

Cofoe Medical Technology Co.,Ltd.
(Incorporated in the People's Republic of China)

Audited Financial Statements

For the years ended 31 December 2023, 2024 and 2025

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Independent auditor's report
To the directors of Cofee Medical Technology Co.,Ltd.

Opinion

We have audited the consolidated financial statements of Cofee Medical Technology Co.,Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 4 to 125, which comprise the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the years ended 31 December 2023, 2024 and 2025 (the "Relevant Periods"), and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, 2024 and 2025 of the Group's consolidated financial performance and its consolidated cash flows for each of the Relevant Periods in accordance with the basis of preparation set out in notes 2.1 to the consolidated financial statements.

Basis for opinion

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

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements, that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



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

Restriction on distribution and use

These consolidated financial statements are prepared for the purpose of preparation of financial information for inclusion in the prospectus of the Company in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited and accordingly may not be suitable for another purpose.

Our report is intended solely for the information and use by the directors of the Company and should not be distributed to or used by parties other than the Company.

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive, flowing style.

Certified Public Accountants
Hong Kong
27 April 2026

Cofee Medical Technology Co.,Ltd.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
REVENUE	5	2,853,695	2,982,931	3,387,499
Cost of sales		<u>(1,681,144)</u>	<u>(1,474,227)</u>	<u>(1,635,894)</u>
Gross profit		<u>1,172,551</u>	<u>1,508,704</u>	<u>1,751,605</u>
Other income and gains	5	125,101	103,427	90,022
Selling and distribution expenses		(740,704)	(973,313)	(1,158,175)
Administrative expenses		(130,338)	(143,955)	(196,129)
Research and development expenses		(114,330)	(96,410)	(87,284)
Impairment losses on financial assets, net		(1,830)	(6,857)	(1,368)
Fair value (losses)/gains on financial assets at fair value through profit or loss		(1,563)	9,400	49,842
Other expenses		(9,546)	(7,587)	(7,383)
Finance costs	6	(13,503)	(17,912)	(16,066)
Share of (losses)/profits of associates		<u>(130)</u>	<u>(3,498)</u>	<u>779</u>
PROFIT BEFORE TAX	7	285,708	371,999	425,843
Income tax expense	10	<u>(32,837)</u>	<u>(59,655)</u>	<u>(55,527)</u>
PROFIT FOR THE YEAR		<u>252,871</u>	<u>312,344</u>	<u>370,316</u>
Profit attributable to:				
Owners of the parent		254,280	311,751	371,608
Non-controlling interests		<u>(1,409)</u>	<u>593</u>	<u>(1,292)</u>
		<u>252,871</u>	<u>312,344</u>	<u>370,316</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT				
Basic (RMB)	12	<u>1.24</u>	<u>1.53</u>	<u>1.83</u>
Diluted (RMB)	12	<u>1.24</u>	<u>1.51</u>	<u>1.81</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
PROFIT FOR THE YEAR	<u>252,871</u>	<u>312,344</u>	<u>370,316</u>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations	-	-	(1,068)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Remeasurement of changes in defined benefit plans	-	-	(838)
Income tax effect	-	-	138
	<u>-</u>	<u>-</u>	<u>(700)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	-	-	(1,768)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>252,871</u>	<u>312,344</u>	<u>368,548</u>
Attributable to:			
Owners of the parent	254,280	311,751	370,060
Non-controlling interests	<u>(1,409)</u>	<u>593</u>	<u>(1,512)</u>
	<u>252,871</u>	<u>312,344</u>	<u>368,548</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	1,607,743	1,563,690	1,664,984
Investment properties	14	-	10,300	27,962
Right-of-use assets	15	372,649	344,955	395,582
Goodwill	16	242,407	364,342	368,912
Other intangible assets	17	6,895	17,557	31,386
Trade receivables	22	-	-	4,932
Investments in associates	18	64,926	61,428	237,336
Financial assets at fair value through profit or loss	24	-	-	5,962
Other non-current assets	20	84,111	89,930	16,013
Deferred tax assets	30	34,725	44,975	40,525
Total non-current assets		2,413,456	2,497,177	2,793,594
CURRENT ASSETS				
Inventories	21	634,716	659,584	675,499
Trade and bills receivables	22	486,000	401,839	447,059
Prepayments, other receivables and other assets	23	280,605	222,218	267,258
Tax recoverable		2,238	689	2,644
Financial assets at fair value through profit or loss	24	851,298	1,357,421	1,016,829
Due from related parties	43(c)	6,452	5,059	4,334
Restricted cash	25	99,801	99,676	76,042
Cash and bank balances	25	1,469,625	1,179,004	1,345,657
Total current assets		3,830,735	3,925,490	3,835,322
CURRENT LIABILITIES				
Trade and bills payables	26	391,206	391,391	568,033
Other payables and accruals	27	206,779	206,412	227,536
Contract liabilities	28	15,223	29,375	29,073
Due to related parties	43(c)	-	-	2,081
Interest-bearing bank and other borrowings	29	414,428	662,621	699,830
Lease liabilities	15	55,007	54,125	58,313
Tax payable		3,757	17,797	3,900
Total current liabilities		1,086,400	1,361,721	1,588,766
NET CURRENT ASSETS		2,744,335	2,563,769	2,246,556
TOTAL ASSETS LESS CURRENT LIABILITIES		5,157,791	5,060,946	5,040,150
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	29	94,099	125,174	-
Lease liabilities	15	77,239	61,477	68,037
Deferred tax liabilities	30	15,699	15,034	7,750
Deferred income	31	55,618	55,699	58,592
Provision		210	1,212	-
Other non-current liabilities	32	6,732	-	2,882
Total non-current liabilities		249,597	258,596	137,261
NET ASSETS		4,908,194	4,802,350	4,902,889

Cofoe Medical Technology Co.,Ltd.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

		As at 31 December		
	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
EQUITY				
Equity attributable to owners of the parent				
Share capital	33	209,238	209,092	208,897
Treasury shares	34	(166,931)	(212,124)	(140,471)
Reserves	35	4,856,888	4,799,629	4,798,432
		4,899,195	4,796,597	4,866,858
Non-controlling interests				
		8,999	5,753	36,031
Total equity		4,908,194	4,802,350	4,902,889

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 33)	Capital reserve* RMB'000 (note 35)	Share-based payment reserve* RMB'000 (note 35)	Statutory reserve* RMB'000 (note 35)	Treasury shares RMB'000 (note 34)	Retained earnings* RMB'000 (note 35)	Total RMB'000	
At 1 January 2023	208,488	3,884,918	27,787	77,379	(15,739)	837,504	5,020,337	5,032,903
Profit for the year	-	-	-	-	-	254,280	254,280	252,871
Total comprehensive income for the year	-	-	-	-	-	254,280	254,280	252,871
Capital injection from non-controlling shareholders	-	-	-	-	-	-	1,000	1,000
Acquisition of subsidiaries	-	-	-	-	-	-	42	42
Acquisition of non-controlling interests	-	(3)	-	-	-	-	(3,200)	(3,203)
Repurchase of A-shares	-	-	-	-	(156,323)	-	(156,323)	(156,323)
Vesting of restricted A-shares	750	37,138	(14,540)	-	4,546	-	27,894	27,894
Share-based payment expenses	-	-	(1,807)	-	-	-	(1,807)	(1,807)
Appropriations to statutory reserve	-	-	-	17,378	-	(17,378)	-	-
Dividend declared	-	-	-	-	585	(245,768)	(245,183)	(245,183)
At 31 December 2023	209,238	3,922,053	11,440	94,757	(166,931)	828,638	4,899,195	4,908,194

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

Year ended 31 December 2024

	Attributable to owners of the parent						Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 33)	Capital reserve* RMB'000 (note 35)	Share-based payment reserve* RMB'000 (note 35)	Statutory reserve* RMB'000 (note 35)	Treasury shares RMB'000 (note 34)	Retained earnings* RMB'000 (note 35)		
At 1 January 2024	209,238	3,922,053	11,440	94,757	(166,931)	828,638	8,999	4,908,194
Profit for the year	-	-	-	-	-	311,751	593	312,344
Total comprehensive income for the year	-	-	-	-	-	311,751	593	312,344
Capital injection from non-controlling shareholders	-	-	-	-	-	-	144	144
Acquisition of subsidiaries	-	-	-	-	-	-	1,158	1,158
Acquisition of non-controlling interests	-	(14,254)	-	-	-	-	(5,227)	(19,481)
Repurchase of A-shares	-	-	-	-	(50,097)	-	-	(50,097)
Cancellation of restricted A-shares	(146)	(4,231)	-	-	-	-	-	(4,377)
Reversal of repurchase obligation for restricted A-shares	-	-	-	-	4,377	-	-	4,377
Share-based payment expenses	-	-	15,949	-	-	-	86	16,035
Appropriations to statutory reserve	-	-	-	9,788	-	(9,788)	-	-
Dividend declared	-	-	-	-	527	(366,474)	-	(365,947)
At 31 December 2024	209,092	3,903,568	27,389	104,545	(212,124)	764,127	5,753	4,802,350

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

Year ended 31 December 2025

	Attributable to owners of the parent							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (note 33)	Capital reserve* RMB'000 (note 35)	Share-based payment reserve* RMB'000 (note 35)	Statutory reserve* RMB'000 (note 35)	Treasury shares RMB'000 (note 34)	Other reserve* RMB'000 (note 35)	Retained earnings* RMB'000 (note 35)	Total RMB'000	
At 1 January 2025	209,092	3,903,568	27,389	104,545	(212,124)	-	764,127	4,796,597	4,802,350
Profit for the year	-	-	-	-	-	-	371,608	371,608	370,316
Other comprehensive income for the year, net of tax	-	-	-	-	-	(1,548)	-	(1,548)	(1,768)
Total comprehensive income for the year	-	-	-	-	-	(1,548)	371,608	370,060	368,548
Capital injection from non-controlling shareholders	-	-	-	-	-	-	-	700	700
Acquisition of subsidiaries	-	-	-	-	-	-	-	31,013	31,013
Cancellation of restricted A-shares	(195)	(5,300)	-	-	-	-	-	(5,495)	(5,495)
Reversal of repurchase obligation for restricted A-shares	-	-	-	-	5,470	-	-	5,470	5,470
Vesting of restricted A-shares	-	(21,283)	(20,811)	-	65,949	-	-	23,855	23,855
Share-based payment expenses	-	-	42,126	-	-	-	-	42,126	42,203
Dividend declared	-	-	-	-	234	-	(365,989)	(365,755)	(365,755)
At 31 December 2025	<u>208,897</u>	<u>3,876,985</u>	<u>48,704</u>	<u>104,545</u>	<u>(140,471)</u>	<u>(1,548)</u>	<u>769,746</u>	<u>4,866,858</u>	<u>4,902,889</u>

* The reserve accounts comprise the consolidated reserves of RMB4,856,888,000, RMB4,799,629,000 and RMB4,798,432,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		285,708	371,999	425,843
Adjustments for:				
Finance costs		9,032	12,651	16,066
Interest income	5	(34,305)	(42,368)	(26,429)
Dividend distribution costs		101	142	71
Fair value losses/(gains) of financial assets at fair value through profit or loss		1,563	(9,400)	(49,842)
Gain on disposal of financial assets at fair value through profit or loss		(43,565)	(15,843)	(5,722)
Share of losses/(profits) of associates		130	3,498	(779)
Gain on disposal of subsidiaries	38	(4,424)	-	(9,344)
(Gains)/losses on disposal of items of property, plant and equipment and intangible assets, net		(1)	(5,086)	1,947
Gain on termination of leases, net		(4,591)	(794)	(578)
Losses on scrap of property, plant and equipment		1,232	409	463
Depreciation of property, plant and equipment	13	99,475	114,438	129,042
Depreciation of right-of-use assets	15	56,626	63,613	72,295
Amortization of intangible assets	17	2,720	2,698	4,955
Amortization of investment properties	14	-	497	1,741
Impairment of inventories	21	51,170	31,896	32,456
Impairment of financial assets		1,830	6,857	1,368
Share-based payment expense		(1,807)	16,035	31,700
Effect of foreign exchange differences, net		(181)	(589)	3,430
(Increase)/decrease in inventories		(155,956)	(54,488)	34,112
Decrease/(increase) in trade and bills receivables		131,774	78,861	(50,583)
Decrease in prepayments, other receivables and other assets		21,503	74,106	41,881
Increase in trade and bills payables		2,690	184	176,642
Increase/(decrease) in contract liabilities		6,986	14,152	(302)
(Decrease)/increase in other operating liabilities		(36,401)	25,401	(76,188)
Cash generated from operations		391,309	688,869	754,245
Interest received		21,491	31,763	14,364
Income tax paid		(18,978)	(57,239)	(72,883)
Net cash flows from operating activities		393,822	663,393	695,726

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

		Year ended 31 December		
	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(373,165)	(112,009)	(125,078)
Purchases of intangible assets	17	(60)	(8,488)	(12,274)
Acquisition of right-of-use assets	15	-	-	(40,744)
Proceeds from disposal of items of property, plant and equipment and intangible assets		1,210	1,321	18,202
Receipts of deposits on asset sales		-	1,501	-
Purchases of financial assets at fair value through profit and loss	24	(880,457)	(1,416,800)	(1,870,907)
Proceeds from maturity of financial assets through profit and loss		1,314,575	935,920	2,263,236
Repayment of advances to an associate		-	1,361	-
Acquisition of subsidiaries	37	(12,487)	(61,848)	(133,128)
Acquisition of an associate	18	(59,800)	-	(175,129)
Prepayment for investment in subsidiaries		(65,000)	(72,411)	-
Disposal of subsidiaries	38	19,515	-	6,862
Rental receipts from investment properties	14	-	485	-
Deposit for potential acquisition		10,000	-	-
Net cash flows (used in) investing activities		(45,669)	(730,968)	(68,960)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

Notes	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders	1,000	144	700
New interest-bearing bank and other borrowings	543,078	750,349	1,156,408
Repayment of interest-bearing bank and other borrowings	(358,694)	(470,978)	(1,249,658)
Repayment of other borrowings	(6,800)	-	-
Dividends paid to the Company's shareholders	(245,768)	(366,474)	(365,989)
Payments for dividend distribution costs	(101)	(150)	(75)
Payments for bank acceptance note deposits	(56,895)	(65,499)	-
Refund of deposits for bank acceptance note	47,167	56,893	65,469
Proceeds from issue of restricted A-shares	23,348	-	-
Payment for treasury shares	(156,323)	(50,097)	-
Repurchase of unvested restricted A-shares	-	(4,377)	(5,495)
Acquisition of non-controlling interests	(3,203)	(19,481)	-
Proceeds received from vesting of restricted A-shares	-	-	23,855
Lease payments	(60,325)	(56,559)	(71,021)
Interest paid	(4,145)	(8,011)	(5,786)
Payments for listing expenses	-	-	(17,155)
Net cash flows used in financing activities	(277,661)	(234,240)	(468,747)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
	70,492	(301,815)	158,019
Cash and cash equivalents at beginning of year	1,370,540	1,441,213	1,139,986
Effect of foreign exchange differences, net	181	588	(3,430)
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,441,213	1,139,986	1,294,575
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents	1,441,213	1,139,986	1,294,575
Interest receivables	28,412	39,018	51,082
Cash and bank balances as stated in the consolidated statements of financial position	1,469,625	1,179,004	1,345,657

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	632,730	626,406	702,454
Investment properties	14	332,930	321,066	310,661
Right-of-use assets	15	97,035	96,154	93,451
Other intangible assets	17	8,127	18,476	27,587
Investments in associates	18	64,926	61,146	236,773
Financial assets at fair value through profit or loss	24	-	-	5,962
Investments in subsidiaries	19	884,150	910,072	1,278,511
Other non-current assets	20	5,073	88,341	10,038
Deferred tax assets	30	10,090	11,427	3,237
Total non-current assets		2,035,061	2,133,088	2,668,674
CURRENT ASSETS				
Inventories	21	267,430	379,436	369,694
Trade and bills receivables	22	32,082	38,361	40,558
Prepayments, other receivables and other assets	23	85,467	60,030	77,664
Tax recoverable		-	-	937
Financial assets at fair value through profit or loss		850,295	841,753	958,253
Due from related parties	43(c)	3,193	1,800	-
Due from subsidiaries		581,012	940,410	552,196
Restricted cash	25	6,300	16,604	21,224
Cash and bank balances	25	1,168,321	788,950	618,664
Total current assets		2,994,100	3,067,344	2,639,190
CURRENT LIABILITIES				
Trade and bills payables	26	190,665	172,935	273,734
Other payables and accruals	27	84,479	72,187	105,262
Contract liabilities	28	1,092	720	321
Due to related parties	43(c)	-	-	207
Due to subsidiaries		126,244	122,700	212,088
Interest-bearing bank borrowings	29	77,052	179,061	184,953
Lease liabilities	15	9,223	10,508	693
Tax payable		384	9,551	-
Total current liabilities		489,139	567,662	777,258
NET CURRENT ASSETS		2,504,961	2,499,682	1,861,932
TOTAL ASSETS LESS CURRENT LIABILITIES		4,540,022	4,632,770	4,530,606

continued/...

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY (Continued)

		As at 31 December		
	Notes	2023 RMB'000	2024 RMB'000	2025 RMB'000
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	29	94,099	125,174	-
Lease liabilities	15	-	706	355
Deferred tax liabilities	30	12,449	11,426	-
Deferred income	31	30,584	30,303	33,186
Other non-current liabilities	32	6,732	-	-
Total non-current liabilities		143,864	167,609	33,541
NET ASSETS		4,396,158	4,465,161	4,497,065
EQUITY				
Share capital	33	209,238	209,092	208,897
Treasury shares	34	(166,931)	(212,124)	(140,471)
Reserves	35	4,353,851	4,468,193	4,428,639
Total equity		4,396,158	4,465,161	4,497,065

NOTES TO FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

Cofoe Medical Technology Co.,Ltd. (the “Company”) is a joint stock company with limited liability established in the People’s Republic of China (hereinafter referred to as “PRC”). The registered office of the Company is located at No. 87, Section 1, Huanbao East Road, Yuhua District, Changsha City, Hunan Province. The Company’s A shares have been listed on the Shenzhen Stock Exchange since October 2021.

During the Relevant Periods, the Company and its subsidiaries (together, the “Group”) were principally engaged in the manufacture, research and development, and sale of medical devices.

At the end of the Relevant Periods, the Company had direct or indirect interests in the following principal subsidiaries, all of which are private limited liability companies. The particulars of principal subsidiaries are set out below:

Name *	Notes	Place and date of registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Hunan Cofoe Medical Equipment Co., Ltd.	(i)	PRC/Chinese mainland 7 July 2017	RMB 286,887,200	100	-	Manufacturing
Hunan Keyuan Medical Equipment Selling Co., Ltd.	(i)	PRC/ Chinese mainland 18 January 2010	RMB 120,000,000	100	-	Trading
Hunan Haohushi Medical Treatment Appliance Co., Ltd.	(i)	PRC/ Chinese mainland 27 November 2007	RMB 30,000,000	100	-	Trading
Changsha Jiannuo Medical Device Sales Co., Ltd.	(ii)	PRC/ Chinese mainland 30 December 2015	RMB 1,000,000	-	100	Trading
Hunan JOYOR HearingCare Co., Ltd.	(ii)	PRC/ Chinese mainland 1 March 2018	RMB 100,000,000	100	-	Trading
Acorn Trade (SHANGHAI) Co.,Ltd.	(ii)	PRC/ Chinese mainland 13 December 2007	RMB 93,064,400	100	-	Trading

* The English names of the PRC companies above represent management’s best efforts in translating the Chinese names of these companies as no English names have been registered.

- (i) The statutory financial statements of this company for the years ended 31 December 2023 and 2024 prepared in accordance with the PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by BDO China SHU LUN PAN Certified Public Accountants LLP (立信會計師事務所(特殊普通合伙)).
- (ii) No audited statutory financial statements of these companies have been prepared for these companies as there is no statutory requirement to issue statutory financial statements at their place of incorporation.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards, which comprise all standards and Interpretations approved by the International Accounting Standards Board ("IASB"). All IFRS Accounting Standards effective for the accounting period commencing from 1 January 2025, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The financial statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its Subsidiaries 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 reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities and any non-controlling interest and recognizes the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended IFRS Accounting Standards, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these new and amended IFRS Accounting Standards, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to IFRS 9 and IFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
IFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures²</i>
Amendments to IAS 21	<i>Translation to a Hyperinflationary Presentation Currency²</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ¹

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual/reporting periods beginning on or after 1 January 2027

³ No mandatory effective date yet determined but available for adoption

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

NOTES TO FINANCIAL STATEMENTS (Continued)

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards or IFRS Accounting Standards. (See commentary on page (50)) IFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from IFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to IFRS 18 for entities that use these measures. Earlier application is permitted. IFRS 19 is not expected to have any significant impact on the Group's financial information.

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

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

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

- **IFRS 7 Financial Instruments: Disclosures:** The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the Guidance on implementing IFRS 7 for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the Guidance on implementing IFRS 7 does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.
- **IFRS 9 Financial Instruments:** The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in IFRS 16 and an extinguishment of a lease liability in accordance with IFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.
- **IFRS 10 Consolidated Financial Statements:** The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial information.
- **IAS 7 Statement of Cash Flows:** The amendments replace the term “cost method” with “at cost” in paragraph 37 of IAS 7 following the prior deletion of the definition of “cost method”. Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial information.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognized 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 recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized 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 recognized. An impairment loss recognized 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 certain financial instruments at fair value at the end of the 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, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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 recognized 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.

An impairment loss is recognized 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 statement of 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 recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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 the statement of 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 capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives are as follows:

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Buildings	20 to 30 years
Motor vehicles	5 years
Electronic, office equipment and others	3 to 5 years
Machinery	10 to 15 years
General Infrastructure and leasehold improvements	Shorter of remaining lease terms and estimated useful lives

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 the end of each of the reporting period.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress 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 the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis over the expected useful life.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of the retirement or disposal.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each of the reporting period.

Intangible assets are amortized on the straight-line basis over the following useful economic lives:

Software	5 to 10 years
Patents, licences and others	5 to 10 years
Trade marks	5 years

Research and development expenditure

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized 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. Capitalized development costs are stated at cost less any impairment losses.

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 recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	40 to 50 years
Office premises and plant	2 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized 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 recognized as an expense in the period in which the event or condition that triggers the payment occurs.

(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 machinery and 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 recognized as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

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 term and is included in revenue in the statement of 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 recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under 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 amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognized on the trade date, 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 amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in other comprehensive income. Upon derecognition, the cumulative fair value change recognized in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through profit or loss

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

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (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 recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

Debt investments at fair value through other comprehensive income and financial assets at amortized 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

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, lease liabilities, interest-bearing bank and other borrowings.

Subsequent measurement

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

Financial liabilities at amortized cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortized 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 recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, 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 recognized in the statement of profit or loss.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable 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 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.

Provisions

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

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognized 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 recognized for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, 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 recognized 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 utilized.

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 utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized 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 realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize 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 Company or the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancelation of the Group's own equity instruments.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

Government grants are recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized 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.

(a) Sale of goods

Revenue from the sale of goods is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods or upon the confirmation by the customer.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(b) Volume rebates

Retrospective volume rebates may be provided to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the most likely amount method is used for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The requirements on constraining estimates of variable consideration are applied and a refund liability for the expected future rebates is recognized.

(c) Warehousing and transportation services

The Group provides transportation services between its warehouses and customers. The Group recognizes revenue from transportation services based on the point in time when the goods are delivered, because customers can only enjoy the benefits of the service after receiving the goods. Therefore, transportation service revenue is recognized at the time of goods receipt, and the related costs are also recognized when they occur.

Contract liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Group operates several share award schemes. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 36 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognized 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 the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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 conditions.

For awards that do not ultimately vest because service conditions have not been met, no expense is recognized. 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 service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized 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 canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately.

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

Other employee benefits

Pension schemes

The employees of the Group who work for Chinese mainland are required to participate in central pension schemes implemented by the local municipal government. The subsidiaries operating in Chinese mainland are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

The Group operates a defined contribution Mandatory Provident Fund Retirement Benefit Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees of the Group's subsidiary which operates in Hongkong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits (continued)

Defined benefit plans

The Group's statutory obligation to pay long service payment in Hong Kong is a defined benefit plan. The cost of providing benefits relating to long service payment is determined using the projected unit credit actuarial valuation method. The liability recognised in the consolidated statement of financial position in respect of long service payment is the net obligation, representing the present value of the future long service payment benefits reduced by entitlements from accrued benefits arising from MPF contributions made by the Group.

Remeasurements arising from the defined benefit pension plans, comprising

- actuarial gains and losses;
 - investment returns associated with the MPF employer contributions and other experience adjustments (excluding amounts included in net interest on the net defined benefit liability)
- are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur.

Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "cost of sales" and "administrative expenses" in the consolidated statement of profit or loss by function:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Borrowing costs

All 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

Interim and final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognized in the statement of profit or loss.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgments, 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.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

NOTES TO FINANCIAL STATEMENTS (Continued)

3 MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has unrecognized deferred tax assets in respect of tax losses as at 31 December 2023, 2024 and 2025 amounting to RMB99,601,000, RMB84,676,000 and RMB73,741,000, respectively. These losses related to subsidiaries that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The subsidiaries have neither any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward. Further details on deferred taxes are disclosed in note 30 to the financial statements.

Classification of financial assets

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets. In determining the business model, the Group considers how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within) and, in particular, the way those risks are managed. In determining whether cash flows are going to be realized by collecting the financial assets' contractual cash flows, it is necessary for the Group to consider the reason, timing, frequency, and value of sales prior to the maturity date.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2023, 2024 and 2025 amounting to RMB242,407,000, RMB364,342,000, RMB368,912,000. Further details are given in note 16.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letter of credit and other form of credit insurance).

NOTES TO FINANCIAL STATEMENTS (Continued)

3 MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables (continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 22 to the Historical Financial Information.

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 of the Relevant Periods. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. 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 is 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.

Fair value of unlisted equity investments

The unlisted equity investments have been valued mainly based on a market method as detailed in note 46. The market method requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group makes estimates about expected future cash flows, credit risk, volatility, and applicable discount rates. The Group mainly classifies the fair value of these investments as Level 3.

Share-based payments

Several employee incentive schemes are operated for the purpose of providing incentives to the Company's directors and the Group's employees. The grant date fair values of the shares of the employee incentive schemes are determined based on independent valuation. The cumulative expense recognized 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. However, this estimate may be revised if the number of equity instruments that will ultimately vest changes in the future. Further details are contained in note 36 to the Historical Financial Information.

NOTES TO FINANCIAL STATEMENTS (Continued)

4 OPERATING SEGMENT INFORMATION AND REVENUE

For management purposes, the Group has only one reportable operating segment, which is the research and development, manufacture and sale of medical and wellness products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland	2,803,825	2,923,780	3,088,756
Other countries/regions	49,870	59,151	298,743
Total	<u>2,853,695</u>	<u>2,982,931</u>	<u>3,387,499</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Chinese mainland	2,378,731	2,452,202	2,635,325
Other countries/regions	-	-	117,744
Total	<u>2,378,731</u>	<u>2,452,202</u>	<u>2,753,069</u>

The non-current asset information above is based on the locations of the assets and excludes deferred tax assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

4 OPERATING SEGMENT INFORMATION AND REVENUE (continued)

Information about major customers

Information about external customers from which the revenue amounted to over 10% of the total revenue of the Group during the years ended 31 December 2023, 2024 and 2025 is set out below:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Customer A	<u>769,779</u>	<u>564,461</u>	<u>740,468</u>

5 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	<u>2,853,695</u>	<u>2,982,931</u>	<u>3,387,499</u>

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Types of goods or services			
Sale of goods	2,705,672	2,841,549	3,251,642
Warehousing and transportation services and others	<u>148,023</u>	<u>141,382</u>	<u>135,857</u>
Total	<u>2,853,695</u>	<u>2,982,931</u>	<u>3,387,499</u>
Timing of revenue recognition			
Transferred at a point in time	<u>2,853,695</u>	<u>2,982,931</u>	<u>3,387,499</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

5 REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognized in the years ended 31 December 2023, 2024 and 2025 that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognized from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in contract liabilities at beginning of the reporting period:			
Sale of products	<u>8,237</u>	<u>15,223</u>	<u>29,375</u>

(b) Performance obligations

Information about the Group's performance obligations is summarized below:

Sale of goods

The performance obligation is satisfied upon the customer's receipt of the goods. Transaction terms are primarily settled in cash or on credit, with payment terms varying. For online retail and offline store customers, payment is typically completed at order placement; however, distributor customers are usually granted a credit period, requiring payment generally due within 30 to 90 days from the invoice date.

Warehousing and transportation services

The performance obligation is satisfied at the point in time once the services are completed and accepted by customers. Settlement with customers is primarily on credit, with payment due within 90 days of service delivery based on monthly reconciled statements.

The management of the Group expects the transaction price (not include variable consideration) allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of the end of each of the Relevant Periods will be recognised within one year from the end of the respective periods.

NOTES TO FINANCIAL STATEMENTS (Continued)

5 REVENUE, OTHER INCOME AND GAINS (continued)

Other income and gains

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Other income</u>			
Government grants	17,027	14,754	30,129
Bank interest income	34,305	42,368	26,429
Value-added tax ("VAT") additional deduction	6,290	7,679	5,632
VAT refund	11,189	6,612	11,512
Others	3,551	9,768	6,764
Total other income	72,362	81,181	80,466
<u>Gains, net</u>			
Foreign exchange gains/(losses), net	158	523	(4,141)
Gain on disposal of subsidiaries	4,424	-	9,344
Gain on disposal of financial assets at fair value through profit or loss	43,565	15,843	5,722
Gain/(loss) on disposal of property, plant and equipment and intangible assets, net	1	5,086	(1,947)
Gain on termination of leases, net	4,591	794	578
Total gains, net	52,739	22,246	9,556
Total other income and gains, net	125,101	103,427	90,022

6 FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Interest on interest-bearing bank and other borrowings	8,684	12,786	11,071
Interest on lease liabilities	4,819	5,126	4,995
Total	13,503	17,912	16,066

NOTES TO FINANCIAL STATEMENTS (Continued)

7 PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Cost of inventories sold and services provided*		1,681,144	1,474,227	1,635,894
Depreciation of property, plant and equipment**	13	99,475	114,438	129,042
Depreciation of right-of-use assets**	15	56,626	63,613	72,295
Amortization of intangible assets**	17	2,720	2,698	4,955
Impairment of inventories		51,170	31,896	32,456
(Reversal of provision)/provision for trade and bills receivables		(554)	5,202	769
Provision for impairment of prepayments and other receivables		2,384	1,655	599
Donations		3,063	5,104	3,317
Fair value losses/(gains) on financial assets at fair value through profit or loss		1,563	(9,400)	(49,842)
Foreign exchange (gains)/losses, net		(158)	(523)	4,141
Interest income		(34,305)	(42,368)	(26,429)
Government grants income	5	(17,027)	(14,754)	(30,129)
Gain on disposal of subsidiaries	39	(4,424)	-	(9,344)
Gain on disposal of financial assets at fair value through profit or loss		(43,565)	(15,843)	(5,722)
Discount on derecognition of bills receivable		144	4	-
(Gains)/losses on disposal of property, plant and equipment and intangible assets, net		(1)	(5,086)	1,947
Gain on disposal of items of right-of-use assets, net		(4,591)	(794)	(578)
Auditor's remuneration		2,000	2,000	2,000
Wages, salaries and allowances		411,548	448,310	509,575
Pension scheme contributions and social welfare		93,813	101,217	112,937
Share-based payments		(1,807)	16,035	31,700

* Cost of inventories sold and services provided include impairment of inventories, sales related tax, expenses relating to depreciation of property, plant and equipment, depreciation of right-of-use assets and staff costs, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

** Depreciation of property, plant and equipment, right-of-use assets and amortization of intangible assets exclude the amount capitalized in CIP.

NOTES TO FINANCIAL STATEMENTS (Continued)

8 DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees	247	240	240
Other emoluments:			
Salaries, allowances and benefits in kind	2,951	4,412	4,583
Performance related bonuses	1,141	1,140	984
Pension scheme contributions	48	47	42
Share-based payments	(678)	740	2,026
Total	3,709	6,579	7,875

During the years ended 31 December 2023, 2024 and 2025, certain directors were granted restricted shares, in respect of their services to the Group, under the share incentive schemes of the Company, further details of which are set out in note 36 to the Historical Financial Information. The difference between the fair value of the shares granted and the subscription price was recorded in the share-based payment reserve within equity with the corresponding "share-based payment expenses" in profit or loss over the vesting period. The amounts of the share-based payment expenses during the years ended 31 December 2023, 2024 and 2025 are included in the above directors and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the years ended 31 December 2023, 2024 and 2025 were as follows:

	Notes	Year ended 31 December		
		2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-executive directors:				
Mr. Liu Aiming	(i)	80	80	80
Mr. Wen Zhihao	(ii)	80	80	52
Mr. Liu Lin	(iii)	7	-	-
Mr. Ning Huabo	(iv)	80	80	80
Ms. Shen Nan	(v)	-	-	28
Total		247	240	240

- (i) Mr. Liu Aiming was appointed in December 2019.
- (ii) Mr. Wen Zhihao was appointed in December 2019 and resigned in August 2025.
- (iii) Mr. Liu Lin was appointed in December 2019 and resigned in January 2023.
- (iv) Mr. Ning Huabo was appointed in January 2023 and resigned in January 2023.
- (v) Ms. Shen Nan was appointed in August 2025.

NOTES TO FINANCIAL STATEMENTS (Continued)

8 DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive

Year ended 31 December 2023

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Executive directors:							
Mr. Zhang Min	(i)	-	342	144	8	-	494
Ms. Nie Juan	(iv)	-	-	-	-	-	-
Mr. Zhang Zhiming	(ii)	-	726	280	8	-	1,014
Mr. He Bangjie	(iii)	-	734	280	8	(339)	683
Mr. Xue Xiaoqiao	(ii)	-	734	280	8	(339)	683
Mr. Fang Shengshi	(v)	-	-	-	-	-	-
Subtotal		-	2,536	984	32	(678)	2,874
Supervisors:							
Mr. Zeng Ziyun	(vi)	-	240	144	-	-	384
Mr. Zhou Xiaojun	(vii)	-	-	-	-	-	-
Ms. Lu Hongyuan	(vii)	-	33	-	-	-	33
Mr. Zhang Zizhuo	(viii)	-	76	8	8	-	92
Ms. Liao Yufeng	(viii)	-	66	5	8	-	79
Subtotal		-	415	157	16	-	588
Total		-	2,951	1,141	48	(678)	3,462

Year ended 31 December 2024

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Executive directors:							
Mr. Zhang Min	(i)	-	1,198	144	8	-	1,350
Mr. Zhang Zhiming	(ii)	-	1,326	280	8	-	1,614
Mr. He Bangjie	(iii)	-	742	280	8	370	1,400
Mr. Xue Xiaoqiao	(ii)	-	742	280	8	370	1,400
Subtotal		-	4,008	984	32	740	5,764
Supervisors:							
Mr. Zeng Ziyun	(vi)	-	240	144	-	-	384
Mr. Zhang Zizhuo	(viii)	-	97	8	7	-	112
Ms. Liao Yufeng	(viii)	-	67	4	8	-	79
Subtotal		-	404	156	15	-	575
Total		-	4,412	1,140	47	740	6,339

NOTES TO FINANCIAL STATEMENTS (Continued)

8 DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Directors, supervisors and the chief executive (continued)

Year ended 31 December 2025

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Share-based payments RMB'000	Total remuneration RMB'000
Executive directors:							
Mr. Zhang Min	(i)	-	1,526	144	8	-	1,678
Mr. Zhang Zhiming	(ii)	-	1,326	280	8	-	1,614
Mr. Xue Xiaoqiao	(iii)	-	724	280	8	1,013	2,025
Mr. He Bangjie	(ii)	-	743	280	9	1,013	2,045
Subtotal		-	4,319	984	33	2,026	7,362
Supervisors:							
Mr. Zeng Ziyun	(vi)	-	157	-	-	-	157
Mr. Zhang Zizhuo	(viii)	-	63	-	3	-	66
Ms. Liao Yufeng	(viii)	-	44	-	6	-	50
Subtotal		-	264	-	9	-	273
Total		-	4,583	984	42	2,026	7,635

(i) Mr. Zhang Min was appointed in September 2017.

(ii) Mr. Zhang Zhiming and Mr. Xue Xiaoqiao were appointed in December 2019.

(iii) Mr. He Bangjie was appointed in October 2017.

(iv) Ms. Nie Juan was appointed in September 2017 and resigned in January 2023.

(v) Mr. Fang Shengshi was appointed in December 2019 and resigned in January 2023.

(vi) Mr. Zeng Ziyun was appointed in December 2019 and resigned in August 2025.

(vii) Mr. Zhou Xiaojun and Ms. Lu Hongyuan were appointed in December 2019 and resigned in January 2023.

(viii) Mr. Zhang Zizhuo and Ms. Liao Yufeng were appointed in January 2023 and resigned in August 2025.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the years ended 31 December 2023, 2024 and 2025.

NOTES TO FINANCIAL STATEMENTS (Continued)**9 FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the years ended 31 December 2023, 2024 and 2025 included 1, 2 and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining 4, 3 and 3 highest paid employees who are neither a director, supervisor nor chief executive of the Company during the years ended 31 December 2023, 2024 and 2025 are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	3,079	3,141	2,376
Performance related bonuses	1,040	640	760
Pension scheme contributions	29	30	26
Share-based payments	(429)	2,145	1,976
Total	<u>3,719</u>	<u>5,956</u>	<u>5,138</u>

The numbers of non-director, non-supervisor and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees Year ended 31 December		
	2023	2024	2025
Below HK\$1,000,000	2	-	-
HK\$1,000,000 to HK\$2,000,000	2	1	3
HK\$2,000,000 to HK\$3,000,000	-	2	-
HK\$3,000,000 to HK\$4,000,000	-	-	-
HK\$4,000,000 to HK\$5,000,000	-	-	-
Over HK\$5,000,000	-	-	-
Total	<u>4</u>	<u>3</u>	<u>3</u>

During the years ended 31 December 2023, 2024 and 2025, restricted shares were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 36 to the Historical Financial Information. The fair value of such shares, which has been recognized in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the years ended 31 December 2023, 2024 and 2025 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS (Continued)

10 INCOME TAX

The members of the Group which are domiciled and operated are subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions.

Hong Kong

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Track Record Period. However, one subsidiary of the Group which is qualifying corporation can elect for the two-tiered profits tax rates regime. Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of assessable profits of the qualifying Group entity established in Hong Kong SAR are taxed at 8.25% and the remaining profits are taxed at 16.5%.

Chinese mainland

The provision for corporate income tax in Chinese mainland is based on the statutory rate of 25% of the taxable profits determined in accordance with the Enterprise Income Tax Law, which was approved and became effective on January 1, 2008, except for the Company and certain subsidiaries of the Group in Chinese mainland which are granted tax concession and are taxed at preferential tax rates.

The Company, and Hunan Cofoe Medical Equipment Co., Ltd. were qualified as High and New Technology Enterprises and enjoyed a preferential income tax rate of 15% during the years ended 31 December 2023, 2024 and 2025.

Hunan Cangtianxia Intelligent Logistics & Storage Co., Ltd., was qualified as High and New Technology Enterprises and enjoyed a preferential income tax rate of 15% during the years ended 31 December 2023 and 2024.

Qidong Farjoy Medical Materials Co., Ltd. (acquired in 2025), Hunan Kefu Hearing Technology Co., Ltd., and Jerry Medical Equipment (Nantong) Co., Ltd., were qualified as a High and New Technology Enterprise and enjoyed a preferential income tax rate of 15% since 2025.

Certain subsidiaries of the Group have applied the Small-Scaled Minimal Profit Corporate Income Tax Preferential Policy announced by the PRC's Ministry of Finance and the State Administration of Taxation. From 1 January 2021 to 31 December 2022, the portion of annual taxable income of small and micro enterprises not exceeding RMB1,000,000 was deducted to 12.5% of the taxable income and subject to income tax at a rate of 20%. From 1 January 2023 to 31 December 2027, the portion of annual taxable income of small and micro enterprises not exceeding RMB1,000,000 was deducted to 25% of the taxable income and subject to income tax at a rate of 20%.

NOTES TO FINANCIAL STATEMENTS (Continued)

10 INCOME TAX (continued)

The income tax expense of the Group for the years ended 31 December 2023, 2024 and 2025 is analyzed as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current income tax	37,158	70,570	52,835
Deferred income tax	(4,321)	(10,915)	2,692
Total tax charge for the year	<u>32,837</u>	<u>59,655</u>	<u>55,527</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries/jurisdictions in which the Company and its subsidiaries are domiciled and operating to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Profit before tax	<u>285,708</u>	<u>371,999</u>	<u>425,843</u>
Tax at the statutory tax rate (15%)	42,856	55,800	63,876
Effect of different tax rates of subsidiaries	83	746	9,051
Adjustments in respect of current tax of previous periods	504	3,985	1,394
Income not subject to tax	(3,505)	-	(439)
Expenses not deductible for tax	7,654	10,837	7,509
Additional deductible allowance for fixed assets, R&D expenses, and salaries of disabled employees reduced taxable income	(14,018)	(13,015)	(11,670)
Tax losses utilized from previous periods	(1,885)	-	(6,360)
Tax losses for which no deferred income tax asset was recognized	2,443	1,715	1,373
Effect on opening deferred tax of increase in rates	(1,295)	(413)	(3,228)
Impact of permanent differences arising from share-based payments	-	-	(5,979)
Tax charge at the Group's effective tax rate	<u>32,837</u>	<u>59,655</u>	<u>55,527</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

11 DIVIDENDS

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Proposed Interim - RMB 0.60 per ordinary share	-	122,037	121,918
Proposed final - RMB 1.20 per ordinary share	244,437	244,071	246,022

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the annual general meeting (see note 48).

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic:

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 204,771,645, 203,577,948 and 203,500,769 outstanding during the years ended 31 December 2023, 2024 and 2025, respectively.

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to ordinary equity holders of the parent (RMB'000)	254,280	311,751	371,608
Shares			
Weighted average number of ordinary shares outstanding used in the basic earnings per share calculation ('000)	204,772	203,578	203,501
Basic earnings per share (RMB)	1.24	1.53	1.83

NOTES TO FINANCIAL STATEMENTS (Continued)

12 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

(b) Diluted:

The calculation of the diluted earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent. The weighted average numbers of ordinary shares used in the calculations are the numbers of ordinary shares outstanding during the years ended 31 December 2023, 2024 and 2025, as used in the basic earnings per share calculation, and the weighted average numbers of restricted ordinary shares with a contingent non-market performance condition assumed to have been released upon vesting of all dilutive potential ordinary shares.

	Year ended 31 December		
	2023	2024	2025
Earnings			
Profit attributable to ordinary equity holders of the parent (RMB'000)	<u>254,280</u>	<u>311,751</u>	<u>371,608</u>
Shares			
Weighted average number of ordinary shares used in the basic earnings per share calculation ('000)	204,772	203,578	203,501
Adjustment for the restricted A shares ('000)	<u>88</u>	<u>2,218</u>	<u>1,887</u>
Weighted average number of ordinary shares used in the diluted earnings per share calculation ('000)	<u>204,860</u>	<u>205,796</u>	<u>205,388</u>
Diluted earnings per share (RMB)	<u>1.24</u>	<u>1.51</u>	<u>1.81</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings RMB'000	General infrastructure and leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic, office equipment and others RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	1,106,677	107,015	9,998	92,803	163,705	171,392	1,651,590
Accumulated depreciation and impairment	(11,009)	(46,700)	(6,629)	(39,029)	(26,243)	-	(129,610)
Net carrying amount	<u>1,095,668</u>	<u>60,315</u>	<u>3,369</u>	<u>53,774</u>	<u>137,462</u>	<u>171,392</u>	<u>1,521,980</u>
At 1 January 2023, net of accumulated depreciation	1,095,668	60,315	3,369	53,774	137,462	171,392	1,521,980
Additions	-	18,820	4,651	34,432	49,120	94,727	201,750
Disposal of a subsidiary	-	(5,862)	-	(2,970)	(6,069)	-	(14,901)
Disposals	-	-	(16)	(462)	(1,061)	(72)	(1,611)
Depreciation provided during the year	(35,248)	(22,609)	(1,643)	(20,087)	(19,888)	-	(99,475)
Transfer	<u>141,467</u>	<u>259</u>	<u>804</u>	<u>2,908</u>	<u>71,278</u>	<u>(216,716)</u>	<u>-</u>
At 31 December 2023, net of accumulated depreciation	<u>1,201,887</u>	<u>50,923</u>	<u>7,165</u>	<u>67,595</u>	<u>230,842</u>	<u>49,331</u>	<u>1,607,743</u>
At 31 December 2023:							
Cost	1,248,144	77,648	15,273	123,753	275,954	49,331	1,790,103
Accumulated depreciation and impairment	(46,257)	(26,725)	(8,108)	(56,158)	(45,112)	-	(182,360)
Net carrying amount	<u>1,201,887</u>	<u>50,923</u>	<u>7,165</u>	<u>67,595</u>	<u>230,842</u>	<u>49,331</u>	<u>1,607,743</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings RMB'000	General infrastructure and leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic, office equipment and others RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	1,248,144	77,648	15,273	123,753	275,954	49,331	1,790,103
Accumulated depreciation and impairment	(46,257)	(26,725)	(8,108)	(56,158)	(45,112)	-	(182,360)
Net carrying amount	<u>1,201,887</u>	<u>50,923</u>	<u>7,165</u>	<u>67,595</u>	<u>230,842</u>	<u>49,331</u>	<u>1,607,743</u>
At 1 January 2024, net of accumulated depreciation	1,201,887	50,923	7,165	67,595	230,842	49,331	1,607,743
Additions	-	10,778	130	38,326	11,263	23,803	84,300
Acquisition of subsidiaries	-	-	-	694	9	-	703
Disposals	-	-	(80)	(970)	(4,714)	-	(5,764)
Depreciation provided during the year	(39,696)	(19,482)	(3,772)	(25,811)	(26,102)	-	(114,863)
Transfer	(10,797)	331	-	2,839	22,199	(23,001)	(8,429)
At 31 December 2024, net of accumulated depreciation	<u>1,151,394</u>	<u>42,550</u>	<u>3,443</u>	<u>82,673</u>	<u>233,497</u>	<u>50,133</u>	<u>1,563,690</u>
At 31 December 2024:							
Cost	1,232,435	77,946	14,879	168,065	303,480	50,133	1,846,938
Accumulated depreciation and impairment	(81,041)	(35,396)	(11,436)	(85,392)	(69,983)	-	(283,248)
Net carrying amount	<u>1,151,394</u>	<u>42,550</u>	<u>3,443</u>	<u>82,673</u>	<u>233,497</u>	<u>50,133</u>	<u>1,563,690</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Buildings RMB'000	General infrastructure and leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic, office equipment and others RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025:							
Cost	1,232,435	77,946	14,879	168,065	303,480	50,133	1,846,938
Accumulated depreciation and impairment	(81,041)	(35,396)	(11,436)	(85,392)	(69,983)	-	(283,248)
Net carrying amount	<u>1,151,394</u>	<u>42,550</u>	<u>3,443</u>	<u>82,673</u>	<u>233,497</u>	<u>50,133</u>	<u>1,563,690</u>
At 1 January 2025, net of accumulated depreciation	1,151,394	42,550	3,443	82,673	233,497	50,133	1,563,690
Additions	377	13,336	3,568	7,720	4,594	112,490	142,083
Acquisition of subsidiaries	66,018	14,630	937	3,788	14,287	-	99,660
Disposals	-	-	(489)	(3,168)	(7,348)	-	(11,005)
Disposal of a subsidiary	-	(149)	-	-	-	-	(149)
Depreciation provided during the year	(45,831)	(24,064)	(1,947)	(26,846)	(30,354)	-	(129,042)
Transfer	-	-	-	-	23,994	(23,994)	-
Exchange realignment	(194)	(46)	(1)	(11)	(3)	-	(255)
At 31 December 2025, net of accumulated depreciation	<u>1,171,764</u>	<u>46,257</u>	<u>5,511</u>	<u>64,156</u>	<u>238,667</u>	<u>138,629</u>	<u>1,664,984</u>
At 31 December 2025:							
Cost	1,298,480	111,855	18,316	172,633	336,994	138,629	2,076,907
Accumulated depreciation and impairment	(126,716)	(65,598)	(12,805)	(108,477)	(98,327)	-	(411,923)
Net carrying amount	<u>1,171,764</u>	<u>46,257</u>	<u>5,511</u>	<u>64,156</u>	<u>238,667</u>	<u>138,629</u>	<u>1,664,984</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Buildings RMB'000	General infrastructure and leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic, office equipment and others RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023							
At 1 January 2023:							
Cost	794,472	27,569	2,786	26,598	78,608	51,518	981,551
Accumulated depreciation and impairment	-	(24,194)	(2,279)	(10,635)	(7,727)	-	(44,835)
Net carrying amount	<u>794,472</u>	<u>3,375</u>	<u>507</u>	<u>15,963</u>	<u>70,881</u>	<u>51,518</u>	<u>936,716</u>
At 1 January 2023, net of accumulated depreciation	794,472	3,375	507	15,963	70,881	51,518	936,716
Additions	-	274	27	6,604	4,665	29,485	41,055
Disposals	-	-	-	(891)	(1,275)	(42)	(2,208)
Depreciation provided during the year	(16,182)	(2,740)	(245)	(5,794)	(7,942)	-	(32,903)
Transfer	<u>(312,814)</u>	<u>-</u>	<u>82</u>	<u>1,257</u>	<u>39,149</u>	<u>(37,604)</u>	<u>(309,930)</u>
At 31 December 2023, net of accumulated depreciation	<u>465,476</u>	<u>909</u>	<u>371</u>	<u>17,139</u>	<u>105,478</u>	<u>43,357</u>	<u>632,730</u>
At 31 December 2023:							
Cost	480,810	6,055	2,885	32,178	120,764	43,357	686,049
Accumulated depreciation and impairment	<u>(15,334)</u>	<u>(5,146)</u>	<u>(2,514)</u>	<u>(15,039)</u>	<u>(15,286)</u>	<u>-</u>	<u>(53,319)</u>
Net carrying amount	<u>465,476</u>	<u>909</u>	<u>371</u>	<u>17,139</u>	<u>105,478</u>	<u>43,357</u>	<u>632,730</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings RMB'000	General infrastructure and leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic, office equipment and others RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024							
At 1 January 2024:							
Cost	480,810	6,055	2,885	32,178	120,764	43,357	686,049
Accumulated depreciation and impairment	(15,334)	(5,146)	(2,514)	(15,039)	(15,286)	-	(53,319)
Net carrying amount	<u>465,476</u>	<u>909</u>	<u>371</u>	<u>17,139</u>	<u>105,478</u>	<u>43,357</u>	<u>632,730</u>
At 1 January 2024, net of accumulated depreciation	465,476	909	371	17,139	105,478	43,357	632,730
Additions	-	1,666	31	2,905	7,753	22,344	34,699
Disposals	-	-	(1)	(491)	(7,650)	-	(8,142)
Depreciation provided during the year	(15,199)	(741)	(130)	(5,878)	(12,016)	-	(33,964)
Transfer	<u>1,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,949</u>	<u>(18,949)</u>	<u>1,083</u>
At 31 December 2024, net of accumulated depreciation	<u>451,360</u>	<u>1,834</u>	<u>271</u>	<u>13,675</u>	<u>112,514</u>	<u>46,752</u>	<u>626,406</u>
At 31 December 2024:							
Cost	481,894	3,311	2,909	33,964	138,499	46,752	707,329
Accumulated depreciation and impairment	(30,534)	(1,477)	(2,638)	(20,289)	(25,985)	-	(80,923)
Net carrying amount	<u>451,360</u>	<u>1,834</u>	<u>271</u>	<u>13,675</u>	<u>112,514</u>	<u>46,752</u>	<u>626,406</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company (continued)

	Buildings RMB'000	General infrastructure and leasehold improvements RMB'000	Motor vehicles RMB'000	Electronic, office equipment and others RMB'000	Machinery RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2025							
At 1 January 2025:							
Cost	481,894	3,311	2,909	33,964	138,499	46,752	707,329
Accumulated depreciation and impairment	(30,534)	(1,477)	(2,638)	(20,289)	(25,985)	-	(80,923)
Net carrying amount	<u>451,360</u>	<u>1,834</u>	<u>271</u>	<u>13,675</u>	<u>112,514</u>	<u>46,752</u>	<u>626,406</u>
At 1 January 2025, net of accumulated depreciation	451,360	1,834	271	13,675	112,514	46,752	626,406
Additions	37	3,692	11	3,945	2,707	99,299	109,691
Disposals	-	-	(8)	(31)	(148)	-	(187)
Depreciation provided during the year	(15,190)	(1,146)	(46)	(5,366)	(11,986)	-	(33,734)
Transfer	-	-	2	(18)	10,393	(10,099)	278
At 31 December 2025, net of accumulated depreciation	<u>436,207</u>	<u>4,380</u>	<u>230</u>	<u>12,205</u>	<u>113,480</u>	<u>135,952</u>	<u>702,454</u>
At 31 December 2025:							
Cost	481,931	7,002	2,758	37,712	151,730	135,952	817,085
Accumulated depreciation and impairment	(45,724)	(2,622)	(2,528)	(25,507)	(38,250)	-	(114,631)
Net carrying amount	<u>436,207</u>	<u>4,380</u>	<u>230</u>	<u>12,205</u>	<u>113,480</u>	<u>135,952</u>	<u>702,454</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

14 INVESTMENT PROPERTIES

The Group

	Total RMB'000
31 December 2024	
At 1 January 2024:	
Cost	
Accumulated amortization	-
Net carrying amount	-
At 1 January 2024, net of accumulated amortization	-
Transfer from property, plant and equipment	10,797
Amortization provided during the year	(497)
At 31 December 2024, net of accumulated amortization	10,300
At 31 December 2024:	
Cost	15,710
Accumulated amortization	(5,410)
Net carrying amount	10,300
	Total RMB'000
31 December 2025	
At 1 January 2025:	
Cost	15,710
Accumulated amortization	(5,410)
Net carrying amount	10,300
At 1 January 2025, net of accumulated amortization	10,300
Acquisition of subsidiaries	19,518
Amortization provided during the year	(1,741)
Exchange realignment	(115)
At 31 December 2025, net of accumulated amortization	27,962
At 31 December 2025:	
Cost	35,109
Accumulated amortization	(7,147)
Net carrying amount	27,962

NOTES TO FINANCIAL STATEMENTS (Continued)

14 INVESTMENT PROPERTIES (continued)

The Company

	Total RMB'000
31 December 2023	
At 1 January 2023:	
Cost	-
Accumulated amortization	-
Net carrying amount	-
At 1 January 2023, net of accumulated amortization	-
Transfer from property, plant and equipment	309,930
Transfer from right-of-use assets	32,597
Amortization provided during the year	(9,597)
At 31 December 2023, net of accumulated amortization	332,930
At 31 December 2023:	
Cost	345,274
Accumulated amortization	(12,344)
Net carrying amount	332,930
	Total RMB'000
31 December 2024	
At 1 January 2024:	
Cost	345,274
Accumulated amortization	(12,344)
Net carrying amount	332,930
At 1 January 2024, net of accumulated amortization	332,930
Transfer from right-of-use assets	69
Transfer to property, plant and equipment	(1,083)
Transfer to right-of-use assets	(269)
Amortization provided during the year	(10,581)
At 31 December 2024, net of accumulated amortization	321,066
At 31 December 2024:	
Cost	343,998
Accumulated amortization	(22,932)
Net carrying amount	321,066

NOTES TO FINANCIAL STATEMENTS (Continued)

14 INVESTMENT PROPERTIES (continued)

The Company (continued)

	Total RMB'000
31 December 2025	
At 1 January 2025:	
Cost	343,998
Accumulated amortization	(22,932)
Net carrying amount	321,066
At 1 January 2025, net of accumulated amortization	321,066
Amortization provided during the year	(10,405)
At 31 December 2025, net of accumulated amortization	310,661
At 31 December 2025:	
Cost	343,998
Accumulated amortization	(33,337)
Net carrying amount	310,661

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings. Leases of buildings generally have lease terms between 2 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	Leasehold land RMB'000	Office premises and plant RMB'000	Total RMB'000
31 December 2023			
Carrying amount at 1 January 2023	238,691	136,764	375,455
Additions	-	87,471	87,471
Acquisition of subsidiaries	-	1,591	1,591
Reassessment	-	(7,383)	(7,383)
Early termination	-	(23,030)	(23,030)
Disposals of subsidiaries	-	(3,877)	(3,877)
Depreciation charge for the year	(5,032)	(52,546)	(57,578)
Carrying amount at 31 December 2023	<u>233,659</u>	<u>138,990</u>	<u>372,649</u>
	Leasehold land RMB'000	Office premises and plant RMB'000	Total RMB'000
31 December 2024			
Carrying amount at 1 January 2024	233,659	138,990	372,649
Additions	-	34,343	34,343
Acquisition of subsidiaries	-	12,435	12,435
Reassessment	-	456	456
Early termination	-	(10,637)	(10,637)
Depreciation charge for the year	(5,032)	(59,259)	(64,291)
Carrying amount at 31 December 2024	<u>228,627</u>	<u>116,328</u>	<u>344,955</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES (continued)

The Group as a lessee (continued)

(a) Right-of-use assets (continued)

The carrying amounts of right-of-use assets and the movements during the Relevant Periods are as follows: (continued)

The Group (continued)

	Leasehold land RMB'000	Office premises and plant RMB'000	Total RMB'000
31 December 2025			
Carrying amount at 1 January 2025	228,627	116,328	344,955
Additions	40,742	63,539	104,281
Acquisition of subsidiaries	-	39,573	39,573
Early termination	-	(19,894)	(19,894)
Depreciation charge for the year	(5,373)	(67,600)	(72,973)
Exchange realignment	-	(360)	(360)
Carrying amount at 31 December 2025	<u>263,996</u>	<u>131,584</u>	<u>395,582</u>

The Company

	Leasehold land RMB'000	Office premises and plant RMB'000	Total RMB'000
31 December 2023			
Carrying amount at 1 January 2023	130,414	3,927	134,341
Transfer	(32,597)	-	(32,597)
Early termination	-	(213)	(213)
Depreciation charge for the year	(2,125)	(2,371)	(4,496)
Carrying amount at 31 December 2023	<u>95,692</u>	<u>1,343</u>	<u>97,035</u>

	Leasehold land RMB'000	Office premises and plant RMB'000	Total RMB'000
31 December 2024			
Carrying amount at 1 January 2024	95,692	1,343	97,035
Additions	-	2,490	2,490
Transfer	200	-	200
Depreciation charge for the year	(2,065)	(1,506)	(3,571)
Carrying amount at 31 December 2024	<u>93,827</u>	<u>2,327</u>	<u>96,154</u>

	Leasehold land RMB'000	Office premises and plant RMB'000	Total RMB'000
31 December 2025			
Carrying amount at 1 January 2025	93,827	2,327	96,154
Additions	-	948	948
Depreciation charge for the year	(2,216)	(1,435)	(3,651)
Carrying amount at 31 December 2025	<u>91,611</u>	<u>1,840</u>	<u>93,451</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	Office premises and plant RMB'000
31 December 2023	
Carrying amount at 1 January 2023	136,241
New leases	86,556
Acquisition of subsidiaries	633
Reassessment	(9,314)
Early termination	(21,553)
Disposals of subsidiaries	(4,811)
Accretion of interest recognized during the year	4,819
Lease payments	(60,325)
Carrying amount at 31 December 2023	132,246
Analyzed into:	
Current portion	55,007
Non-current portion	77,239
	Office premises and plant RMB'000
31 December 2024	
Carrying amount at 1 January 2024	132,246
New leases	34,349
Acquisition of subsidiaries	11,266
Reassessment	475
Early termination	(11,301)
Accretion of interest recognized during the year	5,126
Lease payments	(56,559)
Carrying amount at 31 December 2024	115,602
Analyzed into:	
Current portion	54,125
Non-current portion	61,477

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows: (continued)

The Group (continued)

	Office premises and plant RMB'000
31 December 2025	
Carrying amount at 1 January 2025	115,602
New leases	55,917
Acquisition of subsidiaries	40,404
Early termination	(19,187)
Accretion of interest recognized during the year	4,995
Exchange realignment	(360)
Lease payments	<u>(71,021)</u>
Carrying amount at 31 December 2025	<u>126,350</u>
Analyzed into:	
Current portion	58,313
Non-current portion	<u>68,037</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows: (continued)

The Company

	Office premises and plant RMB'000
31 December 2023	
Carrying amount at 1 January 2023	9,387
Reassessment	(286)
Accretion of interest recognized during the year	122
Lease payments	-
Carrying amount at 31 December 2023	9,223
Analyzed into:	
Current portion	9,223
Non-current portion	-
	Office premises and plant RMB'000
31 December 2024	
Carrying amount at 1 January 2024	9,223
New leases	2,490
Accretion of interest recognized during the year	44
Lease payments	(543)
Carrying amount at 31 December 2024	11,214
Analyzed into:	
Current portion	10,508
Non-current portion	706

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities (continued)

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows: (continued)

The Company (continued)

	Office premises and plant RMB'000
31 December 2025	
Carrying amount at 1 January 2025	11,214
New leases	343
Accretion of interest recognized during the year	47
Lease payments	(10,556)
Carrying amount at 31 December 2025	1,048
Analyzed into:	
Current portion	693
Non-current portion	355

The maturity analysis of lease liabilities is disclosed in note 47 to the Historical Financial Information.

NOTES TO FINANCIAL STATEMENTS (Continued)

15 LEASES (continued)

The Group as a lessee (continued)

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

The Group

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Depreciation charge of right-of-use assets	57,578	64,291	72,973
Less: Depreciation of leasehold land capitalized in CIP	952	678	678
Subtotal	56,626	63,613	72,295
Interest on lease liabilities	4,819	5,126	4,995
Expense related to short-term leases	3,866	5,003	5,619
Total amount recognized in profit or loss	65,311	73,742	82,909

The Company

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Interest on lease liabilities	122	44	47
Depreciation charge of right-of-use assets	4,496	3,571	3,651
Expense relating to short-term leases	613	62	70
Total amount recognized in profit or loss	5,231	3,677	3,768

(d) The total cash outflows for leases are disclosed in note 39 (c) to the Historical Financial Information.

NOTES TO FINANCIAL STATEMENTS (Continued)

16 GOODWILL

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At the beginning of year			
Cost	230,643	242,555	364,490
Accumulated impairment	(148)	(148)	(148)
Net carrying amount	<u>230,495</u>	<u>242,407</u>	<u>364,342</u>
Cost at beginning of year, net of accumulated impairment	230,495	242,407	364,342
Acquisition of subsidiaries (Note 38)	11,912	121,935	4,570
Impairment during the year	-	-	-
Carrying amount at end of year	<u>242,407</u>	<u>364,342</u>	<u>368,912</u>
At end of year			
Cost	242,555	364,490	369,060
Accumulated impairment	(148)	(148)	(148)
Net carrying amount	<u>242,407</u>	<u>364,342</u>	<u>368,912</u>

Impairment testing of goodwill

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

- Guizhou Cofee Medical Equipment Co., Ltd. cash-generating unit
- Shandong Cofee Medical Equipment Co., Ltd. cash-generating unit
- Changsha Jiannuo Medical Device Sales Co., Ltd. cash-generating unit
- Zhuhai Acorn Electronics Technology Co., Ltd. cash-generating unit
- Jerry Medical Equipment (Shanghai) Co., Ltd. cash-generating unit
- Acorn Trade (SHANGHAI) Co., Ltd. cash-generating unit
- Sichuan Jian'er Hearing Aid Co., Ltd. cash-generating unit
- Sichuan Lixiang Health Technology Co., Ltd. cash-generating unit
- Beijing Haiyinrui Hearing Technology Co., Ltd. cash-generating unit
- Changsha Nuoyake Medical Equipment Sales Co., Ltd. cash-generating unit
- Hunan Zeling Medical Equipment Co., Ltd. cash-generating unit
- Shanghai Tianlaizhiyin Medical Instruments Co., Ltd. cash-generating unit
- Beijing Lingyun Technology Co., Ltd. cash-generating unit
- Inner Mongolia Lingyun Technology Co., Ltd. cash-generating unit
- Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. cash-generating unit
- HUMANA Medical Limited cash-generating unit

Cofoe Medical Technology Co.,Ltd.

NOTES TO FINANCIAL STATEMENTS (Continued)

16 GOODWILL (continued)

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Guizhou Cofoe Medical Equipment Co., Ltd.	1,232	1,232	1,232
Shandong Cofoe Medical Equipment Co., Ltd.	1,551	1,551	1,551
Changsha Jiannuo Medical Device Sales Co., Ltd.	82	82	82
Zhuhai Acorn Electronics Technology Co., Ltd.	8,589	8,589	8,589
Jerry Medical Equipment (Shanghai) Co., Ltd.	36,989	36,989	36,989
Acorn Trade (SHANGHAI) Co., Ltd.	168,293	168,293	168,293
Sichuan Jian'er Hearing Aid Co., Ltd.	13,008	13,008	13,008
Sichuan Lixiang Health Technology Co., Ltd.	751	751	751
Beijing Haiyinrui Hearing Technology Co., Ltd.	10,242	10,242	10,242
Changsha Nuoyake Medical Equipment Sales Co., Ltd.	1,670	1,670	1,670
Hunan Zeling Medical Equipment Co., Ltd.	-	64,560	64,560
Shanghai Tianlaizhiyin Medical Instruments Co., Ltd.	-	21,135	21,135
Beijing Lingyun Technology Co., Ltd.	-	24,510	24,510
Inner Mongolia Lingyun Technology Co., Ltd.	-	11,730	11,730
Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd.	-	-	3,616
Humana Medical Limited	-	-	954
Total	<u>242,407</u>	<u>364,342</u>	<u>368,912</u>

Management engaged independent external valuers to assess the recoverable amounts of goodwill as at the end of each year. The recoverable amount of cash-generating units has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period. The cash flows beyond the five-year period are extrapolated using zero growth rate, with the assumption that the business operates perpetually.

The following table sets out the key assumptions adopted by management in the impairment assessment of major cash-generating units:

Cofee Medical Technology Co.,Ltd.

NOTES TO FINANCIAL STATEMENTS (Continued)

16 GOODWILL (continued)

As at 31 December 2023

	Zhuhai Acorn Electronics Technology Co., Ltd. (i)	Jerry Medical Equipment (Shanghai) Co., Ltd. (ii)	Acorn Trade (SHANGHAI) Co., Ltd. (iii)	Sichuan Jian'er Hearing Aid Co., Ltd. (iv)	Beijing Haiyinrui Hearing Technology Co., Ltd. (v)
Revenue annual growth rate - average of the forecast period	4.03%	11.02%	3.00%	3.69%	4.50%
Average gross margin	56.83%	16.85%	66.87%	73.40%	68.13%
Pre-tax discount rate	11.92%	10.75%	12.37%	11.29%	9.85%

As at 31 December 2024

	Zhuhai Acorn Electronics Technology Co., Ltd. (i)	Jerry Medical Equipment (Shanghai) Co., Ltd. (ii)	Acorn Trade (SHANGHAI) Co., Ltd. (iii)	Sichuan Jian'er Hearing Aid Co., Ltd. (iv)	Beijing Haiyinrui Hearing Technology Co., Ltd. (v)	Hunan Zeling Medical Equipmen t Co., Ltd. (vi)	Shanghai Tianlaizhiyi n Medical Instrument s Co., Ltd. (vii)	Beijing Lingyun Technology Co., Ltd. (viii)	Inner Mongolia Lingyun Technology Co., Ltd. (ix)
Revenue annual growth rate - average of the forecast period	10.03%	7.30%	3.00%	6.39%	11.24%	5.25%	5.74%	3.22%	4.09%
Average gross margin	40.99%	19.60%	74.77%	74.47%	63.40%	71.69%	61.48%	71.57%	76.73%
Pre-tax discount rate	11.36%	10.87%	13.48%	13.03%	11.56%	11.60%	11.54%	13.43%	12.73%

As at 31 December 2025

	Zhuhai Acorn Electronics Technology Co., Ltd. (i)	Jerry Medical Equipment (Shanghai) Co., Ltd. (ii)	Acorn Trade (SHANGHAI) Co., Ltd. (iii)	Sichuan Jian'er Hearing Aid Co., Ltd. (iv)	Beijing Haiyinrui Hearing Technology Co., Ltd. (v)	Hunan Zeling Medical Equipmen t Co., Ltd. (vi)	Shanghai Tianlaizhiyin Medical Instruments Co., Ltd. (vii)	Beijing Lingyun Technology Co., Ltd. (viii)	Inner Mongolia Lingyun Technology Co., Ltd. (ix)
Revenue annual growth rate - average of the forecast period	5.19%	7.95%	2.25%	7.50%	10.35%	2.75%	4.01%	1.22%	6.52%
Average gross margin	55.95%	21.21%	75.48%	74.01%	47.93%	61.74%	42.35%	76.99%	76.47%
Pre-tax discount rate	11.57%	12.13%	13.65%	13.41%	11.50%	11.64%	11.61%	13.86%	13.24%

- (i) As at 31 December 2023, 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Zhuhai Acorn Electronics Technology Co., Ltd. cash-generating unit exceeded its carrying amounts by RMB8,794,000, RMB1,801,000 and RMB2,678,000 respectively.
- (ii) As at 31 December 2023, 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Jerry Medical Equipment (Shanghai) Co., Ltd. cash-generating unit exceeded its carrying amounts by RMB2,771,000, RMB3,293,000 and RMB13,132,000 respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

16 GOODWILL (continued)

- (iii) As at 31 December 2023, 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Acorn Trade (SHANGHAI) Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB515,360,000, RMB541,701,000 and RMB618,660,000 respectively.
- (iv) As at 31 December 2023, 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Sichuan Jian'er Hearing Aid Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB985,000, RMB2,716,000 and RMB5,839,000 respectively.
- (v) As at 31 December 2023, 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Beijing Haiyinrui Hearing Technology Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB604,000, RMB530,000 and RMB1,712,000 respectively.
- (vi) As at 31 December 2024 and 2025, based on the value-in-use calculations, the recoverable amount of Hunan Zeling Medical Equipment Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB3,011,000 and RMB6,109,000 respectively.
- (vii) As at 31 December 2024 and 2025, based on the value-in-use calculations, the recoverable amounts Shanghai Tianlaizhiyin Medical Instruments Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB898,000 and RMB3,725,000 respectively.
- (viii) As at 31 December 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Beijing Lingyun Technology Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB26,780,000 and RMB32,007,000 respectively.
- (ix) As at 31 December 2024 and 2025, based on the value-in-use calculations, the recoverable amounts of Inner Mongolia Lingyun Technology Co., Ltd. cash-generating unit exceeded the carrying amounts by RMB1,345,000 and RMB1,456,000 respectively.

Assumptions were used in the value-in-use calculations of the CGUs for the Relevant Periods. The key assumptions used in the value in use calculations reflect a combination of internal and external factors impacting budgeted sales and gross margins and discount rates. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted sales and gross margins – The basis used to determine the value assigned to the budgeted sales and gross margins is the average results 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.

The values assigned to the key assumptions on the market development of the cash-generating units and discount rates are consistent with external information sources.

NOTES TO FINANCIAL STATEMENTS (Continued)

16 GOODWILL (continued)

Sensitivity analysis of goodwill

Management has undertaken a sensitivity analysis on the impairment test of goodwill. The following table sets forth the hypothetical changes to the budgeted sales, gross margins and discount rates that would, in isolation, have removed the remaining headroom respectively as at 31 December 2023, 2024 and 2025:

As at 31 December 2023

	Zhuhai Acorn Electronics Technology Co., Ltd.	Jerry Medical Equipment (Shanghai) Co., Ltd.	Acorn Trade (SHANGHAI) Co., Ltd.	Sichuan Jian'er Hearing Aid Co., Ltd.	Beijing Haiyinrui Hearing Technology Co., Ltd.
Decrease in budgeted sales	25.54%	0.77%	32.11%	0.35%	2.25%
Decrease in gross margin	14.51%	0.13%	21.47%	0.26%	0.71%
Increase in discount rate	22.84%	0.22%	41.07%	0.37%	0.43%

As at 31 December 2024

	Zhuhai Acorn Electronics Technology Co., Ltd.	Jerry Medical Equipment (Shanghai) Co., Ltd.	Acorn Trade (SHANGHAI) Co., Ltd.	Sichuan Jian'er Hearing Aid Co., Ltd.	Beijing Haiyinrui Hearing Technology Co., Ltd.	Hunan Zeling Medical Equipment Co., Ltd.	Shanghai Tianlaizhiyin Medical Instruments Co., Ltd.	Beijing Lingyun Technology Co., Ltd.	Inner Mongolia Lingyun Technology Co., Ltd.
Decrease in budgeted sales	9.80%	1.20%	16.51%	2.16%	0.90%	1.53%	1.98%	34.29%	1.86%
Decrease in gross margin	4.00%	0.24%	12.34%	1.50%	0.57%	1.09%	1.22%	24.54%	1.43%
Increase in discount rate	2.09%	0.35%	34.38%	9.70%	0.33%	0.36%	0.34%	9.44%	7.90%

As at 31 December 2025

	Zhuhai Acorn Electronics Technology Co., Ltd.	Jerry Medical Equipment (Shanghai) Co., Ltd.	Acorn Trade (SHANGHAI) Co., Ltd.	Sichuan Jian'er Hearing Aid Co., Ltd.	Beijing Haiyinrui Hearing Technology Co., Ltd.	Hunan Zeling Medical Equipment Co., Ltd.	Shanghai Tianlaizhiyin Medical Instruments Co., Ltd.	Beijing Lingyun Technology Co., Ltd.	Inner Mongolia Lingyun Technology Co., Ltd.
Decrease in budgeted sales	7.90%	4.69%	20.01%	2.96%	4.01%	4.08%	3.47%	19.07%	2.44%
Decrease in gross margin	4.42%	1.02%	15.06%	2.20%	1.85%	2.52%	1.47%	14.68%	1.88%
Increase in discount rate	3.19%	1.39%	43.51%	2.44%	1.26%	1.01%	1.50%	15.11%	1.12%

The management has considered and assessed reasonably possible changes for key assumptions and has not identified any instances that could cause the carrying amount of each CGU to exceed its respective recoverable amount.

NOTES TO FINANCIAL STATEMENTS (Continued)

17 OTHER INTANGIBLE ASSETS

The Group

	Software RMB'000	Patents, licences and others RMB'000	Trade marks RMB'000	Total RMB'000
31 December 2023				
Cost at 1 January 2023, net of accumulated amortization	3,583	5,198	774	9,555
Additions	60	-	-	60
Amortization provided during the year	(745)	(1,800)	(175)	(2,720)
At 31 December 2023	2,898	3,398	599	6,895
At 31 December 2023				
Cost	5,900	9,150	874	15,924
Accumulated amortization	(3,002)	(5,752)	(275)	(9,029)
Net carrying amount	2,898	3,398	599	6,895

	Software RMB'000	Patents, licences and others RMB'000	Capitalized development costs RMB'000	Trade marks RMB'000	Total RMB'000
31 December 2024					
Cost at 1 January 2024, net of accumulated amortization	2,898	3,398	-	599	6,895
Additions	2,741	593	10,248	20	13,602
Amortization provided during the year	(926)	(1,839)	-	(175)	(2,940)
At 31 December 2024	4,713	2,152	10,248	444	17,557
At 31 December 2024					
Cost	8,657	9,743	10,248	894	29,542
Accumulated amortization	(3,944)	(7,591)	-	(450)	(11,985)
Net carrying amount	4,713	2,152	10,248	444	17,557

NOTES TO FINANCIAL STATEMENTS (Continued)

17 OTHER INTANGIBLE ASSETS (continued)

The Group (continued)

	Software RMB'000	Patents, licences and others RMB'000	Capitalized development costs RMB'000	Trade marks RMB'000	Total RMB'000
31 December 2025					
Cost at 1 January 2025, net of accumulated amortization	4,713	2,152	10,248	444	17,557
Additions	1,261	5,507	11,387	88	18,243
Amortization provided during the year	(2,035)	(2,239)	-	(3)	(4,277)
Transfer	-	4,378	(4,378)	-	-
Exchange realignment	(137)	-	-	-	(137)
At 31 December 2025	<u>3,802</u>	<u>9,798</u>	<u>17,257</u>	<u>529</u>	<u>31,386</u>
At 31 December 2025					
Cost	9,780	19,915	17,257	982	47,934
Accumulated amortization	(5,978)	(10,117)	-	(453)	(16,548)
Net carrying amount	<u>3,802</u>	<u>9,798</u>	<u>17,257</u>	<u>529</u>	<u>31,386</u>

The Company

	Software RMB'000	Patents, licences and others RMB'000	Trade marks RMB'000	Total RMB'000
31 December 2023				
Cost at 1 January 2023, net of accumulated amortization	1,454	3,686	774	5,914
Additions	-	4,198	-	4,198
Amortization provided during the year	(302)	(1,508)	(175)	(1,985)
At 31 December 2023	<u>1,152</u>	<u>6,376</u>	<u>599</u>	<u>8,127</u>
At 31 December 2023				
Cost	2,811	11,187	874	14,872
Accumulated amortization	(1,659)	(4,811)	(275)	(6,745)
Net carrying amount	<u>1,152</u>	<u>6,376</u>	<u>599</u>	<u>8,127</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

17 OTHER INTANGIBLE ASSETS (continued)

The Company (continued)

	Software RMB'000	Patents, licences and others RMB'000	Capitalized development costs RMB'000	Trade marks RMB'000	Total RMB'000
31 December 2024					
Cost at 1 January 2024, net of accumulated amortization	1,152	6,376	-	599	8,127
Additions	2,422	594	10,248	19	13,283
Amortization provided during the year	(512)	(2,247)	-	(175)	(2,934)
At 31 December 2024	<u>3,062</u>	<u>4,723</u>	<u>10,248</u>	<u>443</u>	<u>18,476</u>
At 31 December 2024					
Cost	5,233	11,781	10,248	894	28,156
Accumulated amortization	(2,171)	(7,058)	-	(451)	(9,680)
Net carrying amount	<u>3,062</u>	<u>4,723</u>	<u>10,248</u>	<u>443</u>	<u>18,476</u>
	Software RMB'000	Patents, licences and others RMB'000	Capitalized development costs RMB'000	Trade marks RMB'000	Total RMB'000
31 December 2025					
Cost at 1 January 2025, net of accumulated amortization	3,062	4,723	10,248	443	18,476
Additions	544	212	11,387	6	12,149
Amortization provided during the year	(837)	(2,201)	-	-	(3,038)
Transfer	-	4,378	(4,378)	-	-
At 31 December 2025	<u>2,769</u>	<u>7,112</u>	<u>17,257</u>	<u>449</u>	<u>27,587</u>
At 31 December 2025					
Cost	5,777	16,371	17,257	898	40,303
Accumulated amortization	(3,008)	(9,259)	-	(449)	(12,716)
Net carrying amount	<u>2,769</u>	<u>7,112</u>	<u>17,257</u>	<u>449</u>	<u>27,587</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN ASSOCIATES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Changsha Wanwu Xilian Health Technology Co., Ltd.	-	282	563
Hunan Guoke Zhitong Technology Co., Ltd.	5,126	5,106	5,083
Shenzhen Enmind Technology Co., Ltd.	59,800	56,040	57,211
Lizhi Intelligent Technology (Guangzhou) Co., Ltd.	-	-	34,746
Resvent Medical Technology Co., Ltd.	-	-	139,733
	<u>64,926</u>	<u>61,428</u>	<u>237,336</u>

In December 2023, the Group acquired a 29.38% equity interest in Shenzhen Enmind Technology Co., Ltd., a domestic company with primarily engaged in the manufacture, research and development, and sale of medical devices, at a cash consideration of RMB59,800,000. As the voting power of Shenzhen Enmind Technology Co., Ltd. is determined by subscribed capital contributions under its articles of associations. the Group has the power to participate in the financial and operating policy decisions and therefore can exercise significant influence over Shenzhen Enmind Technology Co., Ltd.

In September 2025, the Group acquired a 9.18% equity interest in Lizhi Intelligent Technology (Guangzhou) Co., Ltd. ("Lizhi Intelligent") by way of capital contribution, and in December 2025 acquired a further 3.27% equity interest by way of acquisition of existing shares, for an aggregate consideration of RMB37,000,000. Pursuant to relevant shareholder agreements, the Company is entitled to appoint one out of five directors to the board of Lizhi Intelligent and actively participate in the daily operational decisions of Lizhi Intelligent. The management concluded that the Company can exercise significant influence over Lizhi Intelligent. Meanwhile, the Company's interests in Lizhi Intelligent include preferred rights which qualify as embedded derivatives and should be accounted for separately, measured at fair value, with changes in fair value recognized in profit or loss. The Group reclassified the fair value of the preferred rights embedded in the investment terms in respect of Lizhi Intelligent amounting to RMB1,566,000 to financial assets measured at fair value through profit or loss.

In December 2025, the Group acquired a 30.74% equity interest in Resvent Medical Technology Co., Ltd. ("Resvent Medical"), a domestic company primarily engaged in the research and development, manufacture and sale of medical devices, at a cash consideration of RMB144,099,000. Pursuant to relevant shareholder agreements, the Company is entitled to appoint one out of five directors to the board of Resvent Medical and actively participate in the daily operational decisions of Resvent Medical. The management concluded that the Company can exercise significant influence over Resvent Medical. Meanwhile, the Company's interests in Resvent Medical include preferred rights which qualify as embedded derivatives and should be accounted for separately, measured at fair value, with changes in fair value recognized in profit or loss. The Group reclassified the fair value of the preferred rights embedded in the investment terms in respect of Resvent Medical amounting to RMB4,405,000 to financial assets measured at fair value through profit or loss.

NOTES TO FINANCIAL STATEMENTS (Continued)

18 INVESTMENTS IN ASSOCIATES(continued)

The Group(continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the associates' (loss)/profit for the year	(130)	(3,498)	779
Share of the associates' total comprehensive (loss)/ income	(130)	(3,498)	779
Aggregate carrying amount of the Group's investments in associates	<u>64,926</u>	<u>61,428</u>	<u>237,336</u>

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Hunan Guoke Zhitong Technology Co., Ltd.	5,126	5,106	5,083
Shenzhen Enmind Technology Co., Ltd.	59,800	56,040	57,211
Lizhi Intelligent Technology (Guangzhou) Co., Ltd.	-	-	34,746
Resvent Medical Technology Co., Ltd.	-	-	139,733
	<u>64,926</u>	<u>61,146</u>	<u>236,773</u>

The following table illustrates the aggregate financial information of the Company's associates that are not individually material:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Share of the associates' (loss)/ profit for the year	(130)	(3,780)	498
Share of the associates' total comprehensive (loss)/ income	(130)	(3,780)	498
Aggregate carrying amount of the Group's investments in associates	<u>64,926</u>	<u>61,146</u>	<u>236,773</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

19 INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Investments, at cost	884,150	910,072	1,278,511

20 OTHER NON-CURRENT ASSETS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Prepayment for property, plant and equipment	18,520	17,519	16,013
Prepayment for equity acquisition	65,000	72,411	-
Others	591	-	-
	84,111	89,930	16,013

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Prepayment for property, plant and equipment	5,073	15,930	10,038
Prepayment for equity acquisition	-	72,411	-
	5,073	88,341	10,038

NOTES TO FINANCIAL STATEMENTS (Continued)

21 INVENTORIES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	202,913	245,555	211,175
Work in progress	1,148	823	6,747
Semi-finished goods	54,184	66,553	70,344
Finished goods	435,371	406,258	440,798
Goods in transit	28,263	24,205	23,875
	<u>721,879</u>	<u>743,394</u>	<u>752,939</u>
Less: Allowance for impairment of inventories	<u>87,163</u>	<u>83,810</u>	<u>77,440</u>
Total	<u>634,716</u>	<u>659,584</u>	<u>675,499</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Raw materials	132,619	191,511	153,265
Semi-finished goods	47,783	62,429	59,307
Finished goods	119,426	156,783	182,120
Goods in transit	13,498	11,410	10,150
	<u>313,326</u>	<u>422,133</u>	<u>404,842</u>
Less: Allowance for impairment of inventories	<u>45,896</u>	<u>42,697</u>	<u>35,148</u>
Total	<u>267,430</u>	<u>379,436</u>	<u>369,694</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

22 TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Non-current:			
Trade receivables	-	-	5,192
	-	-	5,192
Less: Impairment losses	-	-	260
Subtotal	-	-	4,932
Current:			
Trade receivables	515,747	420,861	454,615
Bills receivables	11,938	27,839	40,785
	527,685	448,700	495,400
Less: Impairment losses	41,685	46,861	48,341
Subtotal	486,000	401,839	447,059
Total	486,000	401,839	451,991

The Group's trading terms with its customers are mainly settled in cash or on credit, with the credit period generally ranging from 30 to 90 days after receipt of VAT invoices. The Group seeks to maintain strict control over its outstanding receivables to control credit risk. Overdue balances are reviewed regularly by management.

An aging analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	450,461	342,501	407,399
1 to 2 years	30,600	55,023	32,158
2 to 3 years	4,939	4,315	12,434
Total	486,000	401,839	451,991

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
At the beginning of the year	42,251	41,685	46,861
Impairment losses, net	(554)	5,300	3,050
Amount written off as uncollectible	(12)	(124)	(1,310)
At the end of the year	41,685	46,861	48,601

NOTES TO FINANCIAL STATEMENTS (Continued)

22 TRADE AND BILLS RECEIVABLES (continued)

The Group (continued)

The Group applies the simplified approach in calculating expected credit losses for trade and bills receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on past due information for groupings of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2023					
Expected credit loss rate	5%	20%	53%	100%	8%
Gross carrying amount (RMB'000)	473,576	38,250	10,527	5,332	527,685
Expected credit losses (RMB'000)	23,115	7,650	5,588	5,332	41,685
	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2024					
Expected credit loss rate	5%	20%	50%	100%	10%
Gross carrying amount (RMB'000)	359,065	68,779	8,631	12,225	448,700
Expected credit losses (RMB'000)	16,564	13,756	4,316	12,225	46,861
	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2025					
Expected credit loss rate	5%	18%	46%	100%	10%
Gross carrying amount (RMB'000)	426,742	39,296	23,003	11,551	500,592
Expected credit losses (RMB'000)	19,343	7,138	10,569	11,551	48,601

NOTES TO FINANCIAL STATEMENTS (Continued)

22 TRADE AND BILLS RECEIVABLES (continued)

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	27,843	35,911	32,164
Bills receivable	7,896	7,638	12,501
Subtotal	35,739	43,549	44,665
Less: Impairment losses	3,657	5,188	4,107
Total	32,082	38,361	40,558

An aging analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	30,298	36,230	40,500
1 to 2 years	685	2,059	57
2 to 3 years	1,099	72	1
Total	32,082	38,361	40,558

The movements in the impairment losses on trade receivables and bills receivables are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
At the beginning of the year	1,741	3,657	5,188
Impairment losses, net	1,916	1,531	(1,081)
At the end of the year	3,657	5,188	4,107

NOTES TO FINANCIAL STATEMENTS (Continued)

22 TRADE AND BILLS RECEIVABLES (continued)

The Company (continued)

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

	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2023					
Expected credit loss rate	4.7%	20%	61%	100%	10%
Gross carrying amount (RMB'000)	31,789	856	2,847	247	35,739
Expected credit losses (RMB'000)	1,491	171	1,748	247	3,657
	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2024					
Expected credit loss rate	4%	20%	50%	100%	12%
Gross carrying amount (RMB'000)	37,738	2,574	143	3,094	43,549
Expected credit losses (RMB'000)	1,508	515	71	3,094	5,188
	Current to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
As at 31 December 2025					
Expected credit loss rate	4%	20%	50%	100%	9%
Gross carrying amount (RMB'000)	42,197	71	2	2,395	44,665
Expected credit losses (RMB'000)	1,697	14	1	2,395	4,107

NOTES TO FINANCIAL STATEMENTS (Continued)

23 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Prepayments to suppliers	127,816	136,538	143,518
Deposits and other receivables	58,058	48,710	62,640
Other tax recoverable	97,980	40,607	47,497
Listing expenses	-	-	17,155
Less: Impairment allowance	3,249	3,637	3,552
Total	280,605	222,218	267,258

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Prepayments to suppliers	45,934	33,528	40,887
Deposits and other receivables	40,034	16,896	13,707
Other tax recoverable	-	11,462	6,861
Listing expenses	-	-	17,155
Less: Impairment allowance	501	1,856	946
Total	85,467	60,030	77,664

NOTES TO FINANCIAL STATEMENTS (Continued)

24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current			
Investments in equity instruments at fair value through profit or loss	3,458	42,946	155,466
Wealth management products	834,064	1,286,031	802,063
Unlisted funds	13,776	28,444	59,300
Non-current			
Derivative financial instruments	-	-	5,962
	<u>851,298</u>	<u>1,357,421</u>	<u>1,022,791</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Current			
Investments in equity instruments at fair value through profit or loss	3,458	37,946	147,578
Wealth management products	833,061	775,363	751,375
Unlisted funds	13,776	28,444	59,300
Non-current			
Derivative financial instruments	-	-	5,962
	<u>850,295</u>	<u>841,753</u>	<u>964,215</u>

The wealth management products were issued by banks in Chinese mainland. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The wealth management products include structured deposits and guaranteed floating-return products. The interest rates of the structured deposits fluctuate within the range of 1.05% to 5.40%, and the interest rates of the guaranteed floating return products fluctuate within the range of 0% to 5.00%.

NOTES TO FINANCIAL STATEMENTS (Continued)

25 CASH AND BANK BALANCES AND RESTRICTED CASH

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash and bank balances	1,469,625	1,179,004	1,345,657
Restricted cash*	99,801	99,676	76,042
Total	<u>1,569,426</u>	<u>1,278,680</u>	<u>1,421,699</u>
Denominated in			
USD	4,839	7,455	185,045
HKD	-	41	51,692
SGD	85	-	135
EUR	-	-	1,773
MOP	-	-	605
THP	-	-	7
JPY	-	-	7
RMB	<u>1,564,502</u>	<u>1,271,184</u>	<u>1,182,435</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Cash and bank balances	1,168,321	788,950	618,664
Restricted cash	6,300	16,604	21,224
Total	<u>1,174,621</u>	<u>805,554</u>	<u>639,888</u>
Denominated in			
USD	48	128	26,870
RMB	<u>1,174,573</u>	<u>805,426</u>	<u>613,018</u>

* The restricted cash collateral of RMB74,100,000, RMB82,230,000 and RMB63,886,000 as at 31 December 2023, 2024 and 2025 at bank serves as a guarantee deposit for bank acceptances.

The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS (Continued)

26 TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade and bills payables	391,206	391,391	568,033

The trade and bills payables are non-interest-bearing and the suppliers normally grant credit terms of 30 to 90 days upon receipt of VAT invoices.

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	378,573	375,074	544,324
1 to 2 years	1,915	6,027	13,631
2 to 3 years	478	1,710	693
Over 3 years	10,240	8,580	9,385
Total	391,206	391,391	568,033

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Trade and bills payables	190,665	172,935	273,734

An aging analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within 1 year	189,377	170,742	265,782
1 to 2 years	882	915	6,436
2 to 3 years	59	872	243
Over 3 years	347	406	1,273
Total	190,665	172,935	273,734

NOTES TO FINANCIAL STATEMENTS (Continued)

27 OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Payroll and welfare payable	49,569	54,814	58,473
Other tax payables	12,071	9,598	16,027
Payables relating to purchases of items of long-term assets	91,767	76,262	69,210
Repurchase obligation for restricted A- shares	10,608	5,704	-
Other payables	42,764	60,034	83,826
	<u>206,779</u>	<u>206,412</u>	<u>227,536</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Payroll and welfare payable	15,837	17,720	16,408
Other tax payables	2,532	1,430	2,984
Payables relating to purchases of items of long-term assets	31,891	33,708	49,590
Repurchase obligation for restricted A- shares	10,608	5,704	-
Other payables	23,611	13,625	36,280
	<u>84,479</u>	<u>72,187</u>	<u>105,262</u>

28 CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Contract liabilities	<u>15,223</u>	<u>29,375</u>	<u>29,073</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Contract liabilities	<u>1,092</u>	<u>720</u>	<u>321</u>

Contract liabilities include advances received from customers for the sale of goods.

NOTES TO FINANCIAL STATEMENTS (Continued)

29 INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans - unsecured	2.60-2.70	2024	65,052	2.60	2025	65,052	2.08-2.15	2026	59,871
Other borrowings - unsecured	0.50-2.55	2024	337,376	0.10-1.55	2025	483,560	0.65-1.45	2026	514,877
Current portion of long-term bank loans - unsecured	2.90	2024	2,000	2.50-2.70	2025	104,000	2.15	2026	125,082
Current portion of long-term bank loans - secured	2.90	2024	<u>10,000</u>	2.55	2025	<u>10,009</u>	-	-	-
Non-current									
Bank loans - unsecured	2.90	2025	84,078	2.50	2026	125,174	-	-	-
Bank loans - secured	2.90	2025	<u>10,021</u>	-	-	-	-	-	-
Total			<u>508,527</u>			<u>787,795</u>			<u>699,830</u>

An alternative approach of disclosing relevant information is illustrated below:

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Analyzed into:			
Bank loans repayable			
Within one year	77,052	179,061	184,953
In the second year	94,099	125,174	-
Other borrowings repayable			
Within one year	<u>337,376</u>	<u>483,560</u>	<u>514,877</u>
Total	<u>508,527</u>	<u>787,795</u>	<u>699,830</u>

Certain of the Group's future rights of accounts receivable for the Housing Leasing Project of Cofee Medical's Intelligent Equipment Headquarters Base were pledged to secure bank borrowings of RMB20,021,000, RMB10,009,000 and nil as at 31 December 2023, 2024 and 2025.

The Group's other loans are unsecured, with annual interest rates ranging from 2.08% to 2.90%.

NOTES TO FINANCIAL STATEMENTS (Continued)

29 INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

The Company

	As at 31 December								
	2023			2024			2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Bank loans - unsecured	2.60-2.70	2024	65,052	2.60	2025	65,052	2.08-2.15	2026	59,871
Bank loans - secured	-	-	-	-	-	-	-	-	-
Current portion of long-term bank loans - unsecured	2.90	2025	2,000	2.50-2.70	2025	104,000	2.15	2026	125,082
Current portion of long-term bank loans - secured	2.90	2025	<u>10,000</u>	2.55	2025	<u>10,009</u>	-	-	<u>-</u>
Non - current									
Bank loans - unsecured	2.90	2025	84,078	2.50	2026	125,174	-	-	-
Bank loans - secured	2.90	2025	<u>10,021</u>	-	-	<u>-</u>	-	-	<u>-</u>
Total			<u>171,151</u>			<u>304,235</u>			<u>184,953</u>

Certain of the Company's future rights of accounts receivable for the Housing Leasing Project of Cofoe Medical's Intelligent Equipment Headquarters Base were pledged to secured bank borrowings of RMB20,021,000, RMB10,009,000 and nil as at 31 December 2023, 2024 and 2025.

The Company's other loans are unsecured, with annual interest rates ranging from 2.08% to 2.90%.

NOTES TO FINANCIAL STATEMENTS (Continued)

30 DEFERRED TAX

The Group

Deferred tax assets

	Lease liabilities RMB'000	Losses available for offsetting against future taxable profits RMB'000	Assets impairment provision RMB'000	Deferred income RMB'000	Share-based compensation RMB'000	Provision RMB'000	Unrealized profits from intercompany transactions RMB'000	Remeasurement of changes in defined benefit plans RMB'000	Total RMB'000
At 1 January 2023	15,362	4,372	19,070	1,777	4,703	-	176	-	45,460
Deferred tax credited/(charged) to profit or loss during the year	17,419	(1,169)	4,636	660	(2,494)	21	1,956	-	21,029
At 31 December 2023 and 1 January 2024	32,781	3,203	23,706	2,437	2,209	21	2,132	-	66,489
Deferred tax credited/(charged) to profit or loss during the year	(27,467)	7,235	654	115	2,845	282	(513)	-	(16,849)
At 31 December 2024 and 1 January 2025	5,314	10,438	24,360	2,552	5,054	303	1,619	-	49,640
Deferred tax credited/(charged) to profit or loss during the year	23,219	(4,208)	(1,415)	1,194	1,914	(303)	(408)	-	19,993
Acquisition of subsidiaries	1,928	3,905	539	-	-	-	-	-	6,372
Deferred tax charged to equity during the year	-	-	-	-	10,503	-	-	138	10,641
At 31 December 2025	30,461	10,135	23,484	3,746	17,471	-	1,211	138	86,646

NOTES TO FINANCIAL STATEMENTS (Continued)

30 DEFERRED TAX (continued)

The Group (continued)

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment on financial assets at fair value through profit or loss RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Fair value adjustment arising from acquisitions RMB'000	Others RMB'000	Total RMB'000
At 1 January 2023	14,045	661	15,933	83	-	30,722
Deferred tax charged/(credited) to profit or loss during the year	17,720	(235)	(1,119)	200	176	16,742
At 31 December 2023 and 1 January 2024	31,765	426	14,814	283	176	47,464
Deferred tax charged/(credited) to profit or loss during the year	(27,100)	1,529	(2,133)	(107)	46	(27,765)
At 31 December 2024 and 1 January 2025	4,665	1,955	12,681	176	222	19,699
Deferred tax charged/(credited) to profit or loss during the year	22,980	2,594	(1,535)	(1,495)	141	22,685
Acquisition of subsidiaries	1,587	-	-	9,859	41	11,487
At 31 December 2025	29,232	4,549	11,146	8,540	404	53,871

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Net deferred tax liabilities recognized in the consolidated statement of financial position	15,699	15,034	7,750
Net deferred tax assets recognized in the consolidated statement of financial position	34,725	44,975	40,525

NOTES TO FINANCIAL STATEMENTS (Continued)

30 DEFERRED TAX (continued)

The Company

Deferred tax assets

	Lease liabilities RMB'000	Losses available for offsetting against future taxable profits RMB'000	Assets impairment provision RMB'000	Deferred income RMB'000	Share- based compensati on RMB'000	Unrealized profits from intercompany transactions RMB'000	Total RMB'000
At 1 January 2023	677	2,660	4,542	1,257	2,119	1	11,256
Deferred tax credited/(charged) to profit or loss during the year	(444)	(2,660)	2,966	406	(1,232)	(1)	(965)
At 31 December 2023 and 1 January 2024	233	-	7,508	1,663	887	-	10,291
Deferred tax credited/(charged) to profit or loss during the year	134	-	(47)	(42)	1,439	1	1,485
At 31 December 2024 and 1 January 2025	367	-	7,461	1,621	2,326	1	11,776
Deferred tax credited/(charged) to profit or loss during the year	(67)	-	(1,431)	996	968	(1)	465
Deferred tax charged to equity during the year	-	-	-	-	5,117	-	5,117
At 31 December 2025	300	-	6,030	2,617	8,411	-	17,358

NOTES TO FINANCIAL STATEMENTS (Continued)

30 DEFERRED TAX (continued)

The Company (continued)

Deferred tax liabilities

	Right-of-use assets RMB'000	Fair value adjustment on financial assets at fair value through profit or loss RMB'000	Depreciation allowance in excess of related depreciation RMB'000	Total RMB'000
At 1 January 2023	589	660	12,917	14,166
Deferred tax charged/(credited) to profit or loss during the year	(388)	(234)	(894)	(1,516)
At 31 December 2023 and 1 January 2024	201	426	12,023	12,650
Deferred tax charged/(credited) to profit or loss during the year	148	503	(1,526)	(875)
At 31 December 2024 and 1 January 2025	349	929	10,497	11,775
Deferred tax charged/(credited) to profit or loss during the year	(73)	3,445	(1,026)	2,346
At 31 December 2025	276	4,374	9,471	14,121

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

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Net deferred tax liabilities recognized in the consolidated statement of financial position	12,449	11,426	-
Net deferred tax assets recognized in the consolidated statement of financial position	10,090	11,427	3,237

The Group also has unused tax losses arising in Chinese mainland of approximately RMB99,601,000, RMB84,676,000 and RMB73,741,000 as at the end of each of the Relevant Periods that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respective of these unused tax 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 utilized in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS (Continued)

31 DEFERRED INCOME

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Government grants	<u>55,618</u>	<u>55,699</u>	<u>58,592</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Government grants	<u>30,584</u>	<u>30,303</u>	<u>33,186</u>

The Group and the Company received government grants related to capital expenditure incurred for property, plant and equipment. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

32 OTHER NON-CURRENT LIABILITIES

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Long-term payables	6,732	-	-
Long service payment*	<u>-</u>	<u>-</u>	<u>2,882</u>
Total	<u>6,732</u>	<u>-</u>	<u>2,882</u>

The Company

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Long-term payables	<u>6,732</u>	<u>-</u>	<u>-</u>

* Under the Hong Kong Employment Ordinance, a subsidiary of the Group, Humana Medical Limited, has been continuously employed for more than five years.

- The employee is dismissed is dismissed for reasons other than serious misconduct or redundancy;
- The employee resigns as a result of being certified by a registered medical practitioner as unfit for the present job;
- The employee resigns at the age of 65 or above;
- The employee dies while in office.

NOTES TO FINANCIAL STATEMENTS (Continued)

32 OTHER NON-CURRENT LIABILITIES (Continued)

The Group and the Company (continued)

The movements in the present value of the defined benefit obligations are as follows:

	Long service payment
At 1 January 2025	-
Acquisition of subsidiaries	1,692
Expenses recognised in profit or loss:	
Current service cost	311
Interest cost	66
Remeasurements recognised in other comprehensive income	
Actuarial loss arising from changes in financial assumptions	838
Other Changes	
Exchange realignment	(25)
At 31 December 2025	2,882

The principal actuarial assumptions used as at the end of the reporting period are as follows:

	2025
Discount rate	2.18% - 3.74%
Future salary increases	3.26%

A quantitative sensitivity analysis for significant assumptions as at the end of the reporting period is shown below:

	Increase in rate %	Increase/(decrease) in defined benefit obligations	Decrease in rate %	Increase/(decrease) in defined benefit obligations
Discount rate	1	(282)	1	340
Future salary increases	1	24	1	(32)

NOTES TO FINANCIAL STATEMENTS (Continued)

33 SHARE CAPITAL

The Group and the Company

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

	Number of shares	Share capital RMB'000
As at 1 January 2023	<u>208,487,500</u>	<u>208,488</u>
Vesting of restricted A-shares(a)	<u>750,750</u>	<u>750</u>
As at 31 December 2023 and 1 January 2024	<u>209,238,250</u>	<u>209,238</u>
Repurchase and cancelation of restricted A-shares (b)	<u>(146,250)</u>	<u>(146)</u>
As at 31 December 2024, 1 January 2025	<u>209,092,000</u>	<u>209,092</u>
Repurchase and cancelation of restricted A-shares(c)	<u>(195,000)</u>	<u>(195)</u>
As at 31 December 2025	<u>208,897,000</u>	<u>208,897</u>

Note:

- (a) As of 31 October 2023, the grantees of the Class II Restricted Shares purchased 750,750 shares with a nominal value of RMB1.00 each with the payment of RMB23,348,000. The share capital was increased by RMB750,750 and share premium was increased by RMB22,598,000.
- (b) The Company convened the 2023 annual general meeting on 20 May 2024, and has approved the Proposal on Repurchasing and Canceling Certain Restricted Shares, which resolved that the Company repurchased and canceled 146,250 shares (with a nominal value of RMB1.00 each) as the performance target under above grant was not satisfied, resulting in a repurchase payment of RMB4,377,000. The Company derecognized the repurchase obligation correspondingly.
- (c) The Company convened the board of directors on 25 April 2025 and has approved the Proposal on Repurchasing and Canceling Certain Restricted Shares, which resolved that the Company repurchased and canceled 195,000 shares (with a nominal value of RMB1.00 each) as the performance target under above grant was not satisfied, resulting in a repurchase payment of RMB5,495,000. The Company derecognized the repurchase obligation correspondingly.

NOTES TO FINANCIAL STATEMENTS (Continued)

34 TREASURY SHARES

The Group and the Company

A summary of movements in the Company's treasury shares is as follows:

	Number of shares	Treasury shares RMB'000
As at 1 January 2023	487,500	15,739
Repurchase of A-shares*	4,202,369	156,323
Repurchase obligation for restricted A-shares**	(146,250)	(4,546)
Dividend declared	-	(585)
As at 31 December 2023 and 1 January 2024	<u>4,543,619</u>	<u>166,931</u>
Repurchase of A-shares*	1,497,362	50,097
Repurchase obligation for restricted A-shares (note 33 (b))	(146,250)	(4,377)
Dividend declared	-	(527)
As at 31 December 2024 and 1 January 2025	<u>5,894,731</u>	<u>212,124</u>
Repurchase obligation for restricted A-shares (note 33 (c))	(195,000)	(5,470)
Vesting of restricted A-shares***	(1,821,000)	(65,949)
Dividend declared	-	(234)
As at 31 December 2025	<u>3,878,731</u>	<u>140,471</u>

* The Company repurchased shares for future Share Incentive Plans through centralized price bidding by self-owned funds, which were recognized as treasury shares as at the end of Relevant Periods.

** On 25 October 2023, 146,250 shares of Class I Restricted Shares granted to a total of 4 participants were released from lock-up restrictions and the Company derecognized the repurchase obligation amounting to RMB4,546,125.

*** During the year ended 31 December 2025, 1,821,000 restricted shares (the first batch of 2024 A-Share Stock Ownership Scheme) were vested, accordingly, treasury shares decreased by RMB65,949,000.

NOTES TO FINANCIAL STATEMENTS (Continued)

35 RESERVES

The Group

The amounts of the Group's share premium and other reserves and the movements therein for the years ended 31 December 2023, 2024 and 2025 are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group mainly included the excess of the consideration received for subscription of the registered capital of the Company and the effect of implementation and unlocking of restricted shares. Details of the movement in capital reserve are set out in the consolidated statements of changes in equity of the Historical Financial Information.

(b) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 36 to the Historical Financial Information.

(c) Statutory reserve

In accordance with the Company Law of the PRC, companies registered in the PRC are 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's 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 companies. The statutory reserve is not available for dividend distribution to equity holders of the PRC companies.

NOTES TO FINANCIAL STATEMENTS (Continued)

35 RESERVES (continued)

The Company

The amounts of the Company's reserves and the movements therein for the years ended 31 December 2023, 2024 and 2025 are presented as follows:

	Capital reserve RMB'000	Share-based payment reserve RMB'000	Statutory reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2023	3,885,107	27,787	77,379	414,772	4,405,045
Total comprehensive income for the year	-	-	-	173,783	173,783
Vesting of restricted A shares	37,138	(14,540)	-	-	22,598
Share-based payment expenses	-	(1,807)	-	-	(1,807)
Appropriations to statutory reserve	-	-	17,378	(17,378)	-
Dividend declared	-	-	-	(245,768)	(245,768)
At 31 December 2023 and 1 January 2024	<u>3,922,245</u>	<u>11,440</u>	<u>94,757</u>	<u>325,409</u>	<u>4,353,851</u>
Total comprehensive income for the year	-	-	-	469,012	469,012
Cancellation of restricted A-shares	(4,231)	-	-	-	(4,231)
Share-based payment expenses	-	16,035	-	-	16,035
Appropriations to statutory reserve	-	-	9,788	(9,788)	-
Dividend declared	-	-	-	(366,474)	(366,474)
At 31 December 2024 and 1 January 2025	<u>3,918,014</u>	<u>27,475</u>	<u>104,545</u>	<u>418,159</u>	<u>4,468,193</u>
Total comprehensive income for the year	-	-	-	337,012	337,012
Cancellation of restricted A-shares	(5,300)	-	-	-	(5,300)
Reversal of repurchase obligation for restricted A-shares	-	-	-	-	-
Vesting of restricted A-shares	(21,283)	(20,811)	-	-	(42,094)
Share-based payment expenses	-	36,817	-	-	36,817
Dividend declared	-	-	-	(365,989)	(365,989)
At 31 December 2025	<u>3,891,431</u>	<u>43,481</u>	<u>104,545</u>	<u>389,182</u>	<u>4,428,639</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

36 SHARE-BASED PAYMENTS

2021 A-Share Stock Ownership Scheme

Pursuant to the A-Share incentive scheme for 2021 approved at the meeting of the board of directors on 29 December 2021(the “2021 A-Share Stock Ownership Scheme”), the Company granted 375,000 shares of Class I Restricted Shares and 2,025,000 shares of Class II Restricted Shares to certain eligible participants. After completion of the capitalization of capital reserve (see note 33(b)), the total number of granted shares increased by 720,000. The granted price was RMB43.57 per share. The vesting periods for shares granted are 12 months, 24 months and 36 months from the date of completion of registration of the granted shares. According to the Company’s performance appraisal and individual performance appraisal, 30%, 40% and 40% of shares will be vested respectively. Additionally, the recipients of the restricted shares are prohibited from transferring the vested restricted shares to any third party for a period of 6 months from the date the vesting conditions are met. During the Relevant Periods, 975,650, 1,192,100, and nil shares were forfeited. During the Relevant Periods, 897,000, nil, and nil shares were vested.

2024 A-Share Stock Ownership Scheme

Pursuant to the A-Share incentive scheme for 2024 approved at the meeting of the board of directors on 21 March 2024(the “2024 A-Share Stock Ownership Scheme”), the Company granted 6,333,000 shares of Class II Restricted Shares to certain eligible participants during the Relevant Periods. The granted price was RMB16.60 per share. The vesting periods for shares granted are 13 months, 25 months and 37 months from the date of completion of registration of the granted shares. According to the Company’s performance appraisal and individual performance appraisal, 30%, 35% and 35% of shares will be vested respectively. On 18 March 2025, the Company granted the remaining 300,000 reserved restricted shares. The granted price was RMB14.85 per share. The vesting periods for the shares granted are 15 months and 27 months from the date of completion of registration of the granted shares. According to the Company’s performance appraisal and individual performance appraisal, 50% and 50% of shares will be vested respectively. Additionally, the recipients of the restricted shares are prohibited from transferring the vested restricted shares to any third party for a period of 6 months from the date the vesting conditions are met. For the year ended 31 December 2024 and 2025, 129,000 and 186,400 shares were forfeited, and nil and 1,821,000 shares were vested.

The shares under the A-share stock ownership schemes outstanding were 4,496,600 as at the end of reporting period.

The fair value of the Class I awarded shares was calculated based on the market price of the Company’s shares at the respective grant date. The fair value of the Class II awarded shares was determined by using the Black-Scholes Model.

The total share-based payment expenses recognized in the statements of profit or loss and other comprehensive income for shares under the A-share stock ownership schemes are approximately negative RMB1,807,000, RMB16,035,000, and RMB31,700,000 for the Relevant Periods.

NOTES TO FINANCIAL STATEMENTS (Continued)

37 BUSINESS COMBINATION

During the year ended 31 December 2023, the Group completed the following business combinations. The fair values of the identifiable assets and liabilities of the subsidiaries as at the dates of acquisitions were as follows:

	Note	Beijing Haiyinrui Hearing Technology Co., Ltd. RMB'000 (i)	Changsha Nuoyake Medical Equipment Sales Co., Ltd. RMB'000 (ii)	Total RMB'000
Cash and cash equivalents		314	1,240	1,554
Other current assets		514	133	647
Other non-current assets		1,604	-	1,604
Other current liabilities		(1,855)	(43)	(1,898)
Other non-current liabilities		(411)	-	(411)
Total identifiable net assets at fair value		166	1,330	1,496
Non-controlling interests		(42)	-	(42)
Goodwill on acquisition	16	10,242	1,670	11,912
Total consideration		10,366	3,000	13,366
Satisfied by cash		10,366	3,000	13,366

- (i) On 1 August 2023, the Group acquired a 75% interest in Beijing Haiyinrui Hearing Technology Co., Ltd. from a third party with the consideration of RMB10,366,000. Beijing Haiyinrui Hearing Technology Co., Ltd. is engaged in hearing aid fitting and maintenance. The acquisition was made as part of the Group's strategy to enhance its hearing healthcare network and professional service capabilities.

The fair values of the trade receivables as at the date of acquisition amounted to RMB62,000. The gross contractual amounts of trade receivables were RMB62,000, of which trade receivables of nil are expected to be uncollectible.

NOTES TO FINANCIAL STATEMENTS (Continued)

37 BUSINESS COMBINATION (continued)

- (ii) On 1 December 2023, the Group acquired a 100% interest in Changsha Nuoyake Medical Equipment Sales Co., Ltd. from a third party with the consideration of RMB3,000,000. Changsha Nuoyake Medical Equipment Sales Co., Ltd. is engaged in the sale of medical devices. The acquisition was made as part of the Group's strategy to expand its market share.

The fair values of the trade receivables as at the date of acquisition amounted to RMB2,000. The gross contractual amounts of trade receivables were RMB2,000, of which trade receivables of nil are expected to be uncollectible.

During the year ended 31 December 2024, the Group completed the following business combinations. The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition were as follows:

	Note	Hunan Zeling Medical Equipment Co., Ltd. RMB'000 (i)	Shanghai Tianlaizhiyin Medical Instruments Co., Ltd. RMB'000 (ii)	Beijing Lingyun Technology Co., Ltd. RMB'000 (iii)	Inner Mongolia Lingyun Technology Co., Ltd. RMB'000 (iv)	Total RMB'000
Cash and cash equivalents		7,400	457	4,300	1,491	13,648
Other current assets		1,860	3,023	6,362	1,391	12,636
Other non-current assets		3,751	5,066	2,455	1,891	13,163
Other current liabilities		(5,110)	(5,305)	(5,993)	(3,616)	(20,024)
Other non-current liabilities		(1,959)	(2,372)	(1,126)	(596)	(6,053)
Total identifiable net assets at fair value		5,942	869	5,998	561	13,370
Non-controlling interests		-	(174)	(900)	(84)	(1,158)
Goodwill on acquisition	16	64,560	21,135	24,510	11,730	121,935
Total consideration		70,502	21,830	29,608	12,207	134,147
Satisfied by cash		70,502	21,830	29,608	12,207	134,147

NOTES TO FINANCIAL STATEMENTS (Continued)

37 BUSINESS COMBINATION (continued)

- (i) On 1 January 2024, the Group acquired a 100% interest in Hunan Zeling Medical Equipment Co., Ltd. from a third party with the consideration of RMB70,502,000. Hunan Zeling Medical Equipment Co., Ltd. is engaged in aid fitting, hearing rehabilitation services, and audiological testing. The acquisition was made as part of the Group's strategy to enhance its hearing healthcare network.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB363,000 and RMB266,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB382,000 and RMB280,000, respectively, of which trade receivables of RMB19,000 and other receivables of RMB14,000 are expected to be uncollectible.

- (ii) On 1 February 2024, the Group acquired an 80% interest in Shanghai Tianlaizhiyin Medical Instruments Co., Ltd. from a third party with the consideration of RMB21,830,000. Shanghai Tianlaizhiyin Medical Instruments Co., Ltd. is engaged in aid fitting, hearing rehabilitation services, and audiological testing. The acquisition was made as part of the Group's strategy to expand its hearing healthcare network.

The fair values of the other receivables as at the date of acquisition amounted to RMB310,000. The gross contractual amounts of other receivables were RMB326,000, of which other receivables of RMB16,000 are expected to be uncollectible.

- (iii) On 1 June 2024, the Group acquired an 85% interest in Beijing Lingyun Technology Co., Ltd. from a third party with the consideration of RMB29,608,000. Beijing Lingyun Technology Co., Ltd. is engaged in the sale of medical devices. The acquisition was made as part of the Group's strategy to expand its hearing healthcare network.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB2,975,000 and RMB1,284,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB3,054,000 and RMB1,295,000, respectively, of which trade receivables of RMB79,000 and other receivables of RMB11,000 are expected to be uncollectible.

- (iv) On 1 June 2024, the Group acquired an 85% interest in Inner Mongolia Lingyun Technology Co., Ltd. from a third party with the consideration of RMB12,207,000. Inner Mongolia Lingyun Technology Co., Ltd. is engaged in the sale of medical devices. The acquisition was made as part of the Group's strategy to the Group's strategy to expand its hearing healthcare network.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB23,000 and RMB702,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB24,000 and RMB707,000, respectively, of which trade receivables of RMB1,000 and other receivables of RMB5,000 are expected to be uncollectible.

NOTES TO FINANCIAL STATEMENTS (Continued)

37 BUSINESS COMBINATION (continued)

During the year ended 31 December 2025, the Group completed the following business combinations. The fair values of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition were as follows:

	Note	Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. RMB'000 (i)	Humana Medical Limited. RMB'000 (ii)	Total RMB'000
Cash and cash equivalents		63,629	35,941	99,570
Other current assets		73,567	89,274	162,841
Other non-current assets		67,084	108,681	175,765
Other current liabilities		(38,478)	(30,069)	(68,547)
Other non-current liabilities		(16,140)	(21,937)	(38,077)
Total identifiable net assets at fair value		149,662	181,890	331,552
Non-controlling interests		(8,457)	(22,556)	(31,013)
Goodwill on acquisition	16	3,617	953	4,570
Total Consideration		144,822	160,287	305,109
Satisfied by cash		144,822	160,287	305,109

- (i) On 1 January 2025, the Group acquired an 94% interest in Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. from a third party with the consideration of RMB144,822,000. Shanghai Huazhou Pressure Sensitive Adhesive Products Co., Ltd. is engaged in the manufacture and sale of rubber products. The acquisition was made as part of the Group's strategy to enhance its healthcare network and professional service capabilities.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB42,167,000 and RMB697,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB44,387,000 and RMB734,000, respectively, of which trade receivables of RMB2,220,000 and other receivables of RMB37,000 are expected to be uncollectible.

- (ii) On 30 June 2025, the Group acquired an 87.6% interest in Humana Medical Limited from a third party with the consideration of RMB160,287,000. Humana Medical Limited is engaged in manufacturing and sales of rubber products. The acquisition was made as part of the Group's strategy to enhance its healthcare network and professional service capabilities.

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB22,804,000 and RMB6,549,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB24,004,000 and RMB9,236,000, respectively, of which trade receivables of RMB1,200,000 and other receivables of RMB2,687,000 are expected to be uncollectible.

NOTES TO FINANCIAL STATEMENTS (Continued)

37 BUSINESS COMBINATION (continued)

The analysis of the cash flows in respect of the acquisition of the subsidiaries during the years ended 31 December 2023, 2024 and 2025 is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total acquisition consideration	13,366	134,147	305,109
Less: Cash and bank balances acquired	1,554	13,648	99,570
Outstanding and included in other payables	-	-	-
Cash paid in the current year for acquisition of subsidiaries in prior years	675	6,349	-
Cash prepaid in the prior year for acquisition of subsidiaries	-	(65,000)	(72,411)
Net cash paid in respect of the business combinations	12,487	61,848	133,128

Since the acquisition, the above 2 subsidiaries acquired in 2023 contributed RMB2,500,000 to the Group's revenue and RMB132,000 to the consolidated profit for the year ended 31 December 2023. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2023 would have been RMB 2,836,663,000 and RMB253,998,000, respectively.

Since the acquisition, the above 4 subsidiaries acquired in 2024 contributed RMB 49,677,000 to the Group's revenue and RMB12,412,000 to the consolidated profit for the year ended 31 December 2024. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2024 would have been RMB2,982,650,000 and RMB317,646,000, respectively.

NOTES TO FINANCIAL STATEMENTS (Continued)

37 BUSINESS COMBINATION (continued)

Since the acquisition, the above 2 subsidiaries acquired in 2025 contributed RMB 262,350,000 to the Group's revenue and RMB 11,273,000 to the consolidated profit for the year ended 31 December 2025. Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year ended 31 December 2025 would have been RMB 3,484,551,000 and RMB 344,764,000 , respectively.

38 DISPOSAL OF SUBSIDIARIES

	As at 31 December 2023 RMB'000	As at 31 December 2025 RMB'000
Net assets disposed of:		
Cash and cash equivalents	365	3,138
Other current assets	4,763	510
Other non-current assets	19,250	392
Other current liabilities	(5,590)	(3,384)
Other non-current liabilities	(3,332)	-
Subtotal	15,456	656
Gain on disposal of subsidiaries	4,424	9,344
Total consideration	<u>19,880</u>	<u>10,000</u>
Satisfied by:		
Cash	<u>19,880</u>	<u>10,000</u>

- (i) On 31 December 2023, the Group disposed of Shenzhen Cofoe Biotechnology Co., Ltd to Shenzhen Enmind Technology Co., Ltd. with the consideration of RMB19,880,000.
- (ii) On 24 January 2025, the Group disposed of Hunan Zongmou Network Technology Co., Ltd. to Hangzhou Knowledge Matrix Information Technology Co., Ltd. with the consideration of RMB10,000,000.

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of subsidiaries is as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2025 RMB'000
Cash consideration	19,880	10,000
Cash and bank balances disposed of	<u>(365)</u>	<u>(3,138)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>19,515</u>	<u>6,862</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

39 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 RMB86,556,000, RMB34,349,000 and RMB55,917,000, respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Other payables- restricted stock repurchase obligation RMB'000
On 1 January 2023	324,775	136,241	-	15,739
Changes from financing cash flow	180,241	(60,325)	(245,768)	23,348
Vesting of restricted A-shares	-	-	-	(27,894)
Dividends declared	-	-	245,768	(585)
Decrease resulted from non- cash changes	(5,173)	-	-	-
New leases	-	86,556	-	-
Additions as a result of acquisition of subsidiaries	-	633	-	-
Reassessment	-	(9,314)	-	-
Disposals	-	(21,553)	-	-
Disposals of subsidiaries	-	(4,811)	-	-
Accretion of interest recognized during the year	8,684	4,819	-	-
On 31 December 2023 and 1 January 2024	<u>508,527</u>	<u>132,246</u>	<u>-</u>	<u>10,608</u>
Changes from financing cash flow	271,360	(56,559)	(366,474)	(4,377)
Dividends declared	-	-	366,474	(527)
Decrease resulted from non- cash changes	(4,878)	-	-	-
New leases	-	34,349	-	-
Additions as a result of acquisition of subsidiaries	-	11,266	-	-
Reassessment	-	475	-	-
Disposals	-	(11,301)	-	-
Accretion of interest recognized during the year	12,786	5,126	-	-
On 31 December 2024	<u>787,795</u>	<u>115,602</u>	<u>-</u>	<u>5,704</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

39 NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

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

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Dividends payable RMB'000	Other payables- restricted stock repurchase obligation RMB'000
On 1 January 2025	787,795	115,602	-	5,704
Changes from financing cash flow	(99,036)	(71,021)	(365,989)	(5,495)
Dividends declared	-	-	365,989	(234)
New leases	-	55,917	-	-
Additions as a result of acquisition of subsidiaries	-	40,404	-	-
Disposals	-	(19,187)	-	-
Exchange realignment	-	(360)	-	-
Accretion of interest recognized during the year	11,071	4,995	-	-
Others	-	-	-	25
On 31 December 2025	699,830	126,350	-	-

(c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statements of cash flows are as follows:

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Within operating activities	3,866	5,003	5,619
Within financing activities	60,325	56,559	71,021
Total	64,191	61,562	76,640

NOTES TO FINANCIAL STATEMENTS (Continued)

40 COMMITMENTS

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Contracted, but not provided for Property, plant and equipment	51,270	300,983	203,671

41 CONTINGENT LIABILITIES

As at the end of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

42 PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank facilities are included in note 25 and note 29 to the Historical Financial Information.

43 RELATED PARTY TRANSACTIONS

(a) Name and relationship of a related party

Name of related party	Relationship with the Group
Hunan Guoke Zhitong Technology Co., Ltd.	Associate
Changsha Wanwu Xilian Health Technology Co., Ltd.	Associate
Shenzhen Enmind Technology Co., Ltd.	Associate
Shenzhen Cofoe Biotechnology Co., Ltd.	Associate
Hunan Cangtianxia Health Technology Co., Ltd.	Associate
Hunan Kefeng Supply Chain Co., Ltd.	Associate
Shenzhen Rongxin Medical Technology Co., Ltd.	Associate
Changsha Keyuan Tongchuang Enterprise Management Center (Limited Partnership)	Shareholder of the company
Hunan Chumo Cang Technology Co., Ltd.	Entity controlled by close relatives of Mr. Zhang Min
Nantong Chuyuncang New Energy Technology Co., Ltd.	Entity controlled by close relatives of Mr. Zhang Min
Yiyang Kangfu Commercial Management Co., Ltd.	Other enterprise controlled by an entity of the same parent company
Hunan Zongmou Network Technology Co., Ltd*	A subsidiary disposed of in 2025

* As the outstanding balances as at 31 December 2025 comprise of amounts related to the transactions when the entity were related, the corresponding outstanding balances are disclosed in related parties disclosures.

NOTES TO FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS (continued)

(b) Transaction with related parties

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
<u>Sales of goods or services</u>			
Associates	-	107	62
<u>Purchase of goods or services</u>			
Associates	320	-	1,163
Entity controlled by close relatives of Mr. Zhang Min	-	1,633	3,100
Other enterprise controlled by an entity of the same parent company	-	-	36
Total	320	1,633	4,299

Transaction with the related party was carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Other transactions with related parties

On 31 December 2023, the Group disposed of a subsidiary, Shenzhen Cofoe Biotechnology Co., Ltd to Shenzhen Enmind Technology Co., Ltd. with the consideration of RMB19,880,000, based on an internal valuation of the business performed by the directors of the Company. Further details of the transaction are included in note 38 to the Historical Financial Information.

NOTES TO FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY TRANSACTIONS (continued)

(d) Outstanding balances with related parties

The Group

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
<u>Due from related parties</u>			
Associates	6,452	5,059	4,165
A subsidiary disposed of in 2025	-	-	90
Entity controlled by close relatives of Mr. Zhang Min	-	-	74
Other enterprise controlled by an entity of the same parent company	-	-	5
Total	<u>6,452</u>	<u>5,059</u>	<u>4,334</u>
<u>Due to related parties</u>			
Associates	-	-	1,814
Entity controlled by close relatives of Mr. Zhang Min	-	-	232
A subsidiary disposed of in 2025	-	-	35
Total	<u>-</u>	<u>-</u>	<u>2,081</u>

The outstanding balances with related parties are all trade in nature.

(e) Compensation of key management personnel of the Group

	Year ended 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Fees			
Salaries, allowances and benefits in kind	6,219	7,763	7,943
Performance related bonuses	2,001	2,000	1,944
Pension scheme contributions	75	79	76
Share-based payments	<u>(1,542)</u>	<u>1,624</u>	<u>4,662</u>
Total compensation paid to key management personnel	<u>6,753</u>	<u>11,466</u>	<u>14,625</u>

Further details of directors' and supervisors' emoluments are included in note 8 to the Historical Financial Information.

NOTES TO FINANCIAL STATEMENTS (Continued)

44 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 were as follows:

The GroupFinancial assets

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial assets at fair value through profit or loss	851,298	1,357,421	1,022,791
Financial assets at fair value through other comprehensive income			
Bills receivables	11,271	27,781	25,043
Financial assets at amortized cost:			
Trade and bills receivables	474,729	374,058	426,948
Due from related parties	3,193	1,800	5
Financial assets included in prepayments and other receivables	52,063	42,043	49,044
Cash and bank balances	1,469,625	1,179,004	1,345,657
Restricted cash	99,801	99,676	76,042
Total	2,961,980	3,081,783	2,945,530

Financial liabilities

	As at 31 December		
	2023 RMB'000	2024 RMB'000	2025 RMB'000
Financial liabilities at amortized cost:			
Trade and bills payables	391,206	391,391	568,033
Due to related parties	-	-	2,081
Financial liabilities included in other payables and accruals	145,121	141,895	149,701
Interest-bearing bank and other borrowings	508,527	787,795	699,830
Lease liabilities	132,246	115,602	126,350
Other non-current liabilities	6,732	-	-
Total	1,183,832	1,436,683	1,545,995

NOTES TO FINANCIAL STATEMENTS (Continued)

45 TRANSFERS OF FINANCIAL ASSETS

Transferred bills receivable that are derecognized in their entirety

The Group endorsed certain bills receivable accepted by banks (the “Derecognized Bills”) to certain of its suppliers in order to settle the trade payables due to such suppliers with carrying amounts in aggregate of RMB45,520,000, RMB64,201,000 and RMB58,199,000 as at 31 December 2023, 2024 and 2025, respectively. Some bills receivable accepted by banks (the “Discounted Bills”) were discounted with carrying amounts of RMB5,500,000 on 31 December 2023, respectively. The Derecognized Bills with maturities ranging from 1 to 6 months are considered to have very low credit risk. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills may exercise the right of recourse against any, several or all the persons liable for the Derecognized Bills regardless including the Group of the order of precedence (the “Continuing Involvement”). In the opinion of the management, the Group has transferred substantially all the risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills and the associated trade payables. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of management, the fair values of the Group’s Continuing Involvement in the Derecognized Bills are not significant. No gains or losses were recognized from the Continuing Involvement during the Relevant Periods.

Transferred bills receivable that are not derecognized in their entirety

The Group endorsed bills receivable with carrying amounts of RMB666,000, RMB58,000 and RMB10,200,000 (the “Endorsed Bills”) to some suppliers to settle accounts payable, due to such suppliers as at 31 December 2023, 2024 and 2025, respectively. In the opinion of the management, the Group retains significant risks and rewards, including the risk of default associated with the Endorsed Bills and Discounted Bills, and therefore the Group continues to recognize the full carrying amounts of the Endorsed Bills, Discounted Bills, related trade payables and short-term borrowings.

46 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities and current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments. The non-current portion of interest-bearing bank and other borrowings approximates to their carrying amounts mainly due to the floating interest rate.

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 chief financial officer. At each reporting date, the finance department analyzes 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 chief financial officer.

NOTES TO FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 Group invests in financial assets at fair value through profit or loss, which represent structured deposit products issued by banks. The fair values are based on cash flows discounted using the expected yield rate.

The Group has bills receivable measured at fair value through other comprehensive income. The Group has estimated the fair value of these bills receivable by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

Below is a summary of significant unobservable inputs to the valuation of financial instruments which are measured at fair value as at the end of each of the Relevant Periods:

Financial assets	Fair value hierarchy	Mainly valuation techniques	Significant unobservable inputs	Sensitivity of fair value to the input
Investments in unlisted funds at fair value	Level 3	Net asset value of underlying investments value	N/A	N/A
Unlisted equity investments at fair value	Level 3	Market approach	Discounts for lack of marketability ("DLOM")	5% increase/decrease in probability would result in increase/decrease in fair value by RMB173,000, RMB2,147,000 and RMB9,183,000 at the end of each of the Relevant Periods

NOTES TO FINANCIAL STATEMENTS (Continued)

46 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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 2023

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	834,064	17,234	851,298
Trade and bills receivables	-	11,271	-	11,271
Total	-	845,335	17,234	862,569

As at 31 December 2024

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	-	1,286,031	71,390	1,357,421
Trade and bills receivables	-	27,781	-	27,781
Total	-	1,313,812	71,390	1,385,202

As at 31 December 2025

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	2,192	802,063	218,536	1,022,791
Trade and bills receivables	-	25,043	-	25,043
Total	2,192	827,106	218,536	1,047,834

NOTES TO FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, financial assets at fair value through profit or loss and cash and bank balances. 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 and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees to policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. In addition, the Group has currency exposures from its cash and cash equivalent. The management of the Company considers the Group's exposure to foreign currency risk to be insignificant.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

If the interest rate of bank borrowings had increased/decreased by 100 basis points and all other variables were held constant, the profit after tax of the Group, through the impact on floating rate borrowings, would have increased/decreased by approximately RMB1,192,000, RMB2,872,000 and RMB2,073,000 for the years ended 31 December 2023, 2024 and 2025, respectively.

Credit risk

The Group trades only with recognized 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 addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval.

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 the end of each of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

NOTES TO FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables	-	-	-	527,685	527,685
Due from related parties	3,361	-	-	-	3,361
Financial assets included in prepayments, other receivables and other assets					
- Normal**	57,241	-	-	-	57,241
- Doubtful**	-	1,084	30	-	1,114
Restricted cash*					
- Not yet past due	99,801	-	-	-	99,801
Cash and bank balances					
- Not yet past due	1,469,625	-	-	-	1,469,625
Total	1,630,028	1,084	30	527,685	2,158,827

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables	-	-	-	448,700	448,700
Due from related parties	2,000	-	-	-	2,000
Financial assets included in prepayments, other receivables and other assets					
- Normal**	43,844	-	-	-	43,844
- Doubtful**	-	3,436	30	-	3,466
Restricted cash*					
- Not yet past due	99,676	-	-	-	99,676
Cash and bank balances					
- Not yet past due	1,179,004	-	-	-	1,179,004
Total	1,324,524	3,436	30	448,700	1,776,690

NOTES TO FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables	-	-	-	500,592	500,592
Due from related parties	5	-	-	-	5
Financial assets included in prepayments, other receivables and other assets					
- Normal**	49,681	-	-	-	49,681
- Doubtful**	-	2,299	30	-	2,329
Restricted cash*					
- Not yet past due	76,042	-	-	-	76,042
Cash and bank balances					
- Not yet past due	1,345,657	-	-	-	1,345,657
Total	<u>1,471,385</u>	<u>2,299</u>	<u>30</u>	<u>500,592</u>	<u>1,974,306</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 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”.

Further quantitative data in respect of the Group’s exposure to credit risk arising from trade receivables are disclosed in note 22 to the Historical Financial Information.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, lease liabilities and other interest-bearing loans.

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:

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2023						
Trade and bills payables	391,206	-	-	-	-	391,206
Interest-bearing bank and other borrowings	418,744	94,221	-	-	-	512,965
Lease liabilities	59,979	33,430	19,905	20,558	10,180	144,052
Financial liabilities included in other payables	145,121	-	-	-	-	145,121
Other non-current liabilities	-	6,732	-	-	-	6,732
Total	<u>1,015,050</u>	<u>134,383</u>	<u>19,905</u>	<u>20,558</u>	<u>10,180</u>	<u>1,200,076</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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: (continued)

	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2024						
Trade and bills payables	391,391	-	-	-	-	391,391
Interest-bearing bank and other borrowings	667,212	125,521	-	-	-	792,733
Lease liabilities	58,023	30,462	16,630	12,706	6,315	124,136
Financial liabilities included in other payables	141,895	-	-	-	-	141,895
Total	<u>1,258,521</u>	<u>155,983</u>	<u>16,630</u>	<u>12,706</u>	<u>6,315</u>	<u>1,450,155</u>
	On demand or less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Between 3 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2025						
Trade and bills payables	568,033	-	-	-	-	568,033
Interest-bearing bank and other borrowings	700,530	-	-	-	-	700,530
Lease liabilities	61,183	37,973	17,179	11,852	4,307	132,494
Financial liabilities included in other payables	149,468	-	-	-	-	149,468
Due to related parties	2,081	-	-	-	-	2,081
Total	<u>1,481,295</u>	<u>37,973</u>	<u>17,179</u>	<u>11,852</u>	<u>4,307</u>	<u>1,552,606</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

47 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize 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.

	As at 31 December		
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total liabilities	1,335,997	1,620,317	1,726,027
Total assets	6,244,191	6,422,667	6,628,916
Gearing ratio	21%	25%	26%

48 EVENTS AFTER THE RELEVANT PERIODS

The Proposal of "2025 Annual Dividend Plan" was approved in the 2nd meeting of the third session of director's meeting. It was agreed that the Company will distribute cash dividends amounting to RMB246,022,000. Based on the total share capital of 208,897,000 shares, excluding 3,878,731 shares held in the repurchase account, the effective share base is 205,018,269 shares. A cash dividend of RMB12.0 (tax inclusive) per 10 shares will be distributed to all shareholders. Such proposed final dividend is subject to the approval of the Company's shareholders at the annual general meeting.

49 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 2025.

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 April 2026.