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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.

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

		As at 31 December		
	Notes	**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								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 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									
	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 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.