC website. Where the filing documents are incomplete or do not conform to stipulated requirements, the CSRC shall request supplementation and amendment thereto within five business days after receiving the filing documents. The issuer shall then complete supplementation and amendment within thirty business days.

Loss of Share Certificates

A shareholder may, in accordance with the public notice procedures set out in the PRC Civil Procedure Law, apply to a people's court if his share certificate(s) in registered form is either stolen, lost or destroyed, for a declaration that such certificate(s) will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

Merger and Demerger

Merger of companies may be conducted by absorption or consolidation. If companies adopt the method of absorption, the absorbed company shall be dissolved. If companies are incorporated in the form of consolidation, the parties to the merger shall be dissolved.

The parties to the merger shall enter into a merger agreement and prepare a balance sheet and a list of properties. Within ten days of the date on which the resolution on merger is made, the creditors shall be notified by the company and a public announcement shall be in the press or on the National Enterprise Credit Information Publicity System within thirty days. The creditors may require the company to repay its debts or provide guarantees for covering the debts within thirty days of receipt of the notification or within forty-five days of the date of the announcement if the creditor has not received any notification; and in case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

Where a company merges with another company in which the former holds not less than 90% of the shares, the acquired company is not required to obtain approval by resolution of its shareholders' meeting, but shall notify the other shareholders who have the right to request the company to buy its equities or shares as a reasonable price. If the price paid for a company's merger dose not exceed 10% of the company's net assets, approval by resolution of its shareholder's meeting may not be required unless otherwise provided by the company's articles of association. Where a company's merger is exempt from approval by resolution of the shareholders' meeting in the previous two cases, it shall be subject to approval by resolution of the board of directors.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. Within ten days of the date on which the resolution on division is made, the creditors shall be notified by the company and a public announcement shall be made in the press or on the National Enterprise Credit Information Publicity System within thirty days. The liabilities of the company which have accrued prior to the division shall be jointly borne by the separated companies, unless otherwise stipulated in the agreement in writing entered into by the company with creditors in respect of the settlement of debts prior to division.

The PRC Securities Law, Regulations and Regulatory Regimes

The PRC has promulgated a series of regulations that relate to the issue and trading of the shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the Securities Committee and the CSRC and reformed the CSRC.

The PRC Securities Law (中華人民共和國證券法) is the first national securities law in China, and the regulatory matters include the issuance and trading of securities, the acquisition of listed companies, information disclosure, obligations and responsibilities of stock exchanges, securities companies and securities regulatory authorities, etc. The PRC Securities Law comprehensively regulates activities in the PRC securities market.

Pursuant to the PRC Securities Law, domestic enterprises issuing securities overseas directly or indirectly or listing and trading their securities overseas shall comply with the relevant provisions of the State Council. At present, the issuance and trading of shares issued overseas is mainly regulated by rules and regulations issued by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Awards

The PRC Arbitration Law (中華人民共和國仲裁法) was enacted by the SCNPC on August 31, 1994, which became effective on September 1, 1995 and was last amended on September 1, 2017. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement.

If the respondent puts forward evidence to prove that the arbitral award is under any of the following circumstances, the award shall not be enforced upon examination and verification by an arbitration tribunal of the people's court:

(i) the parties have no arbitration clause in their contract, nor have subsequently reached a written agreement on arbitration;

(ii) the matter to be ruled does not fall within the scope of the arbitration agreement or the arbitration institution has no right to arbitrate;

(iii) the composition of the arbitration tribunal or the arbitration procedure violates the legal procedure;

(iv) the evidence on which the award is based is forged;

(v) the other party conceals evidence sufficient to influence the impartial award from the arbitration institution;

(vi) the arbitrators have committed acts of embezzlement, bribery, favouritism and malpractice, or perverting the law in arbitrating the case.

If the people's court determines that the enforcement of the award violates the public interest, the award shall not be enforced.

Any party seeking to enforce an arbitral award of a foreign affairs arbitration organ of the PRC against a party who or whose property is not located within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitration body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the SCNPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the convention, the SCNPC declared that (i) the PRC will only apply the New York Convention to the recognition and enforcement of arbitral awards made in the territory of another contracting state based on the principle of reciprocity; and (ii) the New York Convention will only apply to disputes deemed under PRC law to be arising from contractual or non-contractual mercantile legal relations.

The Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排) were passed at the Judicial Committee meetings of the Supreme People's Court on June 18, 1999, which went into effect on February 1, 2000, and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021)》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

The Supplementary Arrangements of Supreme People's Court on Reciprocal Enforcement of Arbitration Awards between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的補充安排) were promulgated by the Supreme People's Court on November 26, 2020. Under these arrangements, if a party fails to perform the arbitral award rendered in the Mainland or the Hong Kong, the other party may apply for enforcement to the relevant court in the place where the respondent is domiciled or where the property is located.

Judicial Judgement and its Enforcement

On January 14, 2019, the Judicial Committee of the Supreme People's Court adopted the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排), which took effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in wider range of civil and commercial matters between Hong Kong and the mainland China. The arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The arrangement further regulates, among others, the scope and particulars of judgements, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgement, the circumstances where the recognition and enforcement of judgement shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgements in civil and commercial matters between the courts in mainland China and those in the Hong Kong. Upon implementation of this Arrangement, the Arrangement between the Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgements of Civil and Commercial Matters under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) which was adopted by the Judicial Committee of the Supreme People's Court on June 12, 2006 and took effect on August 1, 2008 has been repealed.

This appendix contains a summary of the main provisions of the Articles of Association of the Company adopted on November 22, 2024, which will take effect from the date of listing of H shares on the Hong Kong Stock Exchange. The main purpose of this appendix is to provide potential investors with an overview of the Articles of Association of the Company, so it may not contain all the information that is important to potential investors.

SHARES AND REGISTERED CAPITAL

The total number of shares at the time of incorporation was 20,000,000 and the capital structure of the Company was: 20,000,000 ordinary shares and no other classes of shares.

The shares of the Company shall be issued in the form of share certificates.

All shares issued by the Company shall be shares with par value, and each share shall have a par value of RMB1.

The Company shall issue shares in an open, fair and just manner, and each share of the same.

Shares of the same class issued at the same time shall be issued under the same conditions and at the same price per share; subscribers shall pay the same price per share for the shares they subscribe for.

The ordinary shares issued by the Company comprise domestic shares and overseas listed shares (H shares). Domestic shares and overseas listed shares have the same rights in respect of any distribution in the form of dividends (including distributions in cash and in kind) or otherwise.

INCREASE AND REDUCTION OF CAPITAL AND REPURCHASE OF SHARES

The Company may, based on its business and development needs and in accordance with the laws and regulations, increase its capital in the following manners upon resolutions being adopted by the general meetings:

(i) public offering of shares;

(ii) non-public offering of shares;

(iii) distributing bonus shares to its existing shareholders;

(iv) conversion of capital reserve to share capital;

(v) other means required by the laws, administrative regulations and approved by CSRC and SEHK.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the Company Law, other relevant regulations of the PRC, the Listing Rules, other relevant regulations and the Articles of Association.

The Company shall not repurchase its own shares, except in one of the following circumstances:

(i) to reduce the registered capital of the Company;

(ii) to merge with other companies which hold the shares of the Company;

(iii) to utilize its shares in employee stock ownership plans or share incentive;

(iv) where the shareholders, who disagree with the resolution in relation to merger or division of the Company made at the general meeting, require the Company to repurchase the shares held by such shareholders;

(v) to use the shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(vi) to safeguard the value of the Company and the interests of the shareholders when necessary;

(vii) any other circumstances permitted by the laws, administrative regulations, securities regulatory rules of the place where the Company's shares are listed.

The Company may repurchase its shares by open centralized transaction method or other method approved by laws, administrative regulations, the Listing Rules and the CSRC as well as the securities regulatory authorities of the place where the shares of the Company are listed.

The repurchase of the Company's shares under the circumstances of utilizing its shares in employee stock ownership plans or share incentive, using the shares for conversion of corporate bonds issued by the Company which are convertible into shares and safeguarding the value of the Company and the interests of the shareholders when necessary, subject to compliance with the requirements of the Listing Rules and other securities regulatory rules of the place where the Company's shares are listed, shall be conducted by way of open and centralized trading.

When the Company repurchases its own shares under any of the circumstances specified in item (i) or (ii) mentioned above, a resolution adopted by shareholders' general meeting is required. Where the Company repurchases its own shares pursuant to the provisions of items (iii), (v) and (vi), it shall be resolved by a resolution of a meeting of Board of Director attended by at least two-thirds of the directors in accordance with the provisions of the Company's Articles of Association or the authorization of the shareholders' general meeting.

In the event that the Company repurchases its shares under the circumstances set out in item (i) thereof, the shares shall be cancelled within 10 days after the date of repurchase; where it falls under the circumstances set out in item (ii) or (iv) thereof, the shares shall be transferred or cancelled within 6 months, where it falls under the circumstances set out in items (iii), (v) and (vi) thereof, the total number of shares of the Company held by the Company shall not exceed 10% of the total number of shares issued by the Company and shall be transferred or cancelled within three years. Where laws, regulations or the securities regulatory authority at the place where the Company's stocks are listed have other provisions on the relevant matters related to the aforementioned share repurchase, subject to compliance with the requirements of the Listing Rules and other securities regulatory rules of the place where the Company's shares are listed, such provisions shall prevail.

TRANSFER OF SHARES

Shares of the Company may be transferred in accordance with the law.

The shares of the Company issued before public offering shall not be transferred for one year from the date on which the Company's shares are listed and traded on a stock exchange.

The Directors, Supervisors and senior officers of the Company shall report to the Company their shareholdings and changes thereof and shall not transfer more than 25% of the total number of their shares of the same class in the Company per annum during their terms of office as determined when they take office. The shares of the Company they hold shall not be transferred within one year from the date when the Company's shares are listed and traded on the stock exchange. The aforesaid persons shall not transfer their shares in the Company within half a year after they terminate service with the Company.

If there are other provisions on the transfer restrictions of overseas listed shares in the Listing Rules or the relevant regulations of the securities regulatory authority in the place where the Company's stocks are listed, such provisions shall prevail.

SHAREHOLDERS

The Company shall establish a register of members in accordance with certificates from the share registrar. The register of members is sufficient evidence of the shareholders' shareholdings in the Company. A shareholder shall enjoy the relevant rights and assume the relevant obligations in accordance with the class of shares he/she holds. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

The transfer and assignment of shares shall be registered in the register of members. In respect of the register of shareholders of overseas-listed H shares, the original register of members of shares listed in the Hong Kong Stock Exchange shall be maintained in Hong Kong.

The shareholders of the Company shall enjoy the following rights:

(i) the right to receive dividends and other distributions in proportion to their shareholdings;

(ii) the right to request, convene, preside over, attend or appoint a proxy to attend general meetings and to exercise the corresponding voting rights in accordance with the law;

(iii) the right to supervise the Company's business operations, to present proposals and to raise enquiries;

(iv) the right to transfer, give as a gift or pledge shares held by them in accordance with laws, administrative regulations and the Articles of Association;

(v) the right to inspect and duplicate the Articles of Association, the register of members, minutes of general meetings, resolutions of Board meetings, resolutions of Board of Supervisors and financial accounting reports;

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in proportion to the shareholdings;

(vii) for shareholders who vote against any resolution adopted at the general meeting on the merger or division of the Company, the right to demand the Company to buy back their shares;

(viii) other rights under laws, administrative regulations, departmental rules, normative documents, listing rules of the places where the shares of the Company are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and cause losses to the Company or other shareholders shall be liable for compensation in accordance with the law.

Where shareholders of the Company abuse the Company's position as an independent legal person and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company.

The controlling shareholder or the de facto controller of the Company shall not make use of his/her connected relationship to harm the interests of the Company. If a breach of the regulations causes losses to the Company, they shall be liable for compensation.

The controlling shareholders and de facto controllers of the Company who do not serve as directors but who actually carry out the affairs of the Company shall have a duty of loyalty to the Company and shall take measures to avoid conflicts between their own interests and the interests of the Company and shall not make use of their powers to gain undue advantage; they shall have a duty of diligence to the company, and they shall carry out their duties in the best interests of the Company to the extent of the reasonable care that is normally required of managers.

GENERAL MEETINGS

The general meeting shall be the authority of power of the Company and shall exercise the following functions and powers in accordance with laws:

(i) to elect and change Directors and Supervisors who are not employees' representatives, and decide on the remunerations of Directors and Supervisors;

(ii) to consider and approve reports of the Board;

(iii) to consider and approve reports of the Supervisory Committee;

(iv) to consider and approve the Company's profit distribution plans and loss recovery plans;

(v) to resolve on the increase or reduction of the registered capital of the Company;

(vi) to resolve on the issuance of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change in the form of the Company;

(viii) to amend the Articles of Association;

(ix) to resolve on the Company's appointment or dismissal of accounting firms;

(x) to consider and approve the transactions, financial assistance and guarantees which shall be approved at the general meeting;

(xi) to consider the purchase or sale of significant assets by the company within one year that exceed 30% of the company's latest audited total assets;

(xii) to consider the connected transactions which shall be approved at the general meeting according to the Company's connected transactions policies;

(xiii) to consider and approve the change of use of proceeds;

(xiv) to consider share incentive schemes and employee stock ownership plans;

(xv) to consider other matters which shall be resolved at the general meeting in accordance with laws, administrative regulations, departmental rules, Listing Rules and relevant requirements of securities regulatory authorities of the places where the shares of the Company are listed or the Articles of Association.

General meetings consist of annual general meetings and extraordinary general meetings. The annual general meeting shall be held once a year within six months after the end of the previous accounting year.

The Company shall convene an extraordinary general meeting within two months upon occurrence of the following events:

(i) when the number of Directors falls below the minimum requirement of the Company Law, or is less than two thirds of the number specified by the Articles of Association;

(ii) when the unrecovered losses of the Company amount to one third of the total amount of its paid-up share capital;

(iii) when shareholder(s) severally or jointly holding at least ten percent of the Company's shares request(s) to convene such meeting;

(iv) when the Board considers necessary;

(v) when the Supervisory Committee proposes to convene such meeting; and

(vi) other circumstances stipulated by laws, administrative regulations, departmental rules, normative documents, the Listing Rules and the listing rules of the places where the shares of the Company are listed or the Articles of Association.

CONVENING OF GENERAL MEETINGS

General meeting shall be convened by the Board of Directors, unless otherwise provided by law or these Articles of Association.

The Chairman of the board, at least one third of the board members, and any independent director may propose to the board of directors to hold an extraordinary general meeting. For the aforesaid proposal, the board of directors shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, give a written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days of receipt of the proposal. Where the Board of Directors agrees to hold an extraordinary general meeting, it will send out a notice thereon within 5 days after the relevant resolution of the Board of Directors is made. If the Board of Directors does not agree to hold an extraordinary general meeting, it shall state reasons and make an announcement.

The Supervisory Committee may propose to the Board of Directors to hold an extraordinary general meeting and shall put forward the proposal to the Board of Directors in written form. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, give a written feedback on whether or not it agrees to hold an extraordinary general meeting within 10 days of receipt of the proposal.

Where the Board of Directors agrees to hold an extraordinary general meeting, it shall send out a notice thereon within 5 days after the relevant resolution of the Board of Directors is made; any change to the original proposal in the notice is subject to the consent of the Supervisory Committee. In case the Board of Directors refuses to convene an extraordinary general meeting of shareholders, or does not give any response within 10 days upon receipt of the proposal, the Board of Directors shall be deemed to be unable or have failed to perform its duty to convene the general meeting of shareholders, and the Supervisory Committee may convene and preside over the meeting by itself.

Shareholder(s) severally or jointly holding at least 10% of the shares of the Company shall be entitled to request the Board to convene an extraordinary general meeting and to add resolutions to the agenda of the meeting, and shall put forward such request to the Board in written form. The Board shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, inform in writing whether it agrees or disagrees to convene an extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within 5 days after the date of the resolution of the Board of Directors and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the Board of Directors does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the request, shareholders holding at least 10% of the shares of the Company separately or in aggregate shall have the right to propose to the Supervisory Committee to convene an extraordinary general meeting, and shall put forward such request to the Supervisory Committee in writing.

If the Supervisory Committee agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within 5 days after receipt of the request and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant shareholders.

If the Supervisory Committee fails to issue a notice convening the shareholders' general meeting by the prescribed period, the Supervisory Committee shall be deemed to refuse to convene and preside over such meeting, and shareholders holding at least 10% of the shares of the Company separately or in aggregate for no less than 90 consecutive days shall have the right to convene and preside over the meeting on their own.

PROPOSALS AND NOTICES OF GENERAL MEETINGS

The proposals put forward to the shareholders' general meetings shall fall within the scope of functions and powers of the shareholders' general meeting, have clear issues for discussion and specific matters to be resolved, and comply with the laws, administrative regulations, the Listing Rules and the Articles of Association.

When the Company convenes a general meeting, the Board of Directors, the Supervisory Committee and shareholders holding 1% or more of the shares of the Company separately or in aggregate shall be entitled to put forward proposals to the Company.

Shareholders individually or jointly holding 1% or more of the shares of the Company may submit ad hoc proposals to the convener of a shareholders' general meeting in writing ten days prior to shareholders' general meeting. The convener shall issue a supplementary notice of the shareholders' general meeting to announce the information of such ad hoc proposals within 2 days after receipt thereof, and submit such proposals to the shareholders' general meetings.

Except as provided in the preceding paragraph, the convener of a shareholders' general meeting shall not amend the proposals set out in the notice of the shareholders' general meeting or put up any new proposals after the issuance of the notice of the shareholders' general meeting.

The Company shall convene an annual general meeting by notifying the shareholders in writing 21 days prior to the meeting and an extraordinary general meeting by notifying the shareholders in writing 15 days prior to the meeting.

When calculating the time limit of the notice, the date of the general meeting convened shall not be included but the issue date of such notice shall be included.

After the notice of the shareholders' general meeting is issued, the meeting shall not be postponed or cancelled and the proposals set out in the notice shall not be cancelled without proper reasons. In the case of any postponement or cancellation of the meeting, the convenor shall make an announcement at least two working days prior to the original date of the convening and state the reasons therefor. If the convening is postponed, the date of the postponed convening shall be stated in the announcement.

HOLDING OF GENERAL MEETINGS

All shareholders registered on the record date or their proxies shall be entitled to attend the general meeting. They shall exercise their voting rights in accordance with the relevant laws and regulations, listing rules of the places where the shares of the Company are listed and the Articles of Association of the Company.

Shareholder may attend the general meeting in person, or appoint a proxy to attend and vote on his/her behalf.

If such shareholder is a Recognized Clearing House (or its nominee(s)) as defined in the relevant regulations from time to time in Hong Kong, the clearing house shall be entitled to appoint a proxy or corporate representative to attend general meetings of the issuer and meetings of creditors, and such proxy or corporate representative shall have the same statutory rights as other shareholder s, including the right to speak and vote.

A general meeting shall be presided over by the chairman of the Board of Directors. If the chairman is unable or fails to discharge his/her duties, the vice chairman shall preside over the meeting. If the vice chairman is unable or fails to discharge his/her duties, half or more of the directors shall designate a director to preside over the meeting.

If a general meeting is convened by the Supervisory Committee, the chairman of the Supervisory Committee shall preside over the meeting. If the chairman of the Supervisory Committee is unable or fails to discharge his/her duties, half or more of the supervisors shall designate a supervisor to preside over the meeting.

If a general meeting is convened by the shareholders themselves, the convener shall nominate a representative to preside over the meeting.

When a general meeting is convened, if the presider of the meeting contravenes the rules of procedure, rendering the meeting impossible to proceed, with the consent from more than half of the attending shareholders with voting rights, one person may be nominated at the general meeting to serve as the presider and the meeting may proceed.

Individual shareholders attending a general meeting in person shall produce their identity cards or other valid proof or evidence of their identities or stock account card, and in the case of attendance by proxies, the proxies shall produce valid proof of their identities and the proxy forms from shareholders.

For a corporate shareholder, its legal representative or a proxy appointed by such legal representative shall attend he general meeting. In the case of attendance by legal representatives, they shall produce their identity cards and valid proof of their capacities as legal representatives and, in the case of attendance by proxies of such legal representatives, such proxies shall produce their identity cards and the letters of authorization issued by such legal representatives according to the laws.

VOTING AND RESOLUTIONS AT GENERAL MEETINGS

Resolutions of the general meetings shall be divided into ordinary resolutions and special resolutions.

Ordinary resolution at a general meeting shall be adopted by more than one half of the voting rights held by shareholders (including their proxies) attending the general meeting. Special resolution at a general meeting shall be adopted by at least two thirds of the voting rights held by shareholders (including their proxies) attending the general meeting.

The following matters shall be resolved by way of ordinary resolutions at a general meeting:

(i) the work reports of the Board of Directors and the Supervisory Committee;

(ii) the profit distribution plans and plans for making up losses drafted by the Board of Directors;

(iii) the dismissal and remuneration of the members of the Board of Directors and the Supervisory Committee and the method of payment of the remuneration;

(iv) the annual report of the Company;

(v) to resolve on the Company's appointment or dismissal of accounting firms;

(vi) to consider and approve the transactions, financial assistance and guarantees which shall be approved at the general meeting;

(vii) to consider the connected transactions which shall be approved at the general meeting according to the Company's connected transactions policies;

(viii) to consider and approve the change of use of proceeds;

(ix) the matters other than those that laws, administrative regulations, the Listing Rules, the listing rules of the places where the shares of the Company are listed or the Articles of Association require to be adopted by special resolution.

The following matters shall be resolved by way of special resolutions at a general meeting:

(i) increase or reduction of the registered capital of the Company;

(ii) issuance of corporate bond;

(iii) division, merger, dissolution, liquidation and change of corporate form of the Company;

(iv) amendments of the Articles of Association;

(v) purchase or disposal of major assets or guarantee of the Company within one year with the amount exceeding 30% of the latest audited total assets of the Company;

(vi) share incentive schemes;

(vii) other matters as required by laws, administrative regulations, the Listing Rules, the listing rules of the places where the shares of the Company are listed or the Articles of Association, and matters which, as resolved by way of an ordinary resolution at a general meeting, will have a material impact on the Company and need to be approved by way of special resolutions.

Shareholders (including proxies) shall exercise their voting rights according to the number of voting shares they represent, with one vote for each share, unless individual shareholders are required by the Listing Rules to abstain from voting on individual matters.

When a ballot voting is held, the shareholders (including proxies) having two or more votes need not use all of their voting rights to vote for or against such matters.

Where any shareholder is required by the Listing Rules to abstain from voting on any particular matter or is restricted to voting only for or only against any particular matter, such shareholder shall abstain from voting or casting his vote in accordance with such requirement; any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted in the voting result.

Shares in the Company which are held by the Company do not carry any voting rights, and shall not be counted in the total number of voting shares represented by shareholders present at a general meeting.

When the general meeting considers matters relating to a connected transaction, the connected shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted in the total number of valid voting shares. The resolution of the general meeting shall fully disclose the voting by the unconnected shareholders.

DIRECTORS AND BOARD OF DIRECTORS

Directors shall be elected or replaced by the general meeting, and may further be removed from their office prior to the conclusion of the term thereof by the general meeting. Directors shall have a term of three years, renewable upon expiry if re-elected. The term of office of independent Directors is the same as other Directors, and the term is renewable upon re-election when it expires.

A director's term of office shall commence from the date when he/she takes office and end upon expiry of the term of the current session of the Board of Directors. The existing director shall continue to perform the duties of a director in accordance with laws, administrative regulations, departmental rules and the Articles of Association after the expiry of his/her term if no re-election is held in time.

The Company shall have a Board of Directors which shall be accountable to the general meeting.

The Board of Directors is composed of seven directors. The directors are composed of executive directors and independent non-executive directors.

An independent director shall perform his/her duties and responsibilities independently, without the interference of the Company, the substantial shareholders or the actual controller of the Company or other entities or individuals that have a material interest in the Company.

The Board shall exercise the following powers and duties:

(i) to convene a general meeting and report its work to such meeting;

(ii) to implement the resolutions of a general meeting;

(iii) to decide on the operation plans and investment plans for the Company;

(iv) to prepare the Company's profit distribution plans and loss recovery plans;

(v) to prepare the plan for the Company to increase or reduce its registered capital, issue bonds or other securities and listing plans;

(vi) to prepare plans of the Company with respect to material acquisitions and acquisitions of the Company's shares or merger, division, dissolution or change in the form of the Company;

(vii) within the scope of authorisation by the shareholders' meeting, to decide on matters such as foreign investment, acquisition and sale of assets, pledge of assets, external guarantee matters, entrusted financial management, and connected transactions;

(viii) to decide on the establishment of the internal organizations;

(ix) to decide to appoint or remove the general manager, secretary of the Board and other senior management of the Company, and decide on the remunerations and rewards and punishments thereof; to decide to appoint or remove the deputy general manager, financial controller and other senior management members of the Company nominated by the general manager, and decide on the remunerations and rewards and punishments thereof;

(x) to formulate the Company's basic management system;

(xi) to prepare plans to amend the Articles of Association;

(xii) to manage the disclosure of information of the Company;

(xiii) to propose to the general meeting with respect to the appointment or replacement of the accounting firm for the audit of the Company;

(xiv) to receive the work report of the general manager of the Company and examine such work;

(xv) to decide on the investment, the purchase or disposal of assets, the pledge of assets, guarantee of the Company, financial management, connected transactions within the scope of authorization of the shareholders' meeting. The Board may authorize the general manager to decide on daily operating matters within the scope of its authority; and

(xvi) to exercise any other duties and powers specified in laws, administrative regulations, departmental rules, the Listing Rules and the listing rules of the places where the shares of the Company are listed or the Articles of Association.

A director shall not enter into contracts with the Company or carry out transactions with the Company in violation of the provisions of the Articles of Association of the Company or without the consent of shareholders or a shareholders' general meeting.

The Board of Directors of the Company shall establish special committees such as audit committee, remuneration committee and nomination committee etc. according to the relevant resolutions of the shareholder's general meeting. All of the special committees shall be accountable to the Board of Directors. The proposal of each special committee shall be submitted to the Board of Directors for deliberation and decision.

The members of specialized committees shall be exclusively composed of directors. The president of the audit committee and remuneration committee shall be selected from the independent non-executive directors. The president of the nomination committee shall be the chairman or the independent non-executive director.

The Board of Directors is responsible for formulating the rules of procedure and work protocols of the special committees and regulating the operation of the special committees.

SECRETARY TO THE BOARD

The company shall have a secretary of the Board of Directors. The secretary of the Board is a senior officer of the Company, responsible to the Board of Directors. The secretary of the Board of Directors shall comply with laws, regulations, normative documents, the Listing Rules, the working rules of the secretary of the board of directors, and relevant provisions of the Articles of Association.

The secretary of the Board of Directors shall possess the necessary professional knowledge and experience to perform his/her duties, as well as good professional ethics and personal character.

The circumstances stipulated in the Articles of Association that prohibit the appointment of the director apply to the secretary of the Board of Directors as well.

The Secretary of the Board of Directors is responsible for the preparation of the General Meeting of Shareholders and the Board of Directors, the custody of meeting minutes and documents, the management of shareholder information, information disclosure, and other daily affairs; as well the secretary is responsible for filing the documents of the general meeting of shareholders, the Board of Directors, and the Supervisory Committee with the relevant securities regulatory departments where the shares of Company are listed (if necessary).

SUPERVISORY COMMITTEE

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three supervisors. A supervisory chairman will be appointed by election by all supervisors in a majority vote. The chairman of the Supervisory Committee shall convene and preside over a meeting of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor selected by more than one half of all supervisors shall convene and preside over the meeting of the Supervisory Committee.

The Supervisory Committee shall consist of shareholder representatives and an appropriate proportion of the Company's employee representatives and the percentage of employee representatives shall not be less than one-third. The employee representatives of the Supervisory Committee shall be elected by employees of the Company at the employee representatives' meeting, the employee meeting or otherwise democratically.

The directors, the general manager and the senior management officers of the Company shall not act concurrently as supervisors.

The term of office of a supervisor shall be 3 years. The supervisors are renewable upon re-election and re-appointment.

The appointment and removal of the chairman of the Supervisory Committee shall be determined by the affirmative votes of more than half of the members of the Supervisory Committee.

The Supervisory Committee shall exercise the following duties and powers:

(i) to review the regular reports of the Company prepared by the Board of Directors and to submit written review opinions thereon;

(ii) to review the financial position of the Company;

(iii) to supervise the performance of Directors and senior management members of their duties to the Company, and propose dismissal of Directors and senior management members that have violated the laws, administrative regulations, the Articles of Association or the resolutions of the general meetings;

(iv) to demand rectification by Directors and senior management members when the acts of such persons are prejudicial to the Company's interest and, if necessary, report to the general meeting or relevant national competent authorities;

(v) to propose the convening of an extraordinary general meeting, and to convene and preside over the general meeting when the Board fails to perform such duties as specified by the Company Law or the Articles of Association;

(vi) to put forward proposals to general meetings;

(vii) to initiate litigations against Directors and senior management member in accordance with provisions of Article 189 of the Company Law;

(viii) to initiate investigations into any irregularities identified in the operation of the Company and, where necessary, may engage an accounting firm and a law firm to assist their work at the Company's expense;

(ix) to require directors and senior management to submit reports on the execution of their duties; and

(x) to exercise any other duties and powers specified in the Articles of Association or the general meeting.

The Supervisory Committee meets at least once every six months. The Supervisory Committee may convene an interim meeting within 5 days when the supervisory chairman receive the proposal to convene it.

A meeting of the Supervisory Committee shall be held only when a majority of the supervisors are present. Resolutions of the Supervisory Committee shall be passed by a majority of all supervisors.

GENERAL MANAGER AND OTHER SENIOR MANAGEMENT MEMBERS

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors. The Company shall have several vice general managers, who shall be appointed or dismissed by the Board of Directors.

The Company's general manager, vice general manager, the chief financial officer, and the secretary of the Board of Directors are members of the senior management of the Company.

The general manager serves for a term of three years, subject to re-appointment upon the expiry of the term.

The general manager shall report to the Board and have the following duties and powers:

(i) to take charge of the production operations and management tasks of the Company and organize the implementation of the Board's resolutions, and to report work to the Board;

(ii) to organize the implementation of the Company's annual operating plan and investment plan;

(iii) to devise the set-up of the Company's internal management structure;

(iv) to devise the basic management policy of the Company;

(v) to formulate the specific rules of the Company;

(vi) to propose the appointment or dismissal of deputy managers, financial officers, and assistant to the general manager of the Company;

(vii) to appoint or dismissal management officers, aside from those requiring the Board to decide the appointment or removal;

(viii) to decide on the investment, the purchase or disposal of assets, corporate financing, the pledge of assets, guarantee of the Company, connected transactions within the scope of authorization of the board, except for the ordinary sales and purchase; and

(ix) other duties as granted by the Company's Articles of Association and the Board.

The general manager attend the board meetings.

FINANCIAL AND ACCOUNTING SYSTEM

The company formulates its financial and accounting system in accordance with laws, administrative regulations, and relevant national departments. If there are other provisions in the Listing Rules or the securities regulatory authorities of the place where the company's stocks are listed, such provisions shall apply.

The financial and accounting reports are prepared in accordance with relevant laws, administrative regulations, departmental rules, the Listing Rules, and other securities regulatory rules of the company's stock listing location.

The company will not establish separate accounting books except for statutory accounting books. The assets of the company shall not be stored in any individual's account.

PROFIT ALLOCATION

The Company shall allocate 10% of the annual after-tax profits as the statutory reserve fund of the Company. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required.

If the statutory reserve fund of the Company is insufficient to make up for the losses of the preceding year, the profits of the current year shall first be used to make up the said losses before any statutory reserve fund is withdrawn as per the provision of the preceding paragraph.

After withdrawing the statutory reserve fund out of its after-tax profits, the Company may also allocate some of its after-tax profits into its discretionary reserve if so resolved by the shareholders' general meeting.

After making up for the losses and making contributions to the common reserve fund, any remaining profits after tax shall be distributed to the shareholders in proportion to their respective shareholdings, except it is stipulated in the Articles of Association of the Company that profit distributions shall not be made in accordance with the shareholding proportion.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(i) the circumstances for dissolution specified in the Articles of Association arise;

(ii) the general meeting has resolved to dissolve the Company;

(iii) the merger or division of the Company requires a dissolution;

(iv) the business license is revoked, or the Company is ordered to close down or is dissolved according to laws; and

(v) if the Company suffers significant hardship in its operation and management, and the ongoing existence would bring significant losses for shareholders that cannot be resolved through other means, the shareholders holding at least ten percent of the total voting rights of the Company may request the People's Court to dissolve the Company.

In the case of item (i) (ii) mentioned above, the Company may survive by amending the Articles of Association, which shall be approved by more than two-thirds of the voting rights represented by the shareholders present at the general meeting.

Where the Company is dissolved under the circumstances set out in items (i), (ii), (iv) and (v) above, the Company shall establish a liquidation group to commence liquidation within fifteen days upon the occurrence of the circumstances for dissolution. The composition of the liquidation group shall be determined by Directors or general meeting. If the Company fails to establish a liquidation group on time, creditors may request the People's Court to designate certain persons to form a liquidation group to perform liquidation.

The liquidation team shall exercise the following functions and power during the period of liquidation:

(i) liquidating the properties of the Company, and preparing the balance sheets and asset checklists separately;

(ii) informing creditors by a notice or public announcement;

(iii) disposing of and liquidating the unfinished businesses of the Company;

(iv) clearing off the outstanding taxes and the taxes incurred from the process of liquidation;

(v) clearing off credits and debts;

(vi) disposing of the residual properties after settling such debt; and

(vii) participating in the civil litigation on behalf of the Company.

The liquidation team shall, within 10 days of its formation, notify the creditors, and shall, within 60 days, make public announcements in a newspaper or the National Enterprise Credit Information Publication System. Creditors shall, within 30 days of the receipt of the notice or within 45 days of the release of the public announcement in the case of failure to receive said notice, file their creditors' rights with the liquidation team.

After the liquidation team has liquidated the properties of the Company and has prepared the balance sheets and checklists of properties, it shall prepare a plan of liquidation, and report it to the shareholders' general meeting or the People's Court for confirmation.

The remaining assets that result from paying off the liquidation expenses, wages of employees, social insurance premiums and statutory compensation, the outstanding taxes and the debts of the Company may be distributed according to the ratios of shareholding of the shareholders.

During the liquidation period, the Company still exists but shall not carry out any business activities not related to liquidation. The property of the Company shall not be distributed to shareholders until all liabilities have been paid off in accordance with the provisions of the preceding paragraph.

AMENDMENT TO ARTICLES OF ASSOCIATION

Under any one of the following circumstances, the Company shall amend the Articles of Association:

(i) after amendment has been made to the Company Law, the relevant laws, administrative regulations or the Listing Rules, the contents of the Articles of Association shall conflict with the amended laws, administrative regulations or the Listing Rules;

(ii) the changes that the Company have undergone are not in consistence with the records made in the Articles of Association; and

(iii) the shareholders' general meeting decides that the Articles of Association should be amended.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was established as a limited liability company in the PRC on July 10, 2007 and was converted into a joint stock company with limited liability under the laws of the PRC on December 24, 2014. Our registered office is situated at Room 5, 11/F and Rooms 601, 608-612, 6/F, Huayin Building, No. 786 Minzhu Road, Zhongnan Road Sub-District, Wuchang District, Wuhan, Hubei Province, the PRC. As of the Latest Practicable Date, the registered capital of our Company was RMB38,517,242.

Our Company has established a principal place of business in Hong Kong at Room 1920, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 9, 2024. Ms. Pau So Yi (鮑素怡) has been appointed as the authorized representative of our Company for acceptance of service of process and notices required to be served on our Company in Hong Kong. The address for acceptance of service of process and notices is the same as our registered place of business in Hong Kong.

As our Company was established in the PRC, our operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix IV to this prospectus. A summary of the Articles of Association is set out in Appendix V to this prospectus.

2. Changes in the Share Capital of Our Company

On July 10, 2007, our Company was established with a registered capital of RMB2.42 million.

On October 8, 2024, our Company repurchased an aggregate of 8,379,306 Shares from CITIC Securities Investment, Zhongyuan Jiupai, Mr. Li Jiansheng, Mr. Zhu Chao, Zhidao Capital and Mr. Wang Qingsong, and the registered capital of our Company was reduced from RMB46,896,548 to RMB38,517,242.

Save as disclosed above, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this prospectus.

Immediately after the completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming no exercise of the Over-allotment Option), our registered share capital will be RMB49,379,042, consisting of 32,352,902 Unlisted Shares and 17,026,140 H Shares, which represent approximately 65.52% and 34.48% of our total issued share capital, respectively.

3. Changes in the Share Capital of Our Subsidiaries

Particulars of our principal subsidiaries are included in Note 1 to the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed in "History, Development and Corporate Structure" and below, there has been no alteration in the registered share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

Wuhan Jiangxia Dazhong Hejun Dental Out-patient Service Co., Ltd. (武漢江夏大眾和俊口腔門診有限公司)

On August 29, 2023, Wuhan Jiangxia Dazhong Hejun Dental Out-patient Service Co., Ltd. was established in the PRC with a registered capital of RMB1.5 million.

Shaoyang Beita

On August 31, 2023, Shaoyang Beita was established in the PRC with a registered capital of RMB1.0 million. On April 25, 2024, the registered capital of Shaoyang Beita was increased from RMB1.0 million to RMB1.2 million.

Shaoyang Shuangqing

On September 1, 2023, Shaoyang Shuangqing was established in the PRC with a registered capital of RMB1.0 million. On May 7, 2024, the registered capital of Shaoyang Shuangqing was increased from RMB1.0 million to RMB1.25 million.

Wuhan Dazhong Heyuan Dental Out-patient Service Co., Ltd. (武漢大眾和緣口腔門診有限公司)

On September 8, 2023, Wuhan Dazhong Heyuan Dental Out-patient Service Co., Ltd. was established in the PRC with a registered capital of RMB1.8 million.

Wuhan Dazhong Dental Houhu Out-patient Service Co., Ltd. (武漢大眾口腔後湖口腔門診有限公司)

On December 29, 2023, Wuhan Dazhong Dental Houhu Out-patient Service Co., Ltd. was established in the PRC with a registered capital of RMB0.5 million.

Wuhan Dazhong Wanda Dental Out-patient Service Co., Ltd. (武漢大眾萬達口腔門診有限公司)

On February 2, 2024, Wuhan Dazhong Wanda Dental Out-patient Service Co., Ltd. was established in the PRC with a registered capital of RMB0.5 million. On June 14, 2024, the registered capital of Wuhan Dazhong Wanda Dental Out-patient Service Co., Ltd. was increased from RMB0.5 million to RMB0.9 million.

Wuhan Dazhong Baishazhou Dental Out-patient Service Co., Ltd. (武漢大眾白沙洲口腔門診有限公司)

On February 22, 2024, Wuhan Dazhong Baishazhou Dental Out-patient Service Co., Ltd. was established in the PRC with a registered capital of RMB1.0 million.

Jingzhou Dazhong Shabei Dental Out-patient Service Co., Ltd. (荊州大眾沙北口腔門診有限公司)

On May 16, 2024, Jingzhou Dazhong Shabei Dental Out-patient Service Co., Ltd. was established in the PRC with a registered capital of RMB0.9 million.

Xiangyang Kaidi

On July 4, 2024, Xiangyang Kaidi was established in the PRC with a registered capital of RMB0.7 million.

4. Resolutions Passed by Our Shareholders' Meeting in Relation to the Global Offering

At the extraordinary general meeting of our Company held on November 22, 2024, the following resolutions, among others, were passed by our Shareholders:

(1) the Global Offering be approved and the Board and its authorized representatives be authorized to handle all matters relating to, among others, the Global Offering and the Listing of the H Shares on the Main Board of the Stock Exchange;

(2) the issuance by our Company of the H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Stock Exchange. The number of H Shares to be issued shall not be more than 25% of our enlarged total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and the number of H Shares to be issued under the Over-allotment Option shall not be more than 15% of the number of H Shares issued pursuant to the Global Offering;

(3) subject to the filing with the CSRC, upon completion of the Global Offering, 6,164,340 Unlisted Shares held by Wuhan Xinglin, Wuhan Taolin, Wuhan Zhulin, Ms. Li Zhen (李臻) and Mr. Chen Wei (陳巍) be converted into H shares on a one-for-one basis;

(4) subject to the completion of the Global Offering, the granting of a general mandate to our Board to allot and issue Shares at any time within a period up to the date of the conclusion of the next annual general meeting of our Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in its absolute discretion deems fit, and to complete all necessary procedures, provided that, the number of Shares to be issued shall not exceed 20% of the number of the Shares in issue as of the Listing Date;

(5) subject to the completion of the Global Offering, the granting of a general mandate to our Board to exercise all the powers of our Company to repurchase H Shares listed on the Stock Exchange at any time within a period up to the date of the conclusion of the next annual general meeting of our Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, and to complete all necessary procedures, provided that, the number of H Shares to be repurchased shall not exceed 10% of the number of H Shares in issue as of the Listing Date; and

(6) subject to the completion of the Global Offering, the conditional adoption of the Articles of Association, which shall become effective on the Listing Date, and the Board has been authorized to revise and amend the Articles of Association, in accordance with the requirements of the laws, regulations and Listing Rules.

5. Explanatory Statement on Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(1) Reasons for Repurchase

Our Directors believe that the repurchase of H Shares would be beneficial to and in the best interests of our Company and Shareholders as a whole. It can strengthen the investors' confidence in our Company and promote a positive effect on maintaining our Company's reputation in the capital market. Such repurchases will only be made when our Board believes that such repurchases will benefit our Company and Shareholders as a whole.

(2) Exercise of the General Mandate to Repurchase H Shares

Pursuant to the resolutions passed by the general meeting of our Shareholders held on November 22, 2024, our Board was granted general mandate to repurchase H Shares until the end of the relevant period. The general mandate to repurchase Shares would expire on the date of the conclusion of the next annual general meeting of our Shareholders or the date on which our Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier.

Furthermore, we need to complete necessary procedures with relevant government authorities for the actual grant of the general mandate to repurchase H Shares to our Board, as applicable. The exercise in full of the general mandate to repurchase H Shares (on the basis of 17,026,140 H Shares in issue as of the Listing Date) would result in a maximum of 1,702,614 H Shares being repurchased by our Company during the relevant period, being the maximum of 10% of the H Shares in issue as of the Listing Date.

(3) Source of Funds

In repurchasing H Shares, our Company intends to apply funds from our Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

Our Company is entitled under the Articles of Association to repurchase our Shares. Any repurchases by our Company may only be made out of either the funds of our Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. Our Company may not purchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the listing rules of the Stock Exchange from time to time.

(4) Suspension of Repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

(5) Trading Restrictions

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to affect a repurchase of securities disclose to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(6) Close Associates and Core Connected Persons

None of our Directors or, to the best of their knowledge having made all reasonable inquiries, any of their close associates have a present intention, in the event the general mandate to repurchase H Shares is approved, to sell any Shares to our Company.

No core connected persons of our Company have notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the general mandate to repurchase H Shares is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, supervisor, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

(7) Status of Repurchased Shares

Subject to the Articles of Association, the Listing Rules and any other applicable laws and regulations, the H Shares repurchased by our Company will be cancelled or transferred within certain period and the registered capital of our Company will be reduced by an amount equivalent to the aggregate nominal value of the H Shares if such H Shares were cancelled.

(8) Takeover Implications

If, as a result of any repurchase of H Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

Save as disclosed above, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the general mandate to repurchase H Shares.

(9) General

If the general mandate to repurchase H Shares was to be carried out in full at any time, there may be a material and adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the general mandate to repurchase H Shares to such an extent as would have a material and adverse effect on our working capital or gearing position.

Our Directors will exercise the general mandate to repurchase H Shares in accordance with the Listing Rules and the applicable laws in the PRC.

6. Restriction on Share Repurchase

For details of the restrictions on the share repurchase by our Company, see "Appendix V — Summary of Articles of Association."

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contract

The following contract (not being contract entered into in the ordinary course of business) has been entered into by members of our Group within the two years preceding the date of this prospectus and is or may be material:

(1) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

(1) Trademarks

As of the Latest Practicable Date, we were the registered owner of and had the right to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of registration	Registration number	Registered owner	Class	Registration date	Expiry date
1. .	爱尚大众	PRC	59046971	Our Company	44	2022-05-28	2032-05-27
2. .	春竹	PRC	59071423	Our Company	41	2022-05-28	2032-05-27
3. .	春竹	PRC	59063601	Our Company	44	2022-05-28	2032-05-27
4. .	江子牙	PRC	55503505	Our Company	44	2022-01-07	2032-01-06
5. .	江子牙	PRC	55488668	Our Company	16	2022-11-07	2032-01-06
6. .	江子牙	PRC	55523359	Our Company	42	2022-11-07	2032-01-06
7. .	江子牙	PRC	55497315A	Our Company	5	2022-03-07	2032-03-06
8. .	江子牙	PRC	55514835	Our Company	10	2022-11-07	2032-11-06
9. .	江子牙	PRC	55521862	Our Company	20	2022-11-07	2032-11-06
10.	江子牙	PRC	55518369A	Our Company	21	2022-03-07	2032-03-06
11.	DDC Dazhong Dental Clinic	PRC	52482054	Our Company	44	2021-10-21	2031-10-20
12.	爱尚大众	Hong Kong	306637258	Our Company	10, 21, 44	2024-08-09	2034-08-08

(2) Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be or may be material to our business:

No.	Patent	Patent type	Registration number	Registered owner	Filing date	Expiry date
1. . .	A mouth mirror with a saliva pump that is easy to separate (一種便於分離的帶吸唾器的口鏡)	Utility model	202120841266.4	Our Company	2021-04-22	2031-04-21
2. . .	An automatic nail gun for membrane nailing (一種自動上釘的膜釘槍)	Utility model	202120843602.9	Our Company	2021-04-22	2031-04-21
3. . .	A bone scraper that can increase the amount of bone powder scraping and is easy to collect (一種能夠增加骨粉刮取量且便於收集的骨刨)	Utility model	202120858160.5	Our Company	2021-04-25	2031-04-24
4. . .	A new type of autologous bone holder (一種新型的自體骨挾持器)	Utility model	202120923628.4	Our Company	2021-04-30	2031-04-29
5. . .	A tent nail for supporting and maintaining the GBR bone graft space (一種用於支撐維持GBR植骨空間的帳篷釘)	Utility model	202120926945.1	Our Company	2021-04-30	2031-04-29
6. . .	A bone augmentation bio-agent support device and its installation tool (一種骨增量生物製劑支撐器及其安裝工具)	Utility model	202123214169.1	Our Company	2021-12-20	2031-12-19

No.	Patent	Patent type	Registration number	Registered owner	Filing date	Expiry date
7. . .	A new type of soft tissue cutting device (一種新型軟組織切割裝置)	Utility model	202123341777.9	Our Company	2021-12-28	2031-12-27
8. . .	A periosteal cutter with soft tissue tension reduction and separation function (帶軟組織減張分離功能的骨膜切割器)	Utility model	202220387915.2	Our Company	2022-02-24	2032-02-23
9. . .	A mounting device for tooth position adjuster and its tooth position adjuster (一種牙位元調整器用安裝裝置及其牙位元調整器)	Utility model	202220473097.8	Our Company	2022-03-04	2032-03-03
10. .	A bite pad with a lifting and saliva suction function (一種具有升降吸唾功能的咬合墊)	Utility model	202322395841.4	Our Company	2023-09-05	2033-09-04

(3) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be or may be material to our business:

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
1. . .	Dazhong Dental Information Management Platform V1.0 (大眾口腔信息管理平臺V1.0)	Our Company	2017SR1987242	PRC	2017-07-26
2. . .	Dazhong Dental Diagnosis and Treatment System V1.0 (大眾口腔診療系統V1.0)	Our Company	2017SR1984206	PRC	2017-07-26
3. . .	Electronic Medical Record System V1.0 (電子病歷系統V1.0)	Our Company	2021SR7785717	PRC	2021-07-19

No.	Copyright	Registered owner	Registration number	Place of registration	Registration date
4. . .	Voice Paging System V1.0 (語音叫號系統 V1.0)	Our Company	2021SR7792480	PRC	2021-07-20
5. . .	Office Mini Program V1.0 (辦公小程序 V1.0)	Our Company	2022SR9001584	PRC	2022-01-07
6. . .	Human Resource Management System V1.0 (人力資源管理系統V1.0)	Our Company	2022SR 9001586	PRC	2022-01-07
7. . .	Cost Accounting and Analysis System V1.0 (成本核算分析系統V1.0)	Our Company	2022SR 9001585	PRC	2022-01-07
8. . .	Medical Insurance Settlement Management System (醫保結算管理系統 V1.0)	Our Company	2023SR11076904	PRC	2023-04-20
9. . .	Dental Treatment Plan Management System (口腔診療計劃管理系統V1.0)	Our Company	2023SR11110901	PRC	2023-05-08
10. . .	Patient Appointment Mini Program (患者預約小程序V1.0)	Our Company	2023SR11233706	PRC	2023-06-13
11. . .	Intelligent Data Analysis Platform (1.0) (智慧數據分析平台(1.0))	Our Company	2023SR11700148	PRC	2023-09-20

(4) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registrant	Date of registration	Expiry date
1. .	dzkq.net	Our Company	2013-10-09	2025-10-09
2. .	dzkq.cn	Our Company	2013-10-09	2025-10-09
3. .	chinadzyl.com	Our Company	2007-06-09	2026-06-09

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(1) Interests and Short Positions of the Directors, Supervisors and Chief Executive of Our Company in the Shares, Underlying Shares or Debentures of Our Company and Our Associated Corporation

Immediately following the completion of the Global Offering and assuming the Over-allotment Option is not exercised, the interests or short positions of our Directors, Supervisors and the chief executive in any Shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO), which, once the H Shares are listed, will be required (a) to be notified to our Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, are as follows:

(i) Interests in the Shares of Our Company

Name of Director/ Supervisor/chief executive	Nature of interest	Number of Shares	Description of Shares	Approximate percentage of shareholding in our total share capital[1]
Mr. Yao[2]	Interest in a controlled corporation	31,324,102	Unlisted Shares	63.44%
	Beneficial interest	475,800	Unlisted Shares	0.96%
	Interest of concert party	31,774,102	Unlisted Shares	64.35%
Ms. Shen[2] . . .	Interest in a controlled corporation	31,324,102	Unlisted Shares	63.44%
	Beneficial interest	450,000	Unlisted Shares	0.91%
	Interest of concert party	31,799,902	Unlisted Shares	64.40%
Mr. Guo Jiaping[3] . . .	Interest in a controlled corporation	1,505,000	H Shares	3.05%

Notes:

(1) The calculation is based on the total number of 32,352,902 Unlisted Shares in issue and 17,026,140 H Shares in issue immediately after completion of the Global Offering and the Conversion of Unlisted Shares into H Shares (assuming the Over-allotment Option is not exercised). Unlisted Shares and H Shares are both ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(2) As of the Latest Practicable Date, Zhongshan Medical Investment was held by Mr. Yao and Ms. Shen as to 44.11% and 31.38%, respectively. Pursuant to an acting-in-concert agreement entered into between Mr. Yao and Ms. Shen on June 3, 2014, Mr. Yao and Ms. Shen agreed to act in concert in respect of their voting rights in Zhongshan Medical Investment and our Company. See "History, Development and Corporate Structure — Our Major Corporate Development — Early Development" for details. Therefore, Mr. Yao and Ms. Shen are deemed to be interested in the Shares directly held by Zhongshan Medical Investment and each other by virtue of the SFO.

(3) Mr. Guo Jiaping is the general partner of Wuhan Zhulin. Therefore, Mr. Guo Jiaping is deemed to be interested in the Shares directly held by Wuhan Zhulin by virtue of the SFO. Upon the Listing, the 1,505,000 Unlisted Shares held by Wuhan Zhulin will be converted to H Shares.

(ii) Interests in Our Associated Corporation

Name of Director/ Supervisor/chief executive	Nature of interest	Name of associated corporation	Approximate percentage of shareholding
Mr. Yao[(1)]	Beneficial interest	Zhongshan Medical Investment	44.11%
	Interest of concert party	Zhongshan Medical Investment	31.38%
Ms. Shen[(1)]	Beneficial interest	Zhongshan Medical Investment	31.38%
	Interest of concert party	Zhongshan Medical Investment	44.11%
Ms. Liu Hongchan . .	Beneficial interest	Zhongshan Medical Investment	0.86%
	Interest of spouse	Zhongshan Medical Investment	1.29%
Ms. Huang Meiyun . .	Beneficial interest	Zhongshan Medical Investment	1.72%
Ms. Xu Cen.	Beneficial interest	Zhongshan Medical Investment	0.86%

Note:

(1) Pursuant to an acting-in-concert agreement entered into between Mr. Yao and Ms. Shen on June 3, 2014, Mr. Yao and Ms. Shen agreed to act in concert in respect of their voting rights in Zhongshan Medical Investment. See "History, Development and Corporate Structure — Our Major Corporate Development — Early Development" for details. Therefore, each of them is deemed to be interested in the equity interest in Zhongshan Medical Investment held by each other by virtue of the SFO.

(2) Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares

(i) Interests of Substantial Shareholders in Our Company

Save as disclosed in "Substantial Shareholders" of this prospectus, our Directors are not aware of any other person who will, immediately following the Global Offering, have an interest or short position in the Shares or underlying shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

(ii) Interests of Substantial Shareholders in Members of Our Group (Other Than Our Company)

So far as the Directors are aware, as of the Latest Practicable Date, the following persons were interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of the members of our Group (other than our Company).

Our subsidiary	Parties with 10% or more equity interest	Approximate percentage of shareholding
Wuhan Dazhong Wanda Dental Out-patient Service Co., Ltd. (武漢大眾萬達口腔門診有限公司)	Li Yahui (李亞會) Li Yang (李洋)	25% 24%
Wuhan Dazhong Dental Xudong Out-patient Department Co., Ltd. (武漢大眾口腔徐東口腔門診部有限公司)	Yuan Kaisen (袁開森)	49%
Wuhan Dazhong Dental Out-patient Department Co., Ltd. (武漢大眾口腔門診部有限公司)	Wang Derong (王德榮) Hu Mingjin (胡明金)	25% 24%
Wuhan Dazhong Hefeng Kaide Dental Out-patient Department Co., Ltd. (武漢大眾和峰凱德口腔門診部有限公司)	Zhao Fenglin (趙峰林)	49%

Our subsidiary	Parties with 10% or more equity interest	Approximate percentage of shareholding
Wuhan Dazhong Heqiu Panlongcheng Dental Out-patient Department Co., Ltd. (武漢大眾和秋盤龍城口腔門診部有限公司)	Zhang Qiu (張秋)	49%
Wuhan Dazhong Hewang Xunlimen Dental Out-patient Service Co., Ltd. (武漢大眾和望循禮門口腔門診有限公司)	Ke Wangju (柯望菊)	49%
Wuhan Dazhong Hesong Huashiyuan Dental Out-patient Service Co., Ltd. (武漢大眾和松華師園口腔門診有限公司)	Yu Jinsong (喻金松)	35%
	Sun Dan (孫丹)	14%
Wuhan Dazhong Helei Pingan Chuntian Dental Out-patient Service Co., Ltd. (武漢大眾和磊平安春天口腔門診有限公司)	Wu Lei (吳磊)	49%
Wuhan Dazhong Hejian Baibuting Dental Out-patient Department Co., Ltd. (武漢大眾和健百步亭口腔門診部有限公司)	Wang Jian (王健)	49%
Wuhan Dazhong Heyuan Dental Out-patient Service Co., Ltd. (武漢大眾和緣口腔門診有限公司)	Tian Yuzhi (田玉芝)	40%
Wuhan Jiangxia Dazhong Hejun Dental Out-patient Service Co., Ltd. (武漢江夏大眾和俊口腔門診有限公司)	Wang Junfeng (王俊鋒)	49%
Wuhan Dazhong Baishazhou Dental Out-patient Service Co., Ltd. (武漢大眾白沙洲口腔門診有限公司)	Ma Jun (馬俊)	49%
Wuhan Dazhong Hexu Guannanyuan Dental Out-patient Service Co., Ltd. (武漢大眾和旭關南園口腔門診有限公司)	Wuhan Jintian Management Consulting Co., Ltd. (武漢金田管理諮詢有限責任公司)	49%

Our subsidiary	Parties with 10% or more equity interest	Approximate percentage of shareholding
Wuhan Dazhong Hesen Zhongbeilu Dental Out-patient Department Co., Ltd. (武漢大眾和森中北路口腔門診部有限公司)	Yuan Kaisen (袁開森)	49%
Wuhan Dazhong Dental Jiyuqiao Out-patient Department Co., Ltd. (武漢大眾口腔積玉橋門診部有限公司)	Lei Sifeng (雷思鋒)	49%
Wuhan Dazhong Heyu Gujie Dental Out-patient Service Co., Ltd. (武漢大眾和玉固潔口腔門診有限公司)	Dong Yumei (董玉梅)	39%
	Wang Huolin (王火林)	10%
Jingzhou Dazhong	Huang Yong (黃勇)	30%
Xiangyang Dazhong	Du Chongli (杜充立)	10.52%
Zaoyang Hospital	Su Shengfeng (蘇盛峰)	44%
Xinshao Dazhong	Liang Chengliang (梁承亮)	16.5%
	Zhang Zhengfang (張正方)	16.5%
Chenzhou Hospital	Xiong Zhongcai (熊忠才)	12.4%
	Xie Liwen (謝立文)	12%
	Zhang Chengyuan (張程元)	10.13%
Shaoyang Hospital	Liang Chengliang (梁承亮)	14.95%
Jingzhou Dazhong Keya Dental Out-patient Service Co., Ltd. (荊州市大眾科雅口腔門診有限公司)	Huang Yi (黃毅)	49%
Jingzhou Dazhong Dental Jiangjin Out-patient Department Co., Ltd. (荊州大眾口腔江津門診部有限公司)	Hu Huanhuan (胡歡歡)	49%
Jingzhou Dazhong Xiangzhang Dental Out-patient Service Co., Ltd. (荊州大眾香樟口腔門診有限公司)	Yang Yan (楊豔)	29.4%

Our subsidiary	Parties with 10% or more equity interest	Approximate percentage of shareholding
Songzi Dazhong Chuxing Dental Clinic Co., Ltd. (松滋大眾楚星口腔診所有限公司)	He Haoran (賀浩然)	49%
Gongan Dazhong Chuxing Dental Out-patient Department Co., Ltd. (公安縣大眾楚星口腔門診部有限公司)	Huang Wen (黃聞)	49%
Huarong Dazhong Chuxing Dental Out-patient Service Co., Ltd. (華容縣大眾楚星口腔門診有限公司)	Huang Zhilong (黃治龍)	49%
Anxiang Dazhong Chuxing Dental Out-patient Service Co., Ltd. (安鄉大眾楚星口腔門診有限公司)	Huang Zhilong (黃治龍)	49%
Jingzhou Dazhong Chongwen Dental Out-patient Department Co., Ltd. (荊州大眾崇文口腔門診部有限公司)	Gong Yanhong (龔豔紅)	49%
Jingzhou Dazhong Huafu Dental Out-patient Department Co., Ltd. (荊州大眾華府口腔門診部有限公司)	Huang Wen (黃聞)	49%
Jingzhou Dazhong Dental Dongmen Out-patient Department Co., Ltd. (荊州大眾口腔東門門診部有限公司)	Xiong Jie (熊杰) Huang Rong (黃蓉)	34% 15%
Shishou Dazhong Chuxing Dental Out-patient Department Co., Ltd. (石首大眾楚星口腔門診部有限公司)	Huang Zhilong (黃治龍) Chen Lu (陳路)	38.7% 10.3%
Zhongxiang Dazhong Chuxing Wanchang Dental Out-patient Department Co., Ltd. (鐘祥市大眾楚星萬昌口腔門診部有限公司)	Guo Shiming (郭世明)	49%
Zhongxiang Dazhong Chuxing Dongjie Dental Out-patient Department Co., Ltd. (鐘祥市大眾楚星東街口腔門診部有限公司)	Guo Shiming (郭世明)	49%

Our subsidiary	Parties with 10% or more equity interest	Approximate percentage of shareholding
Zhongxiang Dazhong Chuxing Yulong Dental Out-patient Department Co., Ltd. (鐘祥市大眾楚星禦隆口腔門診部有限公司)	Zhou Yanhong (周豔紅)	45%
Jingzhou Dazhong Zhanqian Dental Out-patient Service Co., Ltd. (荊州大眾站前口腔門診有限公司)	Wu Di (吳迪)	49%
Xiangyang Fancheng	Peng Chong (彭衝)	19%
	Wang Sihong (王思宏)	15%
	Jiang Songbo (蔣松波)	10%
Xiangyang Kaidi	Peng Chong (彭衝)	19%
	Wang Sihong (王思宏)	15%
	Jiang Songbo (蔣松波)	10%
Xiangyang Xiangcheng	Wuhan Haobochuan Enterprise Management Co., Ltd. (武漢浩博川企業管理有限公司)	49%
Shaoyang Shuangqing	Tan Jing (譚璟)	20%
	Huang Ziqian (黃子倩)	13%
Shaoyang Beita	Yang Pan (楊攀)	20%
	Liu Yingzi (劉英姿)	13%

2. Particulars of Service Contracts and Letters of Appointment

Each of our Directors and Supervisors has entered into a service contract or letter of appointment with our Company. The service contracts and letters of appointment (a) are for a term of three years commencing from the date on which the relevant Shareholders' approvals for the appointment were obtained and (b) are subject to termination in accordance with their respective terms. The service contracts and letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of our Group (excluding agreements expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

3. Compensation of Directors and Supervisors

Save as disclosed in "Directors, Supervisors and Senior Management" and Note 8 to the Accountants' Report as set out in Appendix I to this prospectus, none of our Directors or Supervisors received other remuneration or benefits in kind from our Company in respect of each of the financial years ended December 31, 2022, 2023 and 2024.

4. Agency Fees or Commissions Received

Save as disclosed in this prospectus, none of our Directors, Supervisors or any of the persons whose names are listed under the sub-section headed "— E. Other Information — 9. Consents of Experts" below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

5. Disclaimers

Save as disclosed in this prospectus:

(1) none of our Directors, Supervisors or experts referred to under "— E. Other Information — 8. Qualification of Experts" in this appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(2) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(3) taking no account of Shares which may be taken up under the Global Offering, none of our Directors, Supervisors or chief executive is aware of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(4) so far as is known to our Directors, none of our Directors, Supervisors, their respective associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO RESTRICTED SHARE SCHEME

The following is a summary of the principal terms of the Pre-IPO Restricted Share Scheme adopted by our Company on July 27, 2017 and amended on October 28, 2024. The Pre-IPO Restricted Share Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve grant of Restricted Shares by our Company after the Listing.

1. Purposes

The purposes of the Pre-IPO Restricted Share Scheme are to (i) establish a long-term effective incentive mechanism to enhance our employees' sense of responsibility and promote continuous and healthy development of our Company, and (ii) provide incentives to our Directors, Supervisors, senior management, key employees and consultants to recognize their contributions to our Company and align their interests with our Company's long-term development.

2. Eligible Participants

Persons eligible to receive the Restricted Shares under the Pre-IPO Restricted Share Scheme are senior management, key employees and consultants of our Group, and other employees who, in the opinion of the Board, have great contribution to our Group's operating performance and future development and should be incentivized.

Each selected participant has entered into a restricted share incentive agreement (the "**Restricted Share Agreement(s)**") with our Company for subscription of the Restricted Shares under the Pre-IPO Restricted Share Scheme.

3. Administration

The Pre-IPO Restricted Share Scheme is administered by our Company's manager office. The manager office is responsible for implementing the Pre-IPO Restricted Share Scheme according to the rules of the Pre-IPO Restricted Share Scheme as approved by the shareholders' meeting of our Company, formulating detailed implementing rules, determining list of selected participants and number of the Restricted Shares to be purchased by each participant and making other adjustments under specific circumstances during the incentive period.

4. Restrictions on the Restricted Shares

The Restricted Shares are subject to the following terms and conditions:

(a) Purchase price: the purchase price of the Restricted Shares shall be determined by our Company with reference to the latest net assets, profitability and development potential of our Company and set forth in the Restricted Share Agreement;

(b) Lock-up period: the Restricted Shares are subject to a lock-up period starting from the date on which the participants received the Restricted Share until the expiry of thirty-six (36) months therefrom. During the lock-up period, the selected participants shall not dispose of the Restricted Shares held by them under the Pre-IPO Restricted Share Scheme;

(c) Restriction on transfer price: the Restricted Shares shall be transferred to the general partner of the employee stock ownership platform or third party designated by the general partner at the transfer price as negotiated and agreed between the transferor and transferee with reference to the latest net assets of our Company as recommended by the Board in the event that, among others, (i) the selected participant terminates employment with our Group or retires upon the expiry of the 36-month lock-up period; and (ii) the selected participant decides to voluntarily transfer the Restricted Shares upon the expiry of the lock-up period; and

(d) Share repurchase: the Restricted Shares held by the selected participants are subject to repurchase by the general partner of the employ stock ownership platform or third party designated by the general partner at the initial purchase price under certain circumstances including, among others, (i) the selected participant terminates employment with our Group or retires during the 36-month lock-up period; (ii) the selected participant is disqualified from being an eligible participant in certain circumstances as set out in the Pre-IPO Restricted Share Scheme; (iii) in the event of transfer of any Restricted Shares, the transferor and transferee cannot agree on the transfer price and refuse to accept the transfer price as determined by the Board; and (iv) the selected participant lose his or her ability to work or die for any non working-related reasons.

Upon the Listing, the above transfer restriction under the Pre-IPO Restricted Share Scheme will not be applicable to the Restricted Shares held by the selected participants, and no further Restricted Shares will be issued or granted under the Pre-IPO Restricted Share Scheme.

5. Rights Attached to the Restricted Shares

The selected participants own the Restricted Shares through the employee stock ownership platforms and are entitled to the economic interests of the Restricted Shares, including the rights to receive dividends and other economic benefits. Voting rights of the Restricted Shares held by the employee stock ownership platforms can only be exercised by the general partner of the employee stock ownership platforms.

6. Adjustments

In the event of any capital reserve conversion into shares, distribution of dividends, share split or reduction of capital of the Company, the number of the Restricted Shares indirectly held by the selected participants through the employee stock ownership platforms will be adjusted accordingly.

7. Tax

The Company will withhold and remit the personal income tax and other taxes that the elected participants are required to pay in accordance with applicable tax laws.

8. Purchase of the Restricted Shares

Pursuant to the Pre-IPO Restricted Share Scheme, an aggregate of 5,750,740 Restricted Shares, representing approximately 14.93% of the total issued share capital of our Company as of the Latest Practicable Date, were issued to the three employee stock ownership, the general partner and limited partners of which are the participants of the Pre-IPO Restricted Share Scheme including (i) 2,740,740 Shares held by Wuhan Xinglin, (ii) 1,505,000 Shares held by Wuhan Taolin and (iii) 1,505,000 Shares held by Wuhan Zhulin. The Restricted Shares have been issued on a one-off basis and no Shares will be issued under the Pre-IPO Restricted Share Scheme after the Listing. As all Restricted Shares under the Pre-IPO Restricted Share Scheme have already been issued, the Restricted Shares will not have any dilution effect on the shareholding of the Company upon Listing.

From accounting perspectives, the Restricted Shares are recognized as treasury shares prior to the Listing as they cannot be freely transferred and are under the control of the Company pursuant to the terms of the Pre-IPO Restricted Share Scheme. Upon the Listing, the Restricted Shares will be transferable and cease to be under the control of the Company, and hence the Restricted Shares will no longer be recognized as treasury shares from accounting perspectives. For details, see Note 29 to the Accountants' Report in Appendix I to this prospectus.

Immediately following completion of the Global Offering, the number of Restricted Shares issued pursuant to the Pre-IPO Restricted Share Scheme amounts to 5,750,740 Shares, representing 11.65% of the total issued share capital of our Company (assuming no exercise of the Over-allotment Option).

As of the Latest Practicable Date, all Restricted Shares had been granted to 68 selected participants pursuant to the Pre-IPO Restricted Share Scheme. No further Restricted Shares will be granted under the Pre-IPO Restricted Share Scheme after the Listing. Particulars of the Restricted Shares granted to the selected participants as of the Latest Practicable Date are set forth below:

Name of participants[(1)]	Position held within our Group	Number of Restricted Shares	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering[(2)]
Director			
Guo Jiaping (郭家平)	Executive Director and vice general manager	460,000	0.93%
Liu Hongchan (劉紅嬋)	Executive Director, vice general manager and secretary of the Board	75,000	0.15%
Supervisor			
Yan Ge (嚴格)	Supervisor and accountant	25,000	0.05%
Senior management (excluding those who are also Directors)			
Wang Lixia (王麗霞)	Vice general manager	100,000	0.20%
Joint company secretary			
Xu Liman (許莉曼)	joint company secretary and general management officer	20,000	0.04%
Other participants			
Zhou Xianlue (周先略)	Employee	548,148	1.11%
Lei Minglang (雷明朗)	Former employee	548,148	1.11%
Li Yongjun (李永軍)	Employee	467,040	0.95%
Cui Yongping (崔永平)	Consultant[(3)]	400,000	0.81%
He Xiangdong (何向東)	Employee	274,074	0.56%
Yang Songping (楊松平)	Employee	187,040	0.38%
Peng Chong (彭沖)	Employee	167,030	0.34%

Name of participants[(1)]	Position held within our Group	Number of Restricted Shares	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering[(2)]
Jiang Shu (蔣澍)	Employee	129,260	0.26%
Ma Jun (馬俊)	Employee	100,000	0.20%
Xiao Zhongji (肖忠吉)	Employee	100,000	0.20%
Zhang Youxian (張友先)	Employee	100,000	0.20%
Sun Xiaohong (孫小紅)	Employee	100,000	0.20%
Tang Xizhen (唐喜珍)	Employee	100,000	0.20%
Qin Fan (秦煩)	Employee	100,000	0.20%
Huang Yaoping (黃耀平)	Employee	100,000	0.20%
Ma Zhenrong (馬振榮)	Employee	100,000	0.20%
He Zedong (何澤東)	Employee	100,000	0.20%
Li Meiqiu (李美秋)	Employee	50,000	0.10%
Luo Yue (羅粵)	Employee	50,000	0.10%
Xiao Shuanglin (肖雙林)	Employee	50,000	0.10%
Fu Wei (傅偉)	Employee	50,000	0.10%
Zhou Yubi (周玉碧)	Employee	50,000	0.10%
Hu Ting (胡婷)	Employee	50,000	0.10%
Gao Xuefeng (高雪峰)	Employee	50,000	0.10%
Hu Dejin (胡德進)	Employee	50,000	0.10%
Yin Xi (尹曦)	Employee	50,000	0.10%
Li Guowu (李國武)	Employee	50,000	0.10%
Guan Jinyan (官金豔)	Employee	50,000	0.10%
Kuang Liping (況麗萍)	Employee	50,000	0.10%
Zhang Weiwei (張薇薇)	Employee	45,000	0.09%
Mao Yanhui (毛豔輝)	Employee	45,000	0.09%
Chen Jing (陳靜)	Employee	40,000	0.08%
Yang Huaiyi (楊懷溢)	Employee	40,000	0.08%
Cai Xiangqin (蔡向勤)	Employee	30,000	0.06%
Xiao Tianying (肖田英)	Employee	30,000	0.06%
Gan Zhongming (甘忠明)	Employee	30,000	0.06%
Yao Qi (姚琪)	Employee	25,000	0.05%
Zhang Yuwei (張語威)	Employee	25,000	0.05%
Wang Lei (王磊)	Employee	25,000	0.05%
Han Qiudi (韓秋迪)	Employee	25,000	0.05%
Li Li (李麗)	Employee	25,000	0.05%
Liu Hongmei (劉紅梅)	Employee	25,000	0.05%
Fang Yunzhi (方雲芷)	Employee	25,000	0.05%
Lu Shan (陸珊)	Employee	25,000	0.05%
Yu Ting (余婷)	Employee	25,000	0.05%

Name of participants[(1)]	Position held within our Group	Number of Restricted Shares	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering[(2)]
Xu Qi (徐琦)	Employee	25,000	0.05%
Nie Ting (聶婷)	Employee	25,000	0.05%
Yao Hui (姚慧)	Employee	25,000	0.05%
Gong Liqiong (龔麗瓊)	Employee	25,000	0.05%
Wang Ruiyun (王瑞雲)	Employee	25,000	0.05%
Tao Fen (陶芬)	Employee	25,000	0.05%
Zuo Juan (左娟)	Employee	25,000	0.05%
Hu Xiu (胡秀)	Employee	20,000	0.04%
Chen Fengping (陳鳳萍)	Employee	20,000	0.04%
Zou Peng (鄒鵬)	Employee	20,000	0.04%
Jia Xiaowen (賈曉雯)	Employee	20,000	0.04%
Sun Yan (孫炎)	Employee	20,000	0.04%
Xie Zuqing (謝祖清)	Employee	20,000	0.04%
Zhang Ying (張穎)	Employee	20,000	0.04%
Yuan Feifei (袁飛飛)	Employee	20,000	0.04%
Wei Jia (魏佳)	Employee	10,000	0.02%
Gao Qi (高琪)	Employee	10,000	0.02%
Sun Qianyun (孫倩雲)	Employee	10,000	0.02%
Total		**5,750,740**	**11.65%**

Notes:

(1) The Restricted Shares issued to the participants were held by the employee stock ownership platforms, namely Wuhan Xinglin, Wuhan Taolin and Wuhan Zhulin, the general partner and limited partners of which are the participants of the Pre-IPO Restricted Share Scheme.

(2) The percentage is for illustrative purpose only and is calculated based on the number of Shares in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option).

(3) The consultant refers to a retired employee who is rehired by our Group as a consultant.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in this prospectus and so far as our Directors are aware, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions, taken as a whole.

3. Sole Sponsor

The Sole Sponsor has declared its independence pursuant to Rule 3A.07 of the Listing Rules. Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay an aggregate of US$600,000 to the Sole Sponsor to act as the sponsor to our Company in connection with the Listing.

The Sole Sponsor has made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

4. Compliance Advisor

We appointed Haitong International Capital Limited as our compliance adviser effective upon the Listing in compliance with Rules 3A.19 of the Listing Rules.

5. Preliminary Expenses

We have not incurred any material preliminary expenses.

6. Promoter

The promoters of our Company are Zhongshan Medical Investment and Wuhan Xinglin. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

7. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer is effected on the H Share register of members of our Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of our Shares being sold or transferred.

8. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualifications
Haitong International Capital Limited	Licensed corporation under the SFO for type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Tian Yuan Law Firm	PRC legal advisors to our Company
Tahota Law Firm	PRC legal advisors to our Company on data compliance matters
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

9. Consents of Experts

Each of Haitong International Capital Limited, Tian Yuan Law Firm, Tahota Law Firm, Ernst & Young and Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or certificates and/or legal opinion (as the case may be), which is made as of the date of this prospectus, and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided under Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

12. Miscellaneous

Save as disclosed in this prospectus,

(1) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(2) no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;

(3) our Company has no outstanding convertible debt securities or debentures;

(4) there is no restriction affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(5) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(6) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since December 31, 2024 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(7) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(8) all necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(9) no company within or Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange;

(10) our Company is a joint stock company with limited liability and is subject to the PRC Company Law; and

(11) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 9. Consents of Experts" in Appendix VI to this prospectus; and

(b) a copy of the material contract referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.chinadzyl.com** during a period of 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the report on unaudited pro forma financial information of our Group from Ernst & Young, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of our Group for the financial years ended December 31, 2022, 2023 and 2024;

(e) the legal opinion issued by Tian Yuan Law Firm, our PRC Legal Advisors, in respect of certain aspects of our Group in the PRC;

(f) the legal opinion issued by Tahota Law Firm, our PRC Legal Advisors relating to Data Compliance, in respect of PRC data compliance law;

(g) the industry report issued by Frost & Sullivan, from which information in the section headed "Industry Overview" of this prospectus is extracted;

(h) the material contract referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contract" in Appendix VI to this prospectus;

(i) the service contracts and letters of appointment referred to in "Statutory and General Information — C. Further Information about our Directors, Supervisors and Substantial Shareholders — 2. Particulars of Service Contracts and Letters of Appointment" in Appendix VI to this prospectus;

(j) the written consents referred to "Statutory and General Information — E. Other Information — 9. Consents of Experts" in Appendix VI to this prospectus; and

(k) the PRC Company Law, the PRC Securities Law, the Overseas Listing Trial Measures together with their unofficial English translation.

爱尚大众