

**APPENDIX I**

**ACCOUNTANT’S REPORT**

*The following is the text of a report set out on pages [I-[1] to I-[3]], received from the Company’s reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants’ Reports on Historical Financial Information in Investment Circulars, issued by the Hong Kong Institute of Certified Public Accountants.*

*[Letterhead of PricewaterhouseCoopers]*

**[DRAFT]**

**ACCOUNTANT’S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHULAN HEALTH MANAGEMENT CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED**

**Introduction**

We report on the historical financial information of Shulan Health Management Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-[4] to I-[105]], which comprises the consolidated balance sheets as at December 31, 2021, 2022 and 2023, the balance sheets of the Company as at December 31, 2021, 2022 and 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2021, 2022 and 2023 (the “Track Record Period”) and a summary of material accounting policy information and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-[4] to I-[105]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “Document”) in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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**Reporting accountant’s responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at December 31, 2021, 2022 and 2023 and the consolidated financial position of the Group as at December 31, 2021, 2022 and 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation sets out in Note 2.1 to the Historical Financial Information.

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**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “LISTING RULES”) AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-[●]] have been made.

**Dividends**

We refer to Note 29 to the Historical Financial Information which states that no dividends have been paid by Shulan Health Management Co., Ltd. in respect of the Track Record Period.

**[PricewaterhouseCoopers]**

*Certified Public Accountants*

Hong Kong

**[REDACTED]**

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**I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP**

**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant’s report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IAASB”) (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all value are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

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**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	<i>Note</i>	<b>Year ended December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue	6	1,547,789	1,777,626	1,884,404
Cost of revenue	9	(1,292,542)	(1,509,599)	(1,594,777)
<b>Gross profit</b>		255,247	268,027	289,627
Selling and marketing expenses	9	(26,973)	(26,577)	(26,947)
General and administrative expenses	9	(155,959)	(180,105)	(211,542)
Research and development expenses	9	(19,262)	(16,151)	(15,049)
Provision for impairment losses on financial assets	4.1(b)	(11,534)	(7,627)	(9,355)
Other income	7	20,045	22,230	105,567
Other expense	7	(4,169)	(4,615)	(4,127)
Other gains, net	8	1,497	3,205	4,164
<b>Operating profit</b>		58,892	58,387	132,338
Finance income	11	3,120	2,278	2,153
Finance costs	11	(129,734)	(156,258)	(124,969)
Finance costs, net		(126,614)	(153,980)	(122,816)
Share of losses of investments accounted for using the equity method	17	(5,423)	(3,534)	(2,145)
<b>(Loss)/profit before income tax</b>		(73,145)	(99,127)	7,377
Income tax expense	12	(9,144)	(11,754)	(24,629)
<b>Loss for the year</b>		<u>(82,289)</u>	<u>(110,881)</u>	<u>(17,252)</u>

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	<i>Note</i>	<b>Year ended December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Loss for the year</b>		(82,289)	(110,881)	(17,252)
<b>Other comprehensive income/(loss) for the year</b>				
<i>Items that will not be reclassified to profit or loss</i>				
– Fair value gains/(losses) on financial assets at fair value through other comprehensive income		<u>2,826</u>	<u>(471)</u>	<u>(2,220)</u>
<b>Total comprehensive loss for the year</b>		<u>(79,463)</u>	<u>(111,352)</u>	<u>(19,472)</u>
<b>Loss for the year attributable to:</b>				
– Owners of the Company		<u>(81,131)</u>	<u>(110,620)</u>	<u>(30,732)</u>
– Non-controlling interests		<u>(1,158)</u>	<u>(261)</u>	<u>13,480</u>
		<u>(82,289)</u>	<u>(110,881)</u>	<u>(17,252)</u>
<b>Total comprehensive loss for the year attributable to:</b>				
– Owners of the Company		<u>(78,305)</u>	<u>(111,091)</u>	<u>(32,952)</u>
– Non-controlling interests		<u>(1,158)</u>	<u>(261)</u>	<u>13,480</u>
		<u>(79,463)</u>	<u>(111,352)</u>	<u>(19,472)</u>
<b>Losses per share attributable to owners of the Company (expressed in RMB per share):</b>				
– Basic and diluted	<i>13</i>	<u>(0.23)</u>	<u>(0.31)</u>	<u>(0.09)</u>

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**CONSOLIDATED BALANCE SHEETS**

	<i>Note</i>	<b>As at December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	1,496,748	1,810,230	2,083,788
Right-of-use assets	15(a)	879,599	873,340	834,145
Intangible assets	16	16,279	23,548	22,237
Deferred income tax assets	34	13,776	37,663	51,460
Investments accounted for using the equity method	17	12,019	8,485	10,340
Financial assets at fair value through other comprehensive income	23	8,764	8,293	6,073
Prepayments, deposits and other receivables	19	9,460	11,211	21,006
<b>Total non-current assets</b>		<u>2,436,645</u>	<u>2,772,770</u>	<u>3,029,049</u>
<b>Current assets</b>				
Inventories	20	70,590	101,938	93,609
Trade and notes receivables	18	286,556	437,051	416,291
Prepayments, deposits and other receivables	19	18,767	30,895	45,926
Tax prepayments		21,833	18,811	16,249
Financial assets at fair value through profit or loss	24	7,210	3,556	5,024
Cash and cash equivalents	21	389,112	222,429	230,520
Restricted cash	21	1,770	1,775	5,298
<b>Total current assets</b>		<u>795,838</u>	<u>816,455</u>	<u>812,917</u>
<b>Total assets</b>		<u><u>3,232,483</u></u>	<u><u>3,589,225</u></u>	<u><u>3,841,966</u></u>
<b>Equity attributable to owners of the Company</b>				
Share capital	25(a)	370,847	370,847	370,847
Shares held for restricted share schemes	25(b)	(11,078)	(11,078)	(11,078)
Reserves	26	(200,105)	(184,945)	1,170,206
Accumulated losses		<u>(186,365)</u>	<u>(307,740)</u>	<u>(340,465)</u>
<b>Subtotal</b>		<u>(26,701)</u>	<u>(132,916)</u>	<u>1,189,510</u>
Non-controlling interests		<u>33,020</u>	<u>31,534</u>	<u>45,157</u>
<b>Total equity/(deficits)</b>		<u><u>6,319</u></u>	<u><u>(101,382)</u></u>	<u><u>1,234,667</u></u>

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	<i>Note</i>	<b>As at December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	28	554,000	688,385	880,963
Lease liabilities	15(b)	448,896	460,726	438,452
Other payables	31	140,000	140,000	60,000
Deferred income tax liabilities	34	3,390	2,741	4,585
Deferred income	33	27,814	36,348	37,103
Redemption liabilities	32	1,158,393	1,269,729	–
<b>Total non-current liabilities</b>		<u>2,332,493</u>	<u>2,597,929</u>	<u>1,421,103</u>
<b>Current liabilities</b>				
Borrowings	28	222,000	240,538	294,621
Trade payables	30	200,844	295,269	296,872
Accruals and other payables	31	416,381	489,791	528,905
Contract liabilities	6	8,180	14,486	7,257
Lease liabilities	15(b)	26,740	26,326	27,660
Dividend payable	29	–	875	175
Current income tax liabilities		10,047	14,111	10,455
Deferred income	33	9,479	11,282	20,251
<b>Total current liabilities</b>		<u>893,671</u>	<u>1,092,678</u>	<u>1,186,196</u>
<b>Total liabilities</b>		<u><u>3,226,164</u></u>	<u><u>3,690,607</u></u>	<u><u>2,607,299</u></u>
<b>Total equity/(deficits) and liabilities</b>		<u><u>3,232,483</u></u>	<u><u>3,589,225</u></u>	<u><u>3,841,966</u></u>
<b>Net current liabilities</b>		<u><u>(97,833)</u></u>	<u><u>(276,223)</u></u>	<u><u>(373,279)</u></u>
<b>Total assets less current liabilities</b>		<u><u>2,338,812</u></u>	<u><u>2,496,547</u></u>	<u><u>2,655,770</u></u>



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**BALANCE SHEETS OF THE COMPANY**

	<i>Note</i>	<b>As at December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	14	3,188	2,300	1,384
Right-of-use assets	15(a)	7,841	5,627	3,440
Intangible assets	16	3,614	3,849	3,242
Deferred income tax assets	34	1,697	2,492	5,490
Investments in subsidiaries	39	694,832	697,750	787,371
Investments accounted for using the equity method	17	2,601	1,077	4,402
Financial assets at fair value through other comprehensive income	23	8,764	8,293	6,073
Prepayments, deposits and other receivables	19	719	1,099	983
<b>Total non-current assets</b>		<u>723,256</u>	<u>722,487</u>	<u>812,385</u>
<b>Current assets</b>				
Trade and notes receivables	18	22,123	54,418	71,222
Amounts due from subsidiaries	38	472,366	555,854	440,134
Prepayments, deposits and other receivables	19	4,115	4,758	24,057
Tax prepayments		420	–	1,293
Cash and cash equivalents	21	150,939	21,928	33,678
<b>Total current assets</b>		<u>649,963</u>	<u>636,958</u>	<u>570,384</u>
<b>Total assets</b>		<u><u>1,373,219</u></u>	<u><u>1,359,445</u></u>	<u><u>1,382,769</u></u>
<b>EQUITY</b>				
Share capital	25(a)	370,847	370,847	370,847
Shares held for restricted share schemes	25(b)	(11,078)	(11,078)	(11,078)
Reserves	26	(132,133)	(127,728)	1,225,430
Accumulated losses		<u>(292,123)</u>	<u>(395,585)</u>	<u>(488,931)</u>
<b>Total (deficits)/equity</b>		<u><u>(64,487)</u></u>	<u><u>(163,544)</u></u>	<u><u>1,096,268</u></u>

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	<i>Note</i>	<b>As at December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>LIABILITIES</b>				
<b>Non-current liability</b>				
Lease liabilities	15(b)	5,890	3,449	979
Redemption liabilities	32	1,158,393	1,269,729	–
Borrowings	28	–	–	9,850
<b>Total non-current liabilities</b>		<u>1,164,283</u>	<u>1,273,178</u>	<u>10,829</u>
<b>Current liabilities</b>				
Borrowings	28	35,000	45,000	70,100
Trade payables	30	2,106	3,250	2,884
Amounts due to subsidiaries	38	218,342	181,943	170,788
Accruals and other payables	31	13,855	13,679	27,837
Contract liabilities	6	1,769	197	1,590
Lease liabilities	15(b)	2,351	2,441	2,473
Current income tax liabilities		–	3,301	–
<b>Total current liabilities</b>		<u>273,423</u>	<u>249,811</u>	<u>275,672</u>
<b>Total liabilities</b>		<u>1,437,706</u>	<u>1,522,989</u>	<u>286,501</u>
<b>Total (deficits)/equity and liabilities</b>		<u>1,373,219</u>	<u>1,359,445</u>	<u>1,382,769</u>
<b>Net current assets</b>		<u>376,540</u>	<u>387,147</u>	<u>294,712</u>
<b>Total assets less current liabilities</b>		<u>1,099,796</u>	<u>1,109,634</u>	<u>1,107,097</u>

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**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to owners of the Company							
	<i>Note</i>	Share capital (Note 25) RMB'000	Shares held for restricted schemes (Note 25) RMB'000	Reserves (Note 26) RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
<b>Balance at January 1, 2021</b>		361,576	(11,078)	(202,881)	(97,868)	49,749	31,486	81,235
<b>Comprehensive income</b>								
Loss for the year		-	-	-	(81,131)	(81,131)	(1,158)	(82,289)
Other comprehensive income		-	-	2,826	-	2,826	-	2,826
<b>Transactions with owners of the Company:</b>								
Capital contribution from non-controlling interests		-	-	4,951	-	4,951	2,692	7,643
Issuance of ordinary shares	25	9,271	-	190,729	-	200,000	-	200,000
Recognition of financial instruments issued to equity owners as redemption liabilities		-	-	(210,567)	-	(210,567)	-	(210,567)
Step-acquisition from an associate to a subsidiary	17	-	-	2,889	-	2,889	*	2,889
Statutory reserves	26	-	-	7,366	(7,366)	-	-	-
Share-based compensation	27	-	-	4,582	-	4,582	-	4,582
<b>Balance at December 31, 2021</b>		<u>370,847</u>	<u>(11,078)</u>	<u>(200,105)</u>	<u>(186,365)</u>	<u>(26,701)</u>	<u>33,020</u>	<u>6,319</u>

\* The amount is less than RMB1,000.

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Attributable to owners of the Company							
	Share capital	Shares held for restricted schemes	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity/ (deficits)
Note	(Note 25)	(Note 25)	(Note 26)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2022</b>	370,847	(11,078)	(200,105)	(186,365)	(26,701)	33,020	6,319
<b>Comprehensive income</b>							
Loss for the year	-	-	-	(110,620)	(110,620)	(261)	(110,881)
Other comprehensive loss	-	-	(471)	-	(471)	-	(471)
<b>Transactions with owners of the Company:</b>							
Dividend declared to non-controlling shareholders of a subsidiary	-	-	-	-	-	(1,225)	(1,225)
Statutory reserves	26	-	10,755	(10,755)	-	-	-
Share-based compensation	27	-	4,876	-	4,876	-	4,876
<b>Balance at December 31, 2022</b>	<u>370,847</u>	<u>(11,078)</u>	<u>(184,945)</u>	<u>(307,740)</u>	<u>(132,916)</u>	<u>31,534</u>	<u>(101,382)</u>

Attributable to owners of the Company							
	Share capital	Shares held for restricted schemes	Reserves	Accumulated losses	Total	Non-controlling interests	Total equity/ (deficits)
Note	(Note 25)	(Note 25)	(Note 26)				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at January 1, 2023</b>	370,847	(11,078)	(184,945)	(307,740)	(132,916)	31,534	(101,382)
<b>Comprehensive income</b>							
Loss for the year	-	-	-	(30,732)	(30,732)	13,480	(17,252)
Other comprehensive loss	-	-	(2,220)	-	(2,220)	-	(2,220)
<b>Transactions with owners of the Company:</b>							
Derecognition of redemption liabilities	32	-	1,349,530	-	1,349,530	-	1,349,530
Disposal of a subsidiary to an associate	17	-	-	-	-	143	143
Statutory reserves	26	-	1,974	(1,974)	-	-	-
Share-based compensation	27	-	5,848	-	5,848	-	5,848
<b>Balance at December 31, 2023</b>	<u>370,847</u>	<u>(11,078)</u>	<u>1,170,187</u>	<u>(340,446)</u>	<u>1,189,510</u>	<u>45,157</u>	<u>1,234,667</u>

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<i>Note</i>	<b>Year ended December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Cash flows from operating activities</b>				
Cash generated from operations	35(a)	67,032	138,853	223,891
Interest received		3,120	2,278	2,153
Income tax paid		(24,684)	(27,913)	(37,878)
<b>Net cash generated from operating activities</b>		<u>45,468</u>	<u>113,218</u>	<u>188,166</u>
<b>Cash flows from investing activities</b>				
Step-acquisition from an associate to a subsidiary, net of cash acquired	17	(85,137)	–	–
Purchase of and prepayments for property, plant and equipment, intangible assets and other non-current assets		(204,108)	(370,052)	(391,563)
Purchase of financial assets at fair value through profit or loss	4.3(b)	(647,800)	(127,600)	(14,100)
Proceeds from disposal of financial assets at fair value through profit or loss	4.3(b)	890,995	131,492	12,741
Proceeds from disposal of property, plant and equipment and intangible assets		106	888	814
Loans granted to related parties	37(b)	(254,799)	–	–
Proceeds from government grants		–	9,352	1,993
Cash outflow from disposal of a subsidiary to an associate		–	–	(4,312)
Repayment of loans granted to related parties	37(b)	1,558	–	–
Repayment of loans granted to third parties		2,942	–	–
<b>Net cash used in investing activities</b>		<u>(296,243)</u>	<u>(355,920)</u>	<u>(394,427)</u>

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	<i>Note</i>	<b>Year ended December 31,</b>		
		<b>2021</b>	<b>2022</b>	<b>2023</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Cash flows from financing activities</b>				
Principal elements and interest elements				
of lease payments	35(c)	(50,326)	(49,779)	(48,885)
Proceeds from borrowings	35(c)	394,447	434,179	556,620
Repayments of borrowings	35(c)	(103,014)	(283,000)	(258,880)
Interests paid	35(c)	(11,180)	(25,077)	(25,205)
Proceeds from loans borrowed from related parties	35(c), 37(b)	–	3,000	–
Repayments to related parties	35(c), 37(b)	–	(2,000)	(1,000)
Dividend paid to non-controlling interests		(4,763)	(350)	(700)
Capital contribution from non-controlling interests		2,692	–	–
Capital contribution from equity owners	25	200,000	–	–
Payments of [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]
Payment for acquisition of non-controlling interests	35(c)	(20,811)	–	–
<b>Net cash generated from financing activities</b>		<u>404,501</u>	<u>76,019</u>	<u>214,352</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		153,726	(166,683)	8,091
Cash and cash equivalents at beginning of year		<u>235,386</u>	<u>389,112</u>	<u>222,429</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>389,112</u></u>	<u><u>222,429</u></u>	<u><u>230,520</u></u>

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### II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

#### 1 GENERAL INFORMATION

Shulan Health Management Co., Ltd. (the “Company”) was incorporated in Hangzhou, Zhejiang of the People’s Republic of China (the “PRC”) on November 26, 2013 as a limited liability Company with an initial registered capital of RMB5,000,000. The registered office is Room 501, Building 1, No. 366 Tongyun Road, Liangzhu Street, Hangzhou City, Zhejiang Province.

The Company and its subsidiaries (together, the “Group”) are principally engaged in the provision of following business (together, the “[REDACTED] Business”) in the PRC:

- (i) Provision of healthcare services through self-owned private for-profit hospitals (the “Healthcare Services”);
- (ii) Provision of hospital management consulting services for other hospitals (the “Hospital Management Services”);
- (iii) Provision of digital healthcare platform services, clinical laboratory services, clinical trial services and supply chain services (together, the “Healthcare Related Services”).

Mr. Zheng Jie, Mr. Zheng Jun and Shanghai Shulan Investment Co., Ltd (“Shulan Investment”) are a group of controlling shareholder of the Group (collectively “Controlling Shareholders”).

The Company received 5 rounds of external financings since its incorporation, among which 3 rounds are prior to the Track Record Period and 2 rounds are during the Track Record Periods. Details of these financings were set out in Note 25 and Note 32.

On December 1, 2020, the Company was converted into a joint stock Company with limited liability under the Company Law of the PRC. Details of the conversion were set out in Note 25.

#### 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

##### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS Accounting Standards”) issued by the International Accounting Standards Board (“IASB”). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value.

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 5.

As at December 31, 2021, 2022 and 2023, the Group had net current liabilities of RMB97,833,000, RMB276,223,000 and RMB373,279,000, respectively. For the years ended December 31, 2021, 2022 and 2023, the Group incurred net loss of approximately RMB82,289,000, RMB110,881,000 and RMB17,252,000, respectively.

The net current liability position as at December 31, 2023 is attributable primarily to other payables resulted from the Company’s construction of hospitals during expansion.

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The Group has undertaken various plans and measures to mitigate the liquidity pressure and to improve its cashflows, mainly including (1) continue to increase the profits from operation of its flagship hospital and to improve the profitability of its ramp-up hospitals; (2) keep the construction and open of hospitals proceeding as scheduled; (3) to maintain communication and negotiation with relevant suppliers to further control capital and operating expenditures to strengthen its working capital; and (4) to successfully draw down necessary fundings from existing loan facility and renew short-term borrowings from financing institutions.

Management of the Group has prepared a cash flow projection covering a period of not less than twelve months from December 31, 2023 and taking into account the above-mentioned plans and measures. Based on the projection prepared by management, the directors of the Company believe that the Group will have sufficient cash resource to finance its operations and to meet its financial obligations as and when they fall due in the twelve months from December 31, 2023. Consequently, the Directors consider that it is appropriate to prepare the Historical Financial Information on a going concern basis.

### 2.2 Changes in accounting policy

#### (a) *New standards and amendments to standards adopted by the Group*

The IASB has issued a number of new and amended IFRS Accounting Standards during the Track Record Period. For the purpose of preparing the Group’s Historical Financial Information, the Group has adopted all applicable new and amended IFRS Accounting Standards throughout the Track Record Period except for any new standards or interpretation that are not yet effective.

#### (b) *New standards and amendments to standards not yet effective and are not early adopted by the Group*

The following are new standards, and amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period, and have not been early adopted:

	<b>New/amended standards</b>	<b>Effective date</b>
Amendments to IFRS 16	Lease liability in a sales and leaseback	January 1, 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	January 1, 2024
Amendments to IAS 21	Lack of exchangeability	January 1, 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

According to the assessment made by the managements, these new and amended standards are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective.

### 3 SUMMARY OF OTHER ACCOUNTING POLICIES

#### *Other material accounting policies*

#### 3.1 Principles of consolidation and equity accounting

##### (a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.



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Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

### 3.2 Foreign currency translation

#### (a) *Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The combined financial statements are presented in Renminbi (“RMB”), which is the Company’s functional and the Group’s presentation currency.

#### (b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

#### *Other accounting policies*

### 3.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Group on the basis of dividend received and receivable. Investments in associates are accounted for using the equity method.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee’s net assets including goodwill. Investments in associates are tested for impairment in accordance with the policy described in note 3.7.

#### (a) *Share-based payment transaction among group entities*

The grant by the Company of its equity instruments to the employees of its subsidiaries is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries, with a corresponding credit to equity.

### 3.4 Financial assets

#### 3.4.1 *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”) or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

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For financial assets measured at fair value, gains and losses will be recorded either in profit or loss or OCI. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### 3.4.2 *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### 3.4.3 *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recorded in profit or loss.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in “other (losses)/gains, net” together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss and presented net in the consolidated statements of comprehensive income within “other gains, net” in the period in which it arises.

#### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group’s management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group’s right to receive payments is established.

Changes in the fair value of financial assets measured at FVTPL are recognized in “other (losses)/gains, net” as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at FVOCI are not reported separately from other changes in fair value.

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### 3.4.4 *Impairment*

The Group assesses the expected credit losses associated with its debt instruments carried at amortized cost on a forward-looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

At each reporting date, the Group shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition.

For trade and notes receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see Note 4.1(b)(ii) for further details.

Impairment on other receivables and amounts due from subsidiaries are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

### 3.5 **Current and deferred income tax**

The income tax expense for the period is the tax payable or recoverable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

#### *(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

#### *(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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### 3.6 Impairment of non-financial assets

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### 3.7 Provisions and contingent liability

The Group's provisions are mainly for legal claims and are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

### 3.8 Research and development expenditures

The Group incurs significant costs and efforts on research and development activities. Research expenditures are charged to the profit or loss as an expense in the period the expenditures are incurred. Development costs are recognized as assets if they can be directly attributable to a newly developed products and all the following can be demonstrated:

- it is technically feasible to complete the development project so that it will be available for use;
- management intends to complete the development project, and use or sell it;
- the ability to use or sell the development project;
- it can be demonstrated how the development project will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and the ability to use or sell the development project are available; and
- the expenditure attributable to the asset during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the development project include employee costs and an appropriate portion of relevant overheads. Capitalized development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Other development expenditures that do not meet those above criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

During the Track Record Period, there were no development costs meeting these criteria and capitalized as intangible assets.

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### 4 FINANCIAL RISK MANAGEMENT

#### 4.1 Financial risk factors

The Group’s activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The overall risk management program of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance of the Group.

(a) *Market risk*

(i) *Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the functional currency of the Company and its subsidiary (i.e. other than RMB).

The Group operates in the PRC with most of the transactions settled in RMB. The Group is exposed to foreign currency risks with respect to foreign currency denominated financial assets as at December 31, 2021, 2022 and 2023. The Group does not hedge against any fluctuation in foreign currency. However, management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The Group’s exposure to foreign exchange risk mainly arises from certain bank balances denominated in United States dollars (“USD”). As at December 31, 2021, 2022 and 2023, the foreign exchange risk to the Group’s financial performance is low.

(ii) *Price risk*

The Group is exposed to price risk in respect of financial assets at fair value through profit or loss held by the Group which are carried at fair value with changes in the fair value recognized in profit or loss.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Each investment is managed by senior management on a case by case basis. The impact of variable price of the Group’s investments please refer to Note 4.3(b).

(iii) *Cash flow and fair value interest rate risk*

The Group’s income and operating cash flows are substantially dependent of changes in market interest rates. The Group has no significant interest-bearing assets and liabilities, except for cash and cash equivalents (Note 21), restricted cash (Note 21), lease liabilities (Note 15), borrowings (Note 28), Accruals and other payables (Note 31) and redemption liabilities (Note 32). Those carried at floating rates expose the Group to cash flow interest rate risk whereas those carried at fixed rates expose the Group to fair value interest rate risk. The Group’s exposure to fair value interest rate risk is not material.

The Group’s interest rate risk mainly arises from borrowings. As at December 31, 2021, 2022 and 2023, the Group’s long-term borrowings were carried at floating rates, which expose the Group to cash flow interest rate risk.

The sensitivity analysis is determined based on the exposure to interest risk of borrowings (Note 28) at the end of each reporting period. If the interest rate of the respective instruments held by the Group had been 100 basis points higher/lower, the loss before income tax for the years ended December 31, 2021, 2022 and 2023 increase/decrease by RMB5,858,000, RMB7,284,000, and RMB9,725,000 respectively.

Management also does not anticipate significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank deposits are not expected to change significantly.

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### *(b) Credit risk*

Credit risk mainly arises from cash and cash equivalents, restricted cash, FVTPL, trade and notes receivables, other receivables, guarantee to subsidiaries and amounts due from subsidiaries. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

#### *(i) Risk management*

The Group expects that there is no significant credit risk associated with cash and cash equivalents, restricted cash and FVTPL since they are held at state-owned banks or reputable commercial banks which are high-credit-quality financial institutions. Management does not expect that there will be any significant losses from non-performance by these counterparties, therefore the expected credit loss for cash and cash equivalents, restricted cash and FVTPL is minimal.

The Group's trade and notes receivables are mainly from providing healthcare service to patients as well as providing hospital management services and healthcare related services. The Group, being a provider of healthcare service to patients, has a highly diversified customer base, without any single customer contributing material revenue. However, the Group has concentrated debtor portfolio, as majority patients will claim their medical bill from public medical insurance program. The reimbursement from these organizations normally would take one to twelve months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with respective organizations policy, provided fulfilling all ethics and moral responsibilities as a healthcare provider. The Group also has controls to closely monitor the patients billings and claim status to minimize the credit risk. For the receivables from the hospital management services and healthcare related services, which mainly comprise of receivables from hospitals, the Group has granted credit term of 90-365 days and would follow up actively on the settlement with respective counter-parties to avoid any overdue receivables.

For other receivables including amount due from related parties, management applies 3-stages model to assess the expected credit loss, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience, there was no significant increase in credit risk since initial recognition. Thus, a 12-month expected credit losses approach that results from possible default event within 12 months of each reporting date is adopted by management.

#### *(ii) Impairment of financial assets*

The Group has two types of assets that are subject to the expected credit loss model:

- Trade and notes receivables
- Other financial assets carried at amortized cost

While cash and cash equivalents, restricted cash and FVTPL are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade and notes receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and notes receivables.

To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics and the days past due. For trade and notes receivables, management makes periodic assessments as well as individual assessment on the recoverability based on historical settlement records and past experience and adjusts for forward looking information.

The expected loss rates are based on payment pattern of debtors with similar risk profiles and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the

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ability of the customers to settle the receivables. The Group has identified the gross domestic product index (“GDP”), and consumer price index (“CPI”) of the country in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The loss allowance as at December 31, 2021, 2022 and 2023 was determined as follows for trade and notes receivables.

	<b>Within 6 months</b>	<b>7-12 months</b>	<b>Over 12 months</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At December 31, 2021</b>				
Gross carrying amount	233,485	19,856	49,436	302,777
Expected loss rate	1.66%	11.83%	20.22%	5.36%
Loss allowance	<u>3,875</u>	<u>2,349</u>	<u>9,997</u>	<u>16,221</u>
<b>At December 31, 2022</b>				
Gross carrying amount	356,949	51,896	49,983	458,828
Expected loss rate	2.18%	7.83%	19.86%	4.75%
Loss allowance	<u>7,789</u>	<u>4,063</u>	<u>9,925</u>	<u>21,777</u>
<b>At December 31, 2023</b>				
Gross carrying amount	294,842	77,726	74,599	447,167
Expected loss rate	2.20%	7.15%	25.23%	6.90%
Loss allowance	<u>6,492</u>	<u>5,560</u>	<u>18,824</u>	<u>30,876</u>

Movements on the Group’s allowance of impairment of trade and notes receivables are as follows:

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At beginning of the year</b>	6,166	16,221	21,777
Increase in loss allowance	11,354	7,741	9,108
Write off	<u>(1,299)</u>	<u>(2,185)</u>	<u>(9)</u>
<b>At end of the year</b>	<u>16,221</u>	<u>21,777</u>	<u>30,876</u>

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The Group assesses the credit quality of its customers by taking into account various factors including their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by the management.

Trade and notes receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery includes, amongst other, the failure of a debtor to engage in a repayment plan within the Group.

Other financial assets at amortized cost

Other financial assets at amortized cost mainly represented other receivables and amounts due from subsidiaries.

Other receivables mainly included deposits and others. They are closely monitored for recoverability and collectability and the Group maintains close communications with the counterparties.

The loss allowance as at December 31, 2021, 2022 and 2023 was determined as follows for other receivables.

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Gross carrying amount	12,550	17,591	16,973
Expected loss rate	2.92%	1.44%	1.96%
<b>Loss allowance</b>	<b>367</b>	<b>253</b>	<b>333</b>

Movements on the Group’s allowance of impairment of other receivables are as follows:

	<b>Year ended December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
<b>At beginning of the year</b>	187	367	253
Increase/(Decrease) in loss allowance	180	(114)	247
Write off	–	–	(167)
<b>At end of the year</b>	<b>367</b>	<b>253</b>	<b>333</b>



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(c) *Liquidity risk*

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the policy of the Group is to regularly monitor the Group’s liquidity risk and to maintain adequate cash and cash equivalents to meet the Group’s liquidity requirements.

The table below analyzes the Group’s non-derivative financial liabilities that will be settled into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Over 2 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At December 31, 2021</b>				
Borrowings (including interest)	224,569	53,678	587,328	865,575
Trade payables	200,844	–	–	200,844
Accruals and other payables (excluding payroll and welfare benefit payables, accrued taxes other than income tax and provision for contingent and closed legal claims, including interest)	320,190	6,073	141,502	467,765
Lease liabilities (including interest)	49,078	49,166	561,115	659,359
	<u>794,681</u>	<u>108,917</u>	<u>1,289,945</u>	<u>2,193,543</u>
	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Over 2 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At December 31, 2022</b>				
Borrowings (including interest)	238,130	103,708	699,694	1,041,532
Trade payables	295,269	–	–	295,269
Dividend payable	875	–	–	875
Accruals and other payables (excluding payroll and welfare benefit payables, accrued taxes other than income tax and provision for contingent and closed legal claims, including interest)	371,681	141,502	–	513,183
Lease liabilities (including interest)	49,252	48,456	576,657	674,365
	<u>955,207</u>	<u>293,666</u>	<u>1,276,351</u>	<u>2,525,224</u>

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	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Over 2 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At December 31, 2023</b>				
Borrowings (including interest)	334,730	192,263	809,689	1,336,682
Trade payables	296,872	–	–	296,872
Dividend payable	175	–	–	175
Accruals and other payables (excluding payroll and welfare benefit payables, accrued taxes other than income tax and provision for contingent and closed legal claims, including interest)	404,310	2,611	61,073	467,994
Lease liabilities (including interest)	49,499	48,152	533,349	631,000
	<u>1,085,586</u>	<u>243,026</u>	<u>1,404,111</u>	<u>2,732,723</u>

As at December 31, 2021 and 2022, the redemption liabilities as described in Note 32 of RMB1,158,393,000 and RMB1,269,729,000 respectively, were not managed by maturity date.

**4.2 Capital risk management**

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders’ value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, issue new shares or sell assets to reduce debt.

The Group monitors capital (including share capital, shares held for restricted share schemes and reserves on an as-if-converted basis) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital.

The Group monitors capital on the basis of the liability-to-asset ratio. This ratio is calculated as total liabilities divided by total assets. As at December 31, 2021, 2022 and 2023, liability-to-asset ratio of the Group were as follows:

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liability-to-asset ratio	<u>100%</u>	<u>103%</u>	<u>68%</u>

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**4.3 Fair value estimation**

*(a) Fair value hierarchy*

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market at each of the reporting dates. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The fair value of the financial assets which are measured at amortized cost, approximate their carrying amount as at December 31, 2021, 2022 and 2023.

The following table presents the Group’s assets that were measured at fair value as at December 31, 2021, 2022 and 2023:

	<b>As at December 31, 2021</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
FVTPL				
– Wealth management products	–	–	7,210	7,210
FVOCI				
– Investments in an unlisted company	–	–	8,764	8,764
	<u>–</u>	<u>–</u>	<u>15,974</u>	<u>15,974</u>

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	<b>As at December 31, 2022</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
FVTPL				
– Wealth management products	–	–	3,556	3,556
FVOCI				
– Investments in an unlisted company	–	–	8,293	8,293
	<u>–</u>	<u>–</u>	<u>11,849</u>	<u>11,849</u>
	<u>–</u>	<u>–</u>	<u>11,849</u>	<u>11,849</u>
	<b>As at December 31, 2023</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
FVTPL				
– Wealth management products	–	–	5,024	5,024
FVOCI				
– Investments in an unlisted company	–	–	6,073	6,073
	<u>–</u>	<u>–</u>	<u>11,097</u>	<u>11,097</u>
	<u>–</u>	<u>–</u>	<u>11,097</u>	<u>11,097</u>

The Group’s policy was to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the Track Record Period.

(b) The following table presents the changes in level 3 instruments for the years ended December 31, 2021, 2022 and 2023:

	<b>Investments in an unlisted company</b>	<b>Wealth management products</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>As at January 1, 2021</b>	5,938	245,894	251,832
Acquisitions	–	647,800	647,800
Disposals	–	(890,995)	(890,995)
Changes in fair value recognized in the consolidated statements of comprehensive income	2,826	4,511	7,337
<b>As at December 31, 2021</b>	<u>8,764</u>	<u>7,210</u>	<u>15,974</u>
<b>As at January 1, 2022</b>	8,764	7,210	15,974
Acquisitions	–	127,600	127,600
Disposals	–	(131,492)	(131,492)
Changes in fair value recognized in the consolidated statements of comprehensive income	(471)	238	(233)
<b>As at December 31, 2022</b>	<u>8,293</u>	<u>3,556</u>	<u>11,849</u>

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	<b>Investments in an unlisted company</b>	<b>Wealth management products</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>As at January 1, 2023</b>	8,293	3,556	11,849
Acquisitions	–	14,100	14,100
Disposals	–	(12,741)	(12,741)
Changes in fair value recognized in the consolidated statements of comprehensive income	(2,220)	109	(2,111)
<b>As at December 31, 2023</b>	<b>6,073</b>	<b>5,024</b>	<b>11,097</b>

	<b>Wealth management products</b>
	<i>RMB’000</i>
Unrealized gains recognized in the consolidated statements of comprehensive income:	
Year ended December 31, 2021	10
Year ended December 31, 2022	6
Year ended December 31, 2023	4

*(c) Valuation techniques used to determine fair value*

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group’s level 3 instruments. External valuation experts will be involved when necessary.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the latest round financing, i.e. the prior transaction price or the third-party pricing information;
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate;
- earnings growth factor for wealth management products: these are estimated based on market information for similar types of companies and products; and
- a combination of observable and unobservable inputs, including discount rate for lack of marketability, market multiples, etc.

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The following table summarizes the quantitative information about significant unobservable inputs in recurring level 3 fair value measurements:

	<u>Fair value</u> <i>(RMB'000)</i>	<u>Valuation technique(s)</u>	<u>Unobservable input</u>	<u>Range</u>	<u>Relationship of unobservable input to fair value</u>
As at December 31, 2021					
– Investments in an unlisted company	8,764	Latest round financing	N/A	N/A	Negative correlation
– Wealth management products	7,210	Discounted cash flow	Expected return rate per annum	2.9%-3.4%	Positive correlation
As at December 31, 2022					
– Investments in an unlisted company	8,293	Market approach-comparable companies analysis	Lack of marketability discount (“LoMD”)	26%	Negative correlation
– Wealth management products	3,556	Discounted cash flow	Expected return rate per annum	1.2%-3.1%	Positive correlation
As at December 31, 2023					
– Investments in an unlisted company	6,073	Market approach-comparable companies analysis	Lack of marketability discount (“LoMD”)	24%	Negative correlation
– Wealth management products	5,024	Discounted cash flow	Expected return rate per annum	1.4%-3.2%	Positive correlation

If the LoMD of the Group’s financial assets at FVOCI had been 10% higher/lower, fair value of financial assets at FVOCI for the years ended December 31, 2022 and 2023 would have been RMB292,000 and RMB161,000 lower/higher, respectively.

If the expected return rate per annum of the Group’s financial assets at FVTPL had been 10% higher/lower, the fair value of financial assets at FVTPL for the years ended December 31, 2021, 2022 and 2023 would have been RMB451,000, RMB24,000, and RMB11,000 lower/higher, respectively.

There were no changes in valuation techniques during the Track Record Period.

**5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Group’s accounting policies.

Estimates and judgments are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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### (a) Estimated useful lives and residual value of property, plant and equipment

The Group’s management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated lives. Actual economic lives may differ from estimated useful lives and residual values. Periodic review could result in a change in depreciable and amortisable lives, which therefore affect the depreciation and amortization charges in future periods.

### (b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgment is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. The outcome of their actual utilization may be different.

Certain subsidiaries of the Group were each entitled to a preferential enterprise income tax rate for a specified period subject to certain conditions. Management generally applies the applicable preferential tax rate to calculate current income tax and deferred income tax on the assumption that the subsidiaries will continue to meet the conditions and qualify for the preferential treatment as evidenced by past records. The consequence of any failure to meet the conditions and any change in the applicable tax rate is adjusted in the year when the information becomes known.

### (c) Provision for expected credit losses of trade and notes receivables and other receivables

The Group makes provision for expected credit losses of trade and notes receivables and other receivables based on assumptions about risk of default and expected loss rates.

In making the judgment, management considers available reasonable and supportive forward-looking information such as actual or expected significant changes in the operating results of customers or other creditors, actual or expected significant adverse changes in business and customers or other creditors’ financial position, at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and notes receivables and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

The details of trade and notes receivables and other receivables of the Group as at December 31, 2021, 2022 and 2023 are disclosed in Note 18 and Note 19.

### (d) Recognition of share-based compensation expense

As disclosed in Note 27, the Company has granted restricted share units to the Group’s employees and personnel with unique skills. The Company has engaged an independent valuer to determine the grant date fair value of the restricted share units to employees, which is to be expensed over the vesting period. Share-based compensation in relation to the restricted share units is measured based on the fair value of the Company’s ordinary shares at the grant date of the award. Prior to the [REDACTED], estimation of the fair value of the Company’s ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, including discount rate, and subjective judgments regarding projected financial and operating results, its unique business risks, and its operating history and prospects at the time the grants are made.

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**(e) Estimation of variable consideration for revenue from customers**

The Group estimates variable considerations to be included in the transaction price for the revenue from customers in respect of subsequent agreement on the government approved annual quota for the medical fees in healthcare services and agreements on the service fee in hospital management services. The Group has estimated the variable considerations which is based on the Group’s past experience with customers. Any significant changes in experience as compared to historical patterns will impact the expected refund estimated by the Group. The Group updates its assessment of expected agreement on a regular basis and the relevant revenue are adjusted accordingly.

**(f) Measurement of redemption liabilities**

As disclosed in Note 32, the measurement of the financial liabilities arising from the financial instruments issued to investors were measured at the present value of the expected cash flows for settling the related obligations if these rights are exercised by the investors. The Company applied a redemption discount rate performed by an independent valuer to determine the initial recognition amount of the redemption liabilities. The Group exercises its judgments to determine the cash flows and make assumptions that are mainly based on market conditions existing at the respective valuation dates.

**6 REVENUE AND SEGMENT INFORMATION**

**(a) Description of segments and principal activities**

Information reported to the executive directors of the Company, being the CODM, for the purposes of resource allocation and assessment of segment performance focuses on types of service provided. The CODM assesses the performance of the operating segments mainly based on segment revenues, segment cost of sales, gross profit, and operating profit/(loss). Income tax expense are not allocated to individual operating segments. The CODM assess the performance of each segment based on a measure of segment profit primarily. Assets and liabilities dedicated to a particular segment’s operations are included in that segment’s total assets and liabilities. Assets and liabilities are regularly reviewed on a consolidated basis.

As a result of this evaluation, the Group determined that it has operating segments as follows: (i) healthcare and related services; (ii) hospital management services.

Deferred income tax assets and deferred income tax liabilities are managed on a group basis.

	<b>Year ended December 31, 2021</b>		
	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
External revenue	1,435,917	111,872	1,547,789
Inter-segment revenue	2,448	–	2,448
<b>Segment revenue</b>	<b>1,438,365</b>	<b>111,872</b>	<b>1,550,237</b>
Eliminations	(2,448)	–	(2,448)
<b>Consolidated revenue</b>	<b>1,435,917</b>	<b>111,872</b>	<b>1,547,789</b>
Cost of revenue	(1,255,218)	(37,324)	(1,292,542)
<b>Gross profit</b>	<b>180,699</b>	<b>74,548</b>	<b>255,247</b>



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	<b>Year ended December 31, 2021</b>		
	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Selling and marketing expenses	(24,475)	(2,498)	(26,973)
General and administrative expenses	(110,454)	(45,505)	(155,959)
Research and development expenses	(18,906)	(356)	(19,262)
Provision for impairment losses on financial assets	(10,265)	(1,269)	(11,534)
Other income	16,639	3,406	20,045
Other expense	(4,169)	–	(4,169)
Other (losses)/gains, net	(2,980)	4,477	1,497
<b>Segment profit</b>	<u>26,089</u>	<u>32,803</u>	<u>58,892</u>
Finance income			3,120
Finance costs			<u>(129,734)</u>
<b>Finance costs, net</b>			<u>(126,614)</u>
Share of losses of investments accounted for using the equity method			<u>(5,423)</u>
<b>Loss before income tax</b>			<u><u>(73,145)</u></u>
<b>As at December 31, 2021</b>			
	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
Segment assets	<u>3,005,394</u>	<u>213,313</u>	<u>3,218,707</u>
Deferred income tax assets			<u>13,776</u>
<b>Total Assets</b>			<u><u>3,232,483</u></u>
<b>Liabilities</b>			
Segment liabilities	<u>(2,001,908)</u>	<u>(62,473)</u>	<u>(2,064,381)</u>
Redemption liabilities			(1,158,393)
Deferred income tax liabilities			<u>(3,390)</u>
<b>Total Liabilities</b>			<u><u>(3,226,164)</u></u>

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	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Other segment information</b>			
Depreciation of property, plant, and equipment	71,048	789	71,837
Amortization of intangible assets	2,932	885	3,817
Depreciation of right-of-use assets	38,119	2,424	40,543
Additions/(disposal) of non-current assets except for goodwill and deferred income tax assets	889,322	(19,851)	869,471
<b>Year ended December 31, 2022</b>			
	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
External revenue	1,660,523	117,103	1,777,626
Inter-segment revenue	2,392	–	2,392
<b>Segment revenue</b>	<b>1,662,915</b>	<b>117,103</b>	<b>1,780,018</b>
Eliminations	(2,392)	–	(2,392)
<b>Consolidated revenue</b>	<b>1,660,523</b>	<b>117,103</b>	<b>1,777,626</b>
Cost of revenue	(1,475,419)	(34,180)	(1,509,599)
<b>Gross profit</b>	<b>185,104</b>	<b>82,923</b>	<b>268,027</b>
Selling and marketing expenses	(26,356)	(221)	(26,577)
General and administrative expenses	(136,422)	(43,683)	(180,105)
Research and development expenses	(16,106)	(45)	(16,151)
Provision for impairment losses on financial assets	(3,032)	(4,595)	(7,627)
Other income	21,661	569	22,230
Other expense	(4,615)	–	(4,615)
Other gains, net	3,144	61	3,205
<b>Segment profit</b>	<b>23,378</b>	<b>35,009</b>	<b>58,387</b>
Finance income			2,278
Finance costs			(156,258)
<b>Finance costs, net</b>			<b>(153,980)</b>
Share of losses of investments accounted for using the equity method			(3,534)
<b>Loss before income tax</b>			<b>(99,127)</b>

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As at December 31, 2022

	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
Segment assets	3,439,355	112,207	3,551,562
Deferred income tax assets			37,663
<b>Total Assets</b>			<b>3,589,225</b>
<b>Liabilities</b>			
Segment liabilities	(2,341,808)	(76,329)	(2,418,137)
Redemption liabilities			(1,269,729)
Deferred income tax liabilities			(2,741)
<b>Total Liabilities</b>			<b>(3,690,607)</b>
<b>Other segment information</b>			
Depreciation of property, plant, and equipment	84,874	1,034	85,908
Amortization of intangible assets	2,955	1,627	4,582
Depreciation of right-of-use assets	41,779	2,356	44,135
Additions of non-current assets except for goodwill and deferred income tax assets	426,915	502	427,417

Year ended December 31, 2023

	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
External revenue	1,764,762	119,642	1,884,404
Inter-segment revenue	2,338	–	2,338
<b>Segment revenue</b>	<b>1,767,100</b>	<b>119,642</b>	<b>1,886,742</b>
Eliminations	(2,338)	–	(2,338)
<b>Consolidated revenue</b>	<b>1,764,762</b>	<b>119,642</b>	<b>1,884,404</b>
Cost of revenue	(1,546,209)	(48,568)	(1,594,777)
<b>Gross profit</b>	<b>218,553</b>	<b>71,074</b>	<b>289,627</b>

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	<b>Year ended December 31, 2023</b>		
	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Selling and marketing expenses	(26,748)	(199)	(26,947)
General and administrative expenses	(152,297)	(59,245)	(211,542)
Research and development expenses	(15,049)	–	(15,049)
Provision for impairment losses on financial assets	(1,576)	(7,779)	(9,355)
Other income	105,203	364	105,567
Other expense	(4,127)	–	(4,127)
Other gains/(losses), net	4,323	(159)	4,164
<b>Segment profit</b>	<b>128,282</b>	<b>4,056</b>	<b>132,338</b>
Finance income			2,153
Finance costs			(124,969)
<b>Finance costs, net</b>			<b>(122,816)</b>
Share of losses of investments accounted for using the equity method			(2,145)
<b>Loss before income tax</b>			<b>7,377</b>
<b>As at December 31, 2023</b>			
	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets</b>			
Segment assets	3,631,257	159,249	3,790,506
Deferred income tax assets			51,460
<b>Total Assets</b>			<b>3,841,966</b>
<b>Liabilities</b>			
Segment liabilities	(2,484,562)	(118,152)	(2,602,714)
Deferred income tax liabilities			(4,585)
<b>Total Liabilities</b>			<b>(2,607,299)</b>

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	<b>Healthcare and related services</b>	<b>Hospital management services</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Other segment information</b>			
Depreciation of property, plant, and equipment	95,257	963	96,220
Amortization of intangible assets	3,334	1,717	5,051
Depreciation of right-of-use assets	42,080	2,249	44,329
Additions of non-current assets except for goodwill and deferred income tax assets	366,086	2,108	368,194

*(i) Geographical information*

The Group’s operations are located in the PRC and all of the Group’s non-current assets and revenues are located in and derived from the PRC during the Track Record Period.

*(ii) Information about major customers*

All the revenues derived from single external customers were less than 10% of the Group’s total revenues during the Track Record Period.

**(b) Revenue**

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Revenue from contracts with customers:</i>			
Healthcare services			
– Out-patient income	285,353	364,629	413,801
– In-patient income	807,593	911,851	1,020,562
– Others	17,559	19,489	29,222
Hospital management services	111,872	117,103	119,642
Healthcare related services			
– Clinical laboratory services	241,003	237,720	203,201
– Supply chain services	47,901	80,567	49,509
– Clinical trial services	31,069	44,086	39,508
– Digital healthcare platform services	5,439	2,181	8,959
	<u>1,547,789</u>	<u>1,777,626</u>	<u>1,884,404</u>

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Revenue from healthcare services:</i>			
– Shulan (Hangzhou) Hospital	1,056,724	1,061,352	1,125,649
– Shulan (Anji) Hospital	29,603	103,803	141,634
– Shulan (Quzhou) Hospital	–	103,652	162,956
– Others	24,178	27,162	33,346
	<u>1,110,505</u>	<u>1,295,969</u>	<u>1,463,585</u>

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	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Timing of revenue recognition:</i>			
Over time	223,203	251,616	249,621
At a point in time	1,324,586	1,526,010	1,634,783
	<u>1,547,789</u>	<u>1,777,626</u>	<u>1,884,404</u>

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Method of Revenue Recognition:</i>			
– Gross basis	<u>1,547,789</u>	<u>1,777,626</u>	<u>1,884,404</u>

(i) The Group and the Company has recognized the following revenue-related contract liabilities:

**The Group**

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Included in current liabilities	<u>8,180</u>	<u>14,486</u>	<u>7,257</u>

**The Company**

	As at December 31		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Included in current liabilities	<u>1,769</u>	<u>197</u>	<u>1,590</u>

(ii) *Revenue recognized in relation to contract liabilities*

Contract liabilities of the Group mainly arise from the advanced payments made by customers while the services are yet to be delivered. The following table shows the amount of the revenue recognized in the Track Record Period related to brought-forward contract liabilities.

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Revenue recognized that included in the balance of contract liabilities at the beginning of the year	<u>6,323</u>	<u>6,068</u>	<u>14,307</u>

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### (iii) *Unsatisfied performance obligations*

The following table shows unsatisfied performance obligations as at December 31, 2021, 2022 and 2023:

	As at December 31,		
	2021 RMB'000	2022 RMB'000	2023 RMB'000
Hospital management services	171,715	153,621	135,200

Management expects that 60%, 62% and 48% of the transaction price allocated to the unsatisfied contracts as at December 31, 2021, 2022 and 2023 and will be recognised as revenue within one year. The remaining 40%, 38% and 52% as at December 31, 2021, 2022 and 2023 will be recognised over one year.

As permitted under IFRS 15 practical expedient, the estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained.

Other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15 practical expedient, the transaction price allocated to these unsatisfied performance obligations is not disclosed.

### (iv) *Accounting policies of revenue recognition*

#### (a) *Healthcare services*

Revenue from provision of healthcare services, including out-patient, in-patient services and others, which mainly include car parking and canteen, is recognized when the related services have been rendered. The subsequent agreement on the government approved annual quota for the medical fees to be recovered from the relevant public medical insurance program have been treated as changes in variable considerations. The Group estimates the variable considerations using expected value approach, which is based on historical practice and all reasonably available information and adjusts to the actual amount for the satisfied healthcare services in the period when the annual quota is agreed.

#### Out-patient services

For out-patient services, the patient normally receives out-patient treatment which contains various treatment components. Out-patient services contain more than one performance obligations, including (i) provision of consultation services, (ii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on relative stand-alone selling price basis. Both (i) provision of consultation services and (ii) sale of pharmaceutical products for which the control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and the Group has satisfied its performance obligations with present right to payment.

#### In-patient services

For in-patient services, the customers normally receive in-patient treatment which contains various treatment components. In-patient service contains more than one performance obligations, including (i) provision of consultation services and (ii) provision of in-patient healthcare services and (iii) sale of pharmaceutical products. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

For revenue from (i) provision of consultation services and (iii) sale of pharmaceutical products for which control of services or pharmaceutical products is transferred at a point in time, revenue is recognized when the customer obtains the control of the completed services or pharmaceutical products and the Group has satisfied its performance obligations with present right to payment.

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For revenue from (ii) provision of in-patient healthcare services, the corresponding revenue is recognized over the service period when customers simultaneously receive the services and consumes the benefits provided by the Group’s performance as the Group performs.

(b) *Hospital management services*

The Group provides the management related services to other hospitals over the service period of 1-10 years. The hospital receives and consumes the benefits provided by the Group’s performance as the Group performs. Revenue from providing hospital management services is recognized over the period in which the related services are performed.

For revenue from hospital management services, service fee is calculated based on pre-set amounts or formulas. Some agreements on the service fee, including pre-set criteria of assessment or evaluation of hospital management performance, which to be entitled to the Group only when the criteria are satisfied or assessments are qualified have been treated as changes in variable considerations. The Group estimates the variable considerations using most likely amount and expected value approach, as appropriate, which is based on historical practice and all reasonably available information and adjusts to the actual amount for the satisfied hospital management services in the period when the performance is qualified and the service fee is agreed.

(c) *Healthcare related services*

Revenue from healthcare related services mainly include: (i) clinical laboratory services, (ii) sale of pharmaceutical products and medical equipment (“supply chain services”), (iii) clinical trial services and (iv) digital healthcare platform services. Revenue from clinical laboratory services and digital healthcare platform services are recognized at a point in time when those services are completed, being when control of the services is transferred and revenue can be recognized by the Group. Revenue from sales of pharmaceutical products and medical equipment is recognized when control of the pharmaceutical products and medical equipment has been transferred, being when the pharmaceutical products and medical equipment are delivered to the customers, the customers have full discretion to use the products, and there is no unfulfilled obligation that could affect the customers’ acceptance of the inventory. Revenue from clinical trial services is recognized over the period in which the related services are performed.

**7 OTHER INCOME AND OTHER EXPENSE**

(a) **Other income**

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grants (i)	10,118	10,435	93,620
Rental income	4,265	4,959	4,950
Additional deduction of value-added tax	967	699	610
Interest income on loans granted to related parties	1,131	–	–
Others	3,564	6,137	6,387
	<u>20,045</u>	<u>22,230</u>	<u>105,567</u>



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**(b) Other expense**

	<b>Year ended December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Depreciation of right-of-use assets	(3,441)	(3,174)	(3,519)
Others	(728)	(1,441)	(608)
	<u>(4,169)</u>	<u>(4,615)</u>	<u>(4,127)</u>

- (i) The government grants mainly represent financial subsidies granted by local government. Those assets-related subsidies are credited to the consolidated statement of comprehensive income on a straight-line basis over the expected useful lives of the related assets.

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

In December 2023, a subsidy of RMB80,000,000 was granted to Shulan (Anji) Hospital Co., Ltd. (“Shulan Anji”), a subsidiary of the Group, by local government authority. The government grant was relating to costs and recognised in other income by the Group. There is no unfulfilled conditions or other contingencies attached to grant.

**8 OTHER GAINS, NET**

	<b>Year ended December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Deemed disposal gain from transfer a subsidiary to an associate ( <i>Note 17(iv)(i)</i> )	–	–	8,674
Fair value gains of financial assets at FVTPL ( <i>Note 4.3(b)</i> )	4,511	238	109
(Losses)/gains on disposal of property, plant and equipment	(89)	46	(29)
Donations	(1,500)	(20)	(5)
Gains on termination of lease	–	621	–
Compensation for lawsuit	–	2,588	–
Others	(1,425)	(268)	(4,585)
	<u>1,497</u>	<u>3,205</u>	<u>4,164</u>

- (i) Deemed disposal gain from transfer a subsidiary to an associate represented the gain from disposal of the Company’s equity interests in a subsidiary. The Company manages the retained interests as an investment in associate accounted for using equity method, the details of which have been set out in Note 17(iv).

Interest income from financial assets at FVTPL is included in the net fair value gains/(losses) on these assets.

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**9 EXPENSES BY NATURE**

	Year ended December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Cost of pharmaceuticals	381,673	450,942	513,716
Employee benefits expenses ( <i>Note 10</i> )	469,108	552,796	601,529
Cost of medical consumables	302,402	336,502	299,791
Depreciation of property, plant and equipment ( <i>Note 14</i> )	71,837	85,908	96,220
Outsourcing compensation	85,373	101,730	110,575
Office expenses	55,114	58,760	52,562
Depreciation of right-of-use assets	30,753	32,160	33,828
Utilities and energy expenses	19,837	31,699	32,461
Outsourcing medical testing expenses	16,449	23,133	22,181
Travel and transportation	5,896	4,226	7,596
Entertainment expenses	5,387	4,642	5,238
Taxation expenses other than income tax	4,438	5,296	5,721
Professional services fee	2,190	2,985	4,839
Amortization of intangible assets ( <i>Note 16</i> )	3,817	4,582	5,051
Marketing and advertising costs	6,144	2,678	2,405
Rental expense relating to short-term leases not included in lease liabilities	1,812	1,468	1,542
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Auditors’ remuneration			
– Audit services	297	449	404
– Non-audit services	581	99	229
(Reversal of)/provision for inventory impairment	(248)	174	113
Others	29,552	31,230	37,934
<b>Total</b>	<b>1,494,736</b>	<b>1,732,432</b>	<b>1,848,315</b>

**10 EMPLOYEE BENEFITS EXPENSES**

	Year ended December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Wages, salaries, bonuses and employee welfare	419,748	489,565	532,863
Pension, social security costs and housing benefits ( <i>a</i> )	44,778	58,355	62,818
Share-based compensation expenses ( <i>Note 27</i> )	4,582	4,876	5,848
	<b>469,108</b>	<b>552,796</b>	<b>601,529</b>

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(a) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling to fund the retirement benefits of the employees.

(b) **Five highest paid individuals**

During the years ended December 31, 2021, 2022 and 2023, the five individuals whose emoluments were the highest in the Group included 1, 0, and 1 director, respectively, whose emoluments are reflected in the analysis presented in Note 10(c). The emoluments payable to the remaining 4, 5, and 4 individuals for the years ended December 31, 2021, 2022 and 2023 respectively are as follows:

	Year ended December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Wages, salaries, bonuses and employee welfare	4,875	7,364	6,057
Pension, social security costs and housing benefits	384	390	284
Share-based compensation expenses	190	30	23
	5,449	7,784	6,364

The number of highest paid individuals whose remunerations for each year fell within the following band is as follows:

	Year ended December 31,		
	2021	2022	2023
Emolument bands (in Hong Kong Dollar, “HKD”)			
HKD nil-HKD500,000	–	–	–
HKD500,001-HKD1,000,000	–	–	–
HKD1,000,001-HKD1,500,000	1	2	2
HKD1,500,001-HKD2,000,000	3	2	1
HKD2,000,001-HKD3,500,000	–	1	1
	4	5	4

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**(c) Benefits and interests of directors and supervisors**

Details of the remuneration paid or payable to the directors and supervisors for the years ended December 31, 2021, 2022 and 2023 respectively are set out below:

		<b>Wages, salaries, bonuses and employee welfare</b>	<b>Pension, social security costs and housing benefits</b>	<b>Share-based compensation expenses</b>	<b>Total</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>For the years ended December 31, 2021</b>					
<b>Chairman</b>	<i>(i)</i>				
Mr. Zheng Jie		1,059	103	–	1,162
<b>Executive Directors</b>	<i>(ii)</i>				
Mr. Zheng Jun		–	–	528	528
<b>Non-executive Directors</b>	<i>(iii)</i>				
Mr. Zheng Shusen		–	–	–	–
Mr. Ye Xubiao		–	–	–	–
Mr. Shou Zhangfei		723	–	38	761
Ms. Sun Xiaoning		–	–	–	–
<b>Independent Non-executive directors</b>	<i>(iv)</i>				
Mr. Zhu Yan		50	–	–	50
Mr. Tang Jinling		50	–	–	50
Ms. Chen Weiwei		–	–	–	–
<b>Supervisors</b>	<i>(v)</i>				
Mr. Lu Zhen		–	–	–	–
Mr. Huang Yu		–	–	–	–
Ms. Yuan Jingjing		358	87	76	521
<b>Total</b>		<b>2,240</b>	<b>190</b>	<b>642</b>	<b>3,072</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>For the years ended December 31, 2022</b>					
<b>Chairman</b>	<i>(i)</i>				
Mr. Zheng Jie		1,035	115	–	1,150
<b>Executive Directors</b>	<i>(ii)</i>				
Mr. Zheng Jun		–	–	2,062	2,062
<b>Non-executive Directors</b>	<i>(iii)</i>				
Mr. Zheng Shusen		–	–	–	–
Mr. Ye Xubiao		–	–	–	–
Mr. Shou Zhangfei		1,006	–	38	1,044
Ms. Sun Xiaoning		–	–	–	–

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		Wages, salaries, bonuses and employee welfare	Pension, social security costs and housing benefits	Share-based compensation expenses	Total
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Independent</b>					
<b>Non-executive directors</b> (iv)					
Mr. Zhu Yan		200	–	–	200
Mr. Tang Jinling		200	–	–	200
Ms. Chen Weiwei		–	–	–	–
<b>Supervisors</b> (v)					
Mr. Lu Zhen		–	–	–	–
Mr. Huang Yu		–	–	–	–
Ms. Yuan Jingjing		294	91	76	461
<b>Total</b>		<b>2,735</b>	<b>206</b>	<b>2,176</b>	<b>5,117</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>For the years ended</b>					
<b>December 31, 2023</b>					
<b>Chairman</b> (i)					
Mr. Zheng Jie		1,019	122	–	1,141
<b>Executive Directors</b> (ii)					
Mr. Zheng Jun		–	–	3,283	3,283
<b>Non-executive Directors</b> (iii)					
Mr. Zheng Shusen		–	–	–	–
Mr. Ye Xubiao		–	–	–	–
Mr. Shou Zhangfei		999	–	28	1,027
Ms. Sun Xiaoning		–	–	–	–
Mr. Wu Zhangmu		495	–	–	495
Mr. Xu Dilong		–	–	–	–
<b>Independent Non-executive directors</b> (iv)					
Mr. Zhu Yan		200	–	–	200
Mr. Tang Jinling		200	–	–	200
Mr. Ma Xiaofang		96	–	–	96
<b>Supervisors</b> (v)					
Mr. Lu Zhen		–	–	–	–
Mr. Huang Yu		–	–	–	–
Ms. Yuan Jingjing		369	95	57	521
<b>Total</b>		<b>3,378</b>	<b>217</b>	<b>3,368</b>	<b>6,963</b>

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- (i) Mr. Zheng Jie was appointed as director since October 18, 2013.
- (ii) Mr. Zheng Jun was appointed as director since November 18, 2014.
- (iii) Ms. Li Lanjuan was appointed as the non-executive director since November 18, 2014 and retired on November 22, 2020.

Mr. Zheng Shusen was appointed as the non-executive director since January 20, 2017 and resigned as director on July 7, 2023.

Mr. Xie Shihuang, Mr. Huang Yu, Mr. Shi Yunzhong and Ms. Xu Afen were appointed as the non-executive directors since January 20, 2017. Mr. Huang Yu was redesignated as supervisor on November 22, 2020. Mr. Xie Shihuang, Mr. Shi Yunzhong and Ms. Xu Afen resigned as directors on November 22, 2020.

Mr. Jin Jinghua was appointed as the non-executive director since January 20, 2017 and resigned as director on April 2, 2020.

Mr. Ye Xubiao was appointed as the non-executive director since August 6, 2020.

Mr. Fu Weijian was appointed as the non-executive director since August 6, 2020 and resigned as director on November 22, 2020.

Mr. Shou Zhangfei was appointed as the non-executive director since November 22, 2020.

Ms. Sun Xiaoning was appointed as the non-executive director since April 2, 2020 and resigned as director on August 27, 2023.

Mr. Wu Zhangmu was appointed as the non-executive director since July 7, 2023.

Mr. Xu Dilong was appointed as the non-executive director since August 27, 2023.

- (iv) Mr. Zhu Yan and Mr. Tang Jinling were appointed as the independent non-executive directors since September 28, 2021.

Ms. Chen Weiwei was appointed as the independent non-executive director since September 28, 2021 and resigned as director on May 16, 2022.

Mr. Ma Xiaofang was appointed as the independent non-executive director since July 7, 2023.

- (v) Ms. Yuan Jingjing was appointed as supervisor since November 22, 2020.

Mr. Lu Zhen was appointed as supervisor since November 28, 2014.

Mr. Hu Xubo was appointed as supervisor since January 20, 2017 and resigned as supervisor on April 2, 2020.

Mr. Xu Huasheng was appointed as supervisor since January 20, 2017 and resigned as supervisor on November 22, 2020.

Mr. Gao Jinda was appointed as supervisor since April 2, 2020 and resigned as supervisor on November 22, 2020.

**(d) Directors' retirement benefits**

None of the directors received or will receive any retirement benefits during the Track Record Period.

**(e) Directors' termination benefits**

None of the directors received or will receive any termination benefits during the Track Record Period.

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**(f) Consideration provided to third parties for making available directors’ services**

During the Track Record Period, the Company did not pay consideration to any third parties for making available directors’ services.

**(g) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors**

There were no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

**(h) Directors’ material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Track Record Period.

**11 FINANCE COSTS, NET**

	Year ended December 31,		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
<b>Finance income:</b>			
Interest income from bank deposits	3,120	2,278	2,153
<b>Finance costs:</b>			
Interest expenses on redemption liabilities ( <i>Note 32</i> )	(96,560)	(111,336)	(79,801)
Interest expenses on bank borrowings	(27,449)	(43,561)	(46,366)
Interest expenses on lease liabilities	(23,455)	(23,940)	(22,810)
Interest expenses on loans from third parties	(5,852)	(5,874)	(5,043)
Less: amounts capitalized as qualifying asset	23,582	28,453	29,051
	<u>(129,734)</u>	<u>(156,258)</u>	<u>(124,969)</u>
<b>Finance costs, net</b>	<u>(126,614)</u>	<u>(153,980)</u>	<u>(122,816)</u>

Interest income is recognized as finance income where it is earned from financial assets that are held for cash management purposes.

**12 INCOME TAX EXPENSE**

	Year ended December 31,		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Current income tax expense	19,373	36,290	36,582
Deferred income tax expense ( <i>Note 34</i> )	<u>(10,229)</u>	<u>(24,536)</u>	<u>(11,953)</u>
	<u>9,144</u>	<u>11,754</u>	<u>24,629</u>

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A reconciliation of the expected income tax calculated at the applicable tax rate and profit/loss before income tax, with the actual income tax is as follow:

	<b>Year ended December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Loss/(profit) before income tax	73,145	99,127	(7,377)
Tax calculated at PRC statutory income tax rate of 25%	(18,286)	(24,782)	1,844
Tax effects of:			
– Effect of preferential tax rates (a)	(3,095)	(2,889)	(2,037)
– Effect of expenses not deductible for income tax purpose (b)	26,940	29,342	24,367
– Super deduction for research and development expenses (c)	(3,104)	(2,761)	(2,867)
– Tax losses and temporary differences for which no deferred income tax asset was recognized	6,774	13,735	16,141
– Utilization of previously unrecognized tax losses and temporary differences	(1,441)	(1,774)	(11,190)
– Share of losses of investments accounted for using equity method	1,356	883	536
– Deemed disposal gain from transfer a subsidiary to an associate (Note 17(iv))	–	–	(2,165)
<b>Income tax expense</b>	<b>9,144</b>	<b>11,754</b>	<b>24,629</b>

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Tax losses for which no deferred income tax asset was recognized	44,550	81,039	90,671

The expiry dates of the unrecognised tax losses as of the respective balance sheet dates are listed as below.

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Year ended/ending:			
2022	4,496	–	–
2023	2,306	2,204	–
2024	5,663	5,615	4,801
2025	6,767	5,811	3,984
2026	25,318	22,393	12,292
2027	–	45,016	56,085
2028	–	–	13,509
	<b>44,550</b>	<b>81,039</b>	<b>90,671</b>



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**(a) PRC corporate income tax**

Pursuant to the PRC Corporate Income Tax Law and the respective regulation (the CIT Law), the general corporate income tax rate in the PRC is 25%.

A subsidiary of the Company, Yuncheng Tongchuang Medical Examination Laboratory Co., Ltd. (“Yuncheng Tongchuang”) was qualified as “High and New Technology Enterprise” (“HNTE”) in 2020 and was entitled to a preferential CIT rate of 15% for three years from 2020 to 2022. Yuncheng Tongchuang did not renew the HNTE Certificate and therefore the tax rate was changed to 25%.

Another subsidiary of the Company, Hangzhou Tongchuang Medical Examination Laboratory Co., Ltd. (“Hangzhou Tongchuang”) was qualified as HNTE in 2019 and renewed the qualification in 2022. Accordingly, Hangzhou Tongchuang was entitled to a preferential CIT rate of 15% throughout the Track Record Period.

Certain PRC subsidiaries of the Group are subject to “small and thin profit enterprises” under the CIT Law, and accordingly, a preferential income tax rate of 20% for the Track Record Period. As a result, such PRC subsidiaries were eligible for a preferential enterprise income tax rate for their respective tax holiday.

**(b)** The amounts primarily consist of the financial costs on redemption liabilities and share-based payment expenses.

**(c) Super Deduction for research and development expenses**

According to the relevant laws and regulations promulgated by the State Council of the PRC that was effective from 2018 to 2020, and then further extended to 2023 (subsequently raised to 200% from October 2022), enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (“Super Deduction”). The Group has made its best estimate for the Super Deduction to be claimed for the Group’s entities in ascertaining their assessable profits during the Track Record Period.

**13 LOSSES PER SHARE**

**(a) Basic losses per share**

The basic losses per share is calculated by dividing the losses attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2021, 2022 and 2023.

The restricted shares issued under the Company’s share incentive plan were treated as shares held for restricted share schemes, the details of which have been set out in Note 25. Accordingly, the related capital was deducted for the purpose of calculating the number of ordinary shares outstanding.

**(b) Diluted losses per share**

Diluted losses per share adjusts the figures used in the determination of basic losses per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

	Year ended December 31,		
	2021	2022	2023
Losses attributable to owners of the Company (RMB’000)	(81,131)	(110,620)	(30,732)
Weighted average number of ordinary shares outstanding (Thousand)	357,560	359,770	359,770
Basic and diluted losses per share (RMB)	<u>(0.23)</u>	<u>(0.31)</u>	<u>(0.09)</u>

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- (i) Diluted losses per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the Track Record Period, the Group had potential ordinary shares, including redemption liabilities (Note 32). As the Group incurred losses for the years ended December 31, 2021, 2022 and 2023, the potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilutive. Accordingly, diluted losses per share for the years ended December 31, 2021, 2022 and 2023 are the same as basic losses per share for the respective years.

**14 PROPERTY, PLANT AND EQUIPMENT**

**The Group**

	<b>Buildings and structures</b>	<b>Machinery and equipment</b>	<b>Office equipment and furniture fixtures</b>	<b>Vehicles</b>	<b>Constructions in progress</b>	<b>Leasehold improvement</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2021</b>							
Cost	97,628	273,107	25,757	3,038	446,520	385,477	1,231,527
Accumulated depreciation	–	(104,665)	(14,268)	(1,667)	–	(90,025)	(210,625)
<b>Net book amount</b>	<b>97,628</b>	<b>168,442</b>	<b>11,489</b>	<b>1,371</b>	<b>446,520</b>	<b>295,452</b>	<b>1,020,902</b>
<b>Year ended</b>							
<b>December 31, 2021</b>							
Opening net book amount	97,628	168,442	11,489	1,371	446,520	295,452	1,020,902
Additions	–	48,846	3,709	1,163	274,932	–	328,649
Acquisition of a subsidiary (Note 17(iii))	–	–	47	–	219,178	–	219,225
Transfers from constructions in progress	247,244	–	–	–	(249,061)	1,817	–
Depreciation charge	(8,462)	(36,358)	(3,338)	(344)	–	(23,335)	(71,837)
Disposals	–	(191)	–	–	–	–	(191)
<b>Closing net book amount</b>	<b>336,410</b>	<b>180,739</b>	<b>11,907</b>	<b>2,189</b>	<b>691,569</b>	<b>273,934</b>	<b>1,496,748</b>
<b>At December 31, 2021</b>							
Cost	344,872	320,045	30,803	4,200	691,569	387,294	1,778,783
Accumulated depreciation	(8,462)	(139,306)	(18,896)	(2,011)	–	(113,360)	(282,035)
<b>Net book amount</b>	<b>336,410</b>	<b>180,739</b>	<b>11,907</b>	<b>2,189</b>	<b>691,569</b>	<b>273,934</b>	<b>1,496,748</b>

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	Buildings and structures	Machinery and equipment	Office equipment and furniture fixtures	Vehicles	Constructions in progress	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended</b>							
<b>December 31, 2022</b>							
Opening net book amount	336,410	180,739	11,907	2,189	691,569	273,934	1,496,748
Additions	–	84,446	12,562	1,371	301,980	–	400,359
Transfers from constructions in progress	222,639	–	–	–	(232,080)	9,441	–
Depreciation charge	(11,513)	(47,072)	(4,649)	(553)	–	(22,121)	(85,908)
Disposals	–	(224)	(465)	(280)	–	–	(969)
<b>Closing net book amount</b>	<b>547,536</b>	<b>217,889</b>	<b>19,355</b>	<b>2,727</b>	<b>761,469</b>	<b>261,254</b>	<b>1,810,230</b>
<b>At December 31, 2022</b>							
Cost	567,511	402,378	40,806	4,907	761,469	396,736	2,173,807
Accumulated depreciation	(19,975)	(184,489)	(21,451)	(2,180)	–	(135,482)	(363,577)
<b>Net book amount</b>	<b>547,536</b>	<b>217,889</b>	<b>19,355</b>	<b>2,727</b>	<b>761,469</b>	<b>261,254</b>	<b>1,810,230</b>

	Buildings and structures	Machinery and equipment	Office equipment and furniture fixtures	Vehicles	Constructions in progress	Leasehold improvement	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended December 31, 2023</b>							
Opening net book amount	547,536	217,889	19,355	2,727	761,469	261,254	1,810,230
Additions	–	57,229	5,299	728	308,806	–	372,062
Transfers from constructions in progress	–	–	–	–	(4,548)	4,548	–
Depreciation charge	(15,492)	(50,896)	(6,015)	(713)	–	(23,104)	(96,220)
Disposals and other changes	(1,442)	(838)	(4)	–	–	–	(2,284)
<b>Closing net book amount</b>	<b>530,602</b>	<b>223,384</b>	<b>18,635</b>	<b>2,742</b>	<b>1,065,727</b>	<b>242,698</b>	<b>2,083,788</b>
<b>At December 31, 2023</b>							
Cost	566,068	458,530	46,041	5,635	1,065,727	401,284	2,543,285
Accumulated depreciation	(35,466)	(235,146)	(27,406)	(2,893)	–	(158,586)	(459,497)
<b>Net book amount</b>	<b>530,602</b>	<b>223,384</b>	<b>18,635</b>	<b>2,742</b>	<b>1,065,727</b>	<b>242,698</b>	<b>2,083,788</b>

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- (a) Depreciation expenses that have been charged to the consolidated statements of comprehensive income are as follows:

	Year ended December 31,		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Cost of revenue	64,740	74,710	77,174
General and administrative expenses	4,982	9,346	17,053
Selling and marketing expenses	1,308	1,320	1,224
Research and development expenses	807	532	769
	<u>71,837</u>	<u>85,908</u>	<u>96,220</u>

- (b) **Pledge of assets**

The buildings and constructions in progress were located in the PRC. Buildings and constructions in progress with aggregate net book amount of RMB544,162,000, RMB528,859,000 and RMB846,879,000 as at December 31, 2021, 2022 and 2023 were pledged as collateral for the Group’s bank borrowings (Note 28).

- (c) Borrowing costs capitalized in buildings and structures and constructions in progress. For the years ended December 31, 2021, 2022 and 2023, borrowing costs were capitalized at weighted average rate of 4.93%, 4.91% and 4.57%.

**The Company**

	Office equipment and furniture fixtures	Vehicles	Leasehold improvement	Constructions in progress	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At January 1, 2021</b>					
Cost	739	–	1,486	–	2,225
Accumulated depreciation	(170)	–	(593)	–	(763)
<b>Net book amount</b>	<u>569</u>	<u>–</u>	<u>893</u>	<u>–</u>	<u>1,462</u>
<b>Year ended December 31, 2021</b>					
Opening net book amount	569	–	893	–	1,462
Additions	442	872	–	1,196	2,510
Transfers from constructions in progress	–	–	1,196	(1,196)	–
Depreciation charge	(197)	(138)	(449)	–	(784)
<b>Closing net book amount</b>	<u>814</u>	<u>734</u>	<u>1,640</u>	<u>–</u>	<u>3,188</u>
<b>At December 31, 2021</b>					
Cost	1,181	872	2,682	–	4,735
Accumulated depreciation	(367)	(138)	(1,042)	–	(1,547)
<b>Net book amount</b>	<u>814</u>	<u>734</u>	<u>1,640</u>	<u>–</u>	<u>3,188</u>

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	<b>Office equipment and furniture fixtures</b>	<b>Vehicles</b>	<b>Leasehold improvement</b>	<b>Constructions in progress</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended</b>					
<b>December 31, 2022</b>					
Opening net book amount	814	734	1,640	–	3,188
Additions	81	–	–	51	132
Transfers from constructions in progress	–	–	51	(51)	–
Depreciation charge	(281)	(207)	(532)	–	(1,020)
<b>Closing net book amount</b>	<b>614</b>	<b>527</b>	<b>1,159</b>	<b>–</b>	<b>2,300</b>
<b>At December 31, 2022</b>					
Cost	1,262	872	2,733	–	4,867
Accumulated depreciation	(648)	(345)	(1,574)	–	(2,567)
<b>Net book amount</b>	<b>614</b>	<b>527</b>	<b>1,159</b>	<b>–</b>	<b>2,300</b>

	<b>Office equipment and furniture fixtures</b>	<b>Vehicles</b>	<b>Leasehold improvement</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended December 31, 2023</b>				
Opening net book amount	614	527	1,159	2,300
Additions	30	–	–	30
Depreciation charge	(295)	(207)	(444)	(946)
<b>Closing net book amount</b>	<b>349</b>	<b>320</b>	<b>715</b>	<b>1,384</b>
<b>At December 31, 2023</b>				
Cost	1,292	872	2,733	4,897
Accumulated depreciation	(943)	(552)	(2,018)	(3,513)
<b>Net book amount</b>	<b>349</b>	<b>320</b>	<b>715</b>	<b>1,384</b>

Property, plant and equipment (other than constructions in progress) are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

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Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual value, over their estimated useful lives or, in the case of leasehold improvement, the shorter lease term as follows:

	<b>Estimated useful life</b>
– Buildings and structures	10-35 years
– Machinery and equipment	3-10 years
– Office equipment and furniture fixtures	3-10 years
– Vehicles	5-7 years
– Leasehold improvement	shorter of the lease term and estimated useful life

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount (Note 3.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in “other gains, net” in the consolidated statements of comprehensive income.

Constructions in progress represent buildings and leasehold improvement under construction and are stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on constructions in progress until such time as the relevant assets are completed and ready for intended use. When the assets constructed are available for use, the cost are transferred to buildings and depreciated in accordance with the policy as stated above.

**15 LEASES**

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

The Group’s land use rights represent prepaid operating lease payments for lands located in the PRC and the lease term is 50 years. The Group’s leases for buildings mainly represent the leases for offices and hospital and staff quarters. The movements of the Group’s right-of-use assets are analyzed as follows:

**The Group**

	<b>Land use rights</b>	<b>Leased buildings</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At January 1, 2021</b>			
Cost	173,726	558,864	732,590
Accumulated depreciation	(7,397)	(155,941)	(163,338)
Net book value	<u>166,329</u>	<u>402,923</u>	<u>569,252</u>
<b>Year ended December 31, 2021</b>			
Opening net book value	166,329	402,923	569,252
Additions	–	5,573	5,573
Acquisition of a subsidiary (Note 17(iii))	345,317	–	345,317
Depreciation charge	(7,918)	(32,625)	(40,543)
Closing net book value	<u>503,728</u>	<u>375,871</u>	<u>879,599</u>

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	<b>Land use rights</b>	<b>Leased buildings</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At December 31, 2021</b>			
Cost	532,984	564,437	1,097,421
Accumulated depreciation	(29,256)	(188,566)	(217,822)
Net book value	<u>503,728</u>	<u>375,871</u>	<u>879,599</u>
<b>Year ended December 31, 2022</b>			
Opening net book value	503,728	375,871	879,599
Additions	–	38,758	38,758
Disposals	–	(882)	(882)
Depreciation charge	(9,723)	(34,412)	(44,135)
Closing net book value	<u>494,005</u>	<u>379,335</u>	<u>873,340</u>
<b>At December 31, 2022</b>			
Cost	532,984	593,409	1,126,393
Accumulated depreciation	(38,979)	(214,074)	(253,053)
Net book value	<u>494,005</u>	<u>379,335</u>	<u>873,340</u>
	<b>Land use rights</b>	<b>Leased buildings</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended December 31, 2023</b>			
Opening net book value	494,005	379,335	873,340
Additions	–	5,370	5,370
Disposals	–	(236)	(236)
Depreciation charge	(9,943)	(34,386)	(44,329)
Closing net book value	<u>484,062</u>	<u>350,083</u>	<u>834,145</u>
<b>At December 31, 2023</b>			
Cost	532,984	598,543	1,131,527
Accumulated depreciation	(48,922)	(248,460)	(297,382)
Net book value	<u>484,062</u>	<u>350,083</u>	<u>834,145</u>

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(i) Amounts recognized in the consolidated statements of comprehensive income:

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charges of right-of-use assets	34,194	35,334	37,347
Expenses relating to short-term leases (Note 9)	1,812	1,468	1,542
Interest expenses (Note 11)	23,455	23,940	22,810

For the years ended December 31, 2021, 2022 and 2023, depreciation charges of land use rights RMB6,349,000, RMB8,801,000, and RMB6,982,000, respectively, were capitalized into construction-in-progress.

The total cash outflows for leases in the years ended December 31, 2021, 2022 and 2023 were RMB51,604,000, RMB51,012,000 and RMB50,696,000, respectively.

(ii) *Pledge of assets*

The land use rights were located in the PRC. Land use rights with net book amount of RMB385,514,000, RMB379,077,000 and RMB440,971,000 as at December 31, 2021, 2022 and 2023 were pledged as collateral for the Group’s bank borrowings (Note 28).

**The Company**

	<b>Leased buildings</b>
	<i>RMB'000</i>
<b>At January 1, 2021</b>	
Cost	13,450
Accumulated depreciation	(3,316)
Net book value	<u>10,134</u>
<b>Year ended December 31, 2021</b>	
Opening net book value	10,134
Additions	47
Depreciation charge	(2,340)
Closing net book value	<u>7,841</u>
<b>At December 31, 2021</b>	
Cost	13,450
Accumulated depreciation	(5,609)
Net book value	<u>7,841</u>
<b>Year ended December 31, 2022</b>	
Opening net book value	7,841
Depreciation charge	(2,214)
Closing net book value	<u>5,627</u>



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	<u>Leased buildings</u>
	<i>RMB’000</i>
<b>At December 31, 2022</b>	
Cost	13,450
Accumulated depreciation	<u>(7,823)</u>
Net book value	<u><u>5,627</u></u>
<b>Year ended December 31, 2023</b>	
Opening net book value	5,627
Depreciation charge	<u>(2,187)</u>
Closing net book value	<u><u>3,440</u></u>
<b>At December 31, 2023</b>	
Cost	13,450
Accumulated depreciation	<u>(10,010)</u>
Net book value	<u><u>3,440</u></u>

**(b) Lease liabilities**

**The Group**

Lease liabilities recognized in the consolidated balance sheets:

	<u>As at December 31,</u>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Lease liabilities</b>			
Current	26,740	26,326	27,660
Non-current	<u>448,896</u>	<u>460,726</u>	<u>438,452</u>
	<u><u>475,636</u></u>	<u><u>487,052</u></u>	<u><u>466,112</u></u>

**The Company**

	<u>As at December 31,</u>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Lease liabilities</b>			
Current	2,351	2,441	2,473
Non-current	<u>5,890</u>	<u>3,449</u>	<u>979</u>
	<u><u>8,241</u></u>	<u><u>5,890</u></u>	<u><u>3,452</u></u>

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*The Group’s leasing activities and how these are accounted for*

The Group leases properties as lessee. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. The land use rights of the Group have been granted for a term of 50 years.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term and security.

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Payments associated with short-term leases are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognized in other income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

**16 INTANGIBLE ASSETS**

**The Group**

	<b>Computer Software</b>	<b>IP Rights</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>At January 1, 2021</b>			
Cost	13,750	4,077	17,827
Accumulated amortization	(6,315)	(1,224)	(7,539)
	<u>7,435</u>	<u>2,853</u>	<u>10,288</u>
Net book value	<u>7,435</u>	<u>2,853</u>	<u>10,288</u>

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	<b>Computer Software</b>	<b>IP Rights</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended December 31, 2021</b>			
Opening net book value	7,435	2,853	10,288
Additions	9,808	–	9,808
Disposals	–	–	–
Amortization charge ( <i>Note 9</i> )	(3,409)	(408)	(3,817)
Closing net book value	<u>13,834</u>	<u>2,445</u>	<u>16,279</u>
<b>At December 31, 2021</b>			
Cost	23,558	4,077	27,635
Accumulated amortization	(9,724)	(1,632)	(11,356)
Net book value	<u>13,834</u>	<u>2,445</u>	<u>16,279</u>
<b>Year ended December 31, 2022</b>			
Opening net book value	13,834	2,445	16,279
Additions	11,851	–	11,851
Amortization charge ( <i>Note 9</i> )	(4,174)	(408)	(4,582)
Closing net book value	<u>21,511</u>	<u>2,037</u>	<u>23,548</u>
<b>At December 31, 2022</b>			
Cost	35,409	4,077	39,486
Accumulated amortization	(13,898)	(2,040)	(15,938)
Net book value	<u>21,511</u>	<u>2,037</u>	<u>23,548</u>
<b>Year ended December 31, 2023</b>			
Opening net book value	21,511	2,037	23,548
Additions	3,740	–	3,740
Amortization charge ( <i>Note 9</i> )	(4,643)	(408)	(5,051)
Closing net book value	<u>20,608</u>	<u>1,629</u>	<u>22,237</u>
<b>At December 31, 2023</b>			
Cost	39,149	4,077	43,226
Accumulated amortization	(18,541)	(2,448)	(20,989)
Net book value	<u>20,608</u>	<u>1,629</u>	<u>22,237</u>

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**ACCOUNTANT’S REPORT**

Amortization expenses that have been charged to the consolidated statements of comprehensive income are as follows:

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
General and administrative expenses	2,719	2,572	3,163
Cost of revenue	913	1,953	1,853
Selling and marketing expenses	30	33	35
Research and development expenses	155	24	–
	<u>3,817</u>	<u>4,582</u>	<u>5,051</u>

**The Company**

	<b>Computer Software</b>
	<i>RMB'000</i>
<b>At January 1, 2021</b>	
Cost	4,314
Accumulated amortization	<u>(862)</u>
Net book value	<u>3,452</u>
<b>Year ended December 31, 2021</b>	
Opening net book value	3,452
Additions	1,047
Amortization charge	<u>(885)</u>
Closing net book value	<u>3,614</u>
<b>At December 31, 2021</b>	
Cost	5,361
Accumulated amortization	<u>(1,747)</u>
Net book value	<u>3,614</u>
<b>Year ended December 31, 2022</b>	
Opening net book value	3,614
Additions	1,861
Amortization charge	<u>(1,626)</u>
Closing net book value	<u>3,849</u>
<b>At December 31, 2022</b>	
Cost	7,222
Accumulated amortization	<u>(3,373)</u>
Net book value	<u>3,849</u>

**APPENDIX I**

**ACCOUNTANT’S REPORT**

	<b>Computer Software</b>
	<i>RMB’000</i>
<b>Year ended December 31, 2023</b>	
Opening net book value	3,849
Additions	1,108
Amortization charge	(1,715)
	<hr/>
Closing net book value	3,242
	<hr/> <hr/>
<b>At December 31, 2023</b>	
Cost	8,330
Accumulated amortization	(5,088)
	<hr/>
Net book value	3,242
	<hr/> <hr/>

The intangible assets of the Group include computer software and intellectual property rights (“IP Rights”). Acquired computer software are capitalized on the basis of the costs incurred to acquire and bring the specific software into usage. These costs are amortized using the straight-line method over their estimated useful lives of 5-10 years. Costs associated with maintaining computer software programs are recognized as expense as incurred. Acquired IP Rights are capitalized on the basis of the costs incurred to acquire. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of IP Rights over their estimated useful lives of 10 years.

**17 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investments in associates	12,019	8,485	10,340
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognized at cost.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognise the Group’s share of the post-acquisition profits or losses of the investee in profit or loss, and the Group’s share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 3.7.

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ACCOUNTANT’S REPORT

Set out below are the associates of the Group as at December 31, 2021, 2022 and 2023. The entities listed below are ordinary shares investment, which are held directly by the Group. The country of incorporation is also the principal place of business of respective associates.

Name of Entity	Country of incorporation	% of the Ownership interests			Carrying amount		
		As at December 31,			As at December 31,		
		2021	2022	2023	2021	2022	2023
Shulan (Ningbo) Obstetrics and Gynecology Hospital Co., LTD. (“Ningbo Obstetrics”) (i)	PRC	7.06%	7.06%	7.06%	3,190	2,180	1,003
Jinhua Products Zhongda Medical Health Investment Co., LTD. (“Jinhua Products”) (i)	PRC	1%	1%	1%	6,228	5,228	4,935
Hangzhou Shuniu Digital Technology Co., LTD. (“Hangzhou Shuniu”) (ii)	PRC	41%	41%	41%	2,601	1,077	1,040
Hangzhou Liangyun Shulan Hospital Co., Ltd (“Shulan Liangyun”) (iii)	PRC	N/A	N/A	N/A	N/A	N/A	N/A
Hangzhou Shulan Technology Holding Co. LTD (iv)	PRC	N/A	N/A	10%	N/A	N/A	3,362
					12,019	8,485	10,340

\* The English name of the associates represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

- (i) As at December 31, 2021, 2022 and 2023, the Group held 7.06% equity interests in Ningbo Obstetrics which are engaged in the provision of healthcare services in Ningbo and 1% equity interests in Jinhua Products which are engaged in the provision of healthcare services in Jinhua. Because the Group owns one seat in the board of directors of both companies, it has significant influence even though the shareholding was below 20%. Consequently, the investment in these companies had been accounted for using the equity method and were classified as associates.
- (ii) As at December 31, 2021, 2022 and 2023, the Group held 41% equity interests in Hangzhou Shuniu, which is engaged in the software and information technology services in Hangzhou.
- (iii) As at December 31, 2020, the Group held 10% equity interests in Shulan Liangyun, which was set up for the operation of healthcare services. Because the Group owns one seat in the board of directors of this company, it had significant influence even though the shareholding was below 20%. Consequently, the investment in this company had been accounted for using the equity method and classified as associates as at December 31, 2020.

On May 24, 2021, the Group entered into an equity interest transfer agreement with Kaisa Investment (Ningbo) Co., Ltd. (“Kaisa Ningbo”) to acquire 98.97% equity interest in Hangzhou Jiayue Investment Partnership (Limited partnership) (“Hangzhou Jiayue”) at a total cash consideration of RMB276,000,000 (the “Acquisition”). As Hangzhou Jiayue held 89.91% equity interest of Shulan Liangyun, the Group obtained in aggregate 98.98% equity interest of Shulan Liangyun after the Acquisition was completed in August 2021. Accordingly, Shulan Liangyun turned from an associate of the Group to a subsidiary.

At the time of acquisition, Shulan Liangyun was still under construction with no operation activities yet, and majority of its assets were land use rights and constructions in progress. The directors of the Company considered that the Acquisition was, in substance, an acquisition of a hospital under development (namely, the land use rights and constructions in progress acquired) that does not constitute a business. The Group also applied a concentration test to determine whether the equity interest acquired of Hangzhou Jiayue constitutes a business. Since the fair value of land use rights and constructions in progress, after excluding the impact of monetary funds and deferred income tax, almost equals to the total consideration of the Acquisition minus the fair value of the acquired liabilities, the Group determined that the Acquisition does not constitute a business combination.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The Group applied cost accumulation approach to determine the consideration for step acquisition of Shulan Liangyun from an associate to a subsidiary under an asset deal. Accordingly, the consideration for the Acquisition is the sum of the carrying amount of investment in Shulan Liangyun amounting RMB23,873,000 before the Acquisition and cash consideration of RMB276,000,000. As at August 31, 2021, the fair value of the total assets, total liabilities and non-controlling interests of Shulan Liangyun was RMB733,358,000, RMB456,408,000 and RMB3,089,000.

Accordingly, the Group accounted for the acquisition of the land use rights as an addition to right-of-use assets with a total cost of RMB345,317,000, the acquisition of the constructions in progress as additions to constructions in progress with a total cost of RMB219,178,000 and the acquisition of the property, plant and equipment with a total cost of RMB47,000. The useful life of the land use rights is assessed as 50 years. Out of the initial cash consideration, RMB276,000,000 was paid in 2021.

In December 2021, the Company acquired 1.03% equity interest in Hangzhou Jiayue from a non-controlling shareholder at a consideration of approximately RMB200,000. Upon completion of this transaction, the Company held 100% equity interest in Hangzhou Jiayue.

- (iv) In July 2023, the Company and Hangzhou Lingquan Equity Investment Fund Partnership (Limited Partnership) (“Hangzhou Lingquan”) entered into a capital injection agreement, pursuant to which Hangzhou Lingquan will subscribe for 90% equity interest in Hangzhou Shulan Technology Holdings Co., Ltd. (“Shulan Technology”), a wholly-owned subsidiary of the Company who operates Shulan (Jinan) International Hospital Co., Ltd. (“Shulan Jinan”), at a cash consideration of RMB90,000,000 and the Company will proportionately make capital contribution of RMB10,000,000.

In December 2023, Hangzhou Lingquan made capital contribution of RMB36,000,000 and the Company made capital contribution of RMB4,000,000, out of the subscribed capital. Consequently, the equity interests of Shulan Technology which the Company held decreased from 100% to 10%. Because the Company owns one seat in the board of directors of these companies, it had significant influence even though the shareholding was below 20%. Consequently, the investment in this company had been accounted for using the equity method and turned from a subsidiary to an associate as at December 29, 2023.

- (a) The share of results recognized in the consolidated statement of comprehensive income are as follows:

	Year ended December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Share of losses of associates	5,423	3,534	2,145

- (b) The movement in interests in associate are as follows:

	Year ended December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
As of the beginning of the year	41,315	12,019	8,485
Transfer from an associate to a subsidiary through asset acquisition (ii)	(23,873)	–	–
Transfer from a subsidiary to an associate through deemed disposal (iv)	–	–	4,000
Share of losses	(5,423)	(3,534)	(2,145)
As of the end of the year	12,019	8,485	10,340

**APPENDIX I**

**ACCOUNTANT’S REPORT**

The details of proceeds from the acquisition of Shulan Liangyun, net of cash paid are set out as below:

	<b>As at August 31, 2021</b>
	<i>RMB’000</i>
Cash consideration paid and payable	(276,000)
Less: Balances acquired – cash	<u>190,863</u>
<b>Net cash paid for the acquisition</b>	<b><u><u>(85,137)</u></u></b>

**18 TRADE AND NOTES RECEIVABLES**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade receivables from contracts with customers			
– Related parties ( <i>Note 37(c)(i)</i> )	2,891	4,213	2,163
– Third parties	<u>299,886</u>	<u>394,966</u>	<u>434,993</u>
	<u><u>302,777</u></u>	<u><u>399,179</u></u>	<u><u>437,156</u></u>
Notes receivables ( <i>a</i> )	<u>–</u>	<u>59,649</u>	<u>10,011</u>
Less: expected credit loss allowance	<u>(16,221)</u>	<u>(21,777)</u>	<u>(30,876)</u>
Total	<u><u>286,556</u></u>	<u><u>437,051</u></u>	<u><u>416,291</u></u>

(a) As at December 31, 2021, 2022 and 2023, commercial acceptance bills amounting to nil, RMB40,648,000 and RMB10,011,000 of the Group were transferred to banks by discounting on a full recourse basis, and nil, RMB10,440,000 and nil of the Group were transferred to the Group’s suppliers, respectively. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as bank borrowings relating to bills discounted with recourse (see Note 28).

The Group’s trade and notes receivables were denominated in RMB and their carrying amounts approximated their fair values.



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**ACCOUNTANT’S REPORT**

Aging analysis of trade and notes receivables based on the dates when the trade and notes receivables are recognized is as follows:

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Up to 6 months	233,485	356,949	294,842
7 to 12 months	19,856	51,896	77,726
Over 12 months	49,436	49,983	74,599
	<u>302,777</u>	<u>458,828</u>	<u>447,167</u>

**Credit loss allowance of trade and notes receivables**

The Group applies the IFRS 9 simplified approach to measure expected credit losses, which requires expected lifetime losses to be recognized from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. Details are disclosed in Note 4.1(b).

**The Company**

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Trade receivables from contracts with customers			
– Third parties	<u>23,892</u>	<u>59,980</u>	<u>85,160</u>
Less: expected credit loss allowance	<u>(1,769)</u>	<u>(5,562)</u>	<u>(13,938)</u>
	<u>22,123</u>	<u>54,418</u>	<u>71,222</u>

The Company’s trade and notes receivables were denominated in RMB and their carrying amounts approximated their fair values.

Aging analysis of trade and notes receivables based on the dates when the trade and notes receivables are recognized is as follows:

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB'000</i>	<b>2022</b> <i>RMB'000</i>	<b>2023</b> <i>RMB'000</i>
Up to 6 months	22,892	41,997	46,136
7 to 12 months	–	16,583	16,424
Over 12 months	1,000	1,400	22,600
	<u>23,892</u>	<u>59,980</u>	<u>85,160</u>

Trade and notes receivables are amounts due from patients, governments’ social insurance schemes, customers for products sold or services performed in the ordinary course of business. If collection of trade and notes receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

Trade and notes receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and notes receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 3.4.4 for a description of the Group’s impairment policies.

**19 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Included in non-current assets</b>			
<i>Prepayments</i>			
– Prepayments for technical services	1,817	1,059	972
– Prepayment for purchase of equipment	2,574	4,850	14,407
	4,391	5,909	15,379
<i>Other receivables</i>			
– Deposits	5,173	5,425	5,688
Less: expected credit loss allowance	(104)	(123)	(61)
Non-current portion	<u>9,460</u>	<u>11,211</u>	<u>21,006</u>
<b>Included in current assets</b>			
<i>Prepayments</i>			
– Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
– Prepayments for purchase of inventories	3,633	6,323	3,104
– Value-added tax recoverable	1,275	4,985	5,491
– Prepayments for utilities expenses and services	2,107	2,663	5,773
– Prepayment to related parties for products (Note 37(c)(i))	386	283	93
– Others	1,787	1,108	1,182
	11,653	18,859	34,913
<i>Other receivables</i>			
– Deposits	2,850	2,061	1,646
– Amounts due from third-party payment platforms	737	1,098	1,075
– Amounts due from related parties (Note 37(c)(i))	402	579	588
– Others	3,388	8,428	7,976
	7,377	12,166	11,285
Less: expected credit loss allowance	(263)	(130)	(272)
Current portion	<u>18,767</u>	<u>30,895</u>	<u>45,926</u>

As at December 31, 2021, 2022 and 2023, the carrying amounts of other receivables were denominated in RMB and approximated their fair values.

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**ACCOUNTANT’S REPORT**

**The Company**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Included in non-current assets</b>			
<i>Prepayments</i>			
– Prepayments for purchase of equipment	–	465	286
– Prepayments for technical services	295	188	228
	295	653	514
<i>Other receivables</i>			
– Deposits	439	459	479
	439	459	479
Less: expected credit loss allowance	(15)	(13)	(10)
Non-current portion	<u>719</u>	<u>1,099</u>	<u>983</u>
<b>Included in current assets</b>			
<i>Prepayments</i>			
– Prepayments for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
– Prepayments for utilities expenses and services	716	317	3,938
– Others	338	356	254
	3,519	4,170	23,462
<i>Other receivables</i>			
– Amounts due from related parties	263	263	279
– Deposits	64	64	64
– Others	282	275	267
	609	602	610
Less: expected credit loss allowance	(13)	(14)	(15)
Current portion	<u>4,115</u>	<u>4,758</u>	<u>24,057</u>

**20 INVENTORIES**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Pharmaceuticals	50,428	62,997	57,874
Medical consumables	17,919	36,198	33,832
Others	2,382	3,056	2,329
	70,729	102,251	94,035
Less: provision for impairment	(139)	(313)	(426)
	<u>70,590</u>	<u>101,938</u>	<u>93,609</u>

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For the years ended December 31, 2021, 2022 and 2023, the cost of inventories recognized as expenses included in cost of revenue amounted to approximately RMB683,827,000, RMB787,618,000, and RMB813,620,000, respectively.

Inventories are stated at the lower of cost and net realizable value. Cost of pharmaceuticals is determined using the first-in, first-out (FIFO) method, cost of medical consumables and other inventories are determined using weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Cost of purchased inventory is determined after deducting discounts.

**21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	390,439	223,821	235,598
Cash on hand	443	383	220
	<u>390,882</u>	<u>224,204</u>	<u>235,818</u>
Less: restricted cash (i)	(1,770)	(1,775)	(5,298)
	<u>389,112</u>	<u>222,429</u>	<u>230,520</u>

(i) As at December 31, 2021 and 2022, restricted cash represented cash being restricted for use before the customers’ acceptance of the medical equipment. As at December 31, 2023, restricted cash represented guarantee deposits for notes payable or restricted under litigation. The cash restricted under litigation was released in January 2024. Restricted cash are all denominated in RMB.

The carrying amounts of the Group’s cash at banks are denominated in the following currencies:

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents are denominated in:			
– RMB	389,103	222,420	230,510
– USD	9	9	10
	<u>389,112</u>	<u>222,429</u>	<u>230,520</u>

**The Company**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash at bank	150,939	21,928	33,678
	<u>150,939</u>	<u>21,928</u>	<u>33,678</u>

The Company’s cash and cash equivalents were denominated in RMB.

**APPENDIX I**

**ACCOUNTANT’S REPORT**

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call or with original maturities of three months or less with banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**22 FINANCIAL INSTRUMENTS BY CATEGORY**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets as per balance sheet</b>			
<i>Financial assets at amortized cost</i>			
Trade and notes receivables ( <i>Note 18</i> )	286,556	437,051	416,291
Other receivables ( <i>Note 19</i> )	12,183	17,338	16,640
Cash and cash equivalents ( <i>Note 21</i> )	389,112	222,429	230,520
Restricted cash ( <i>Note 21</i> )	1,770	1,775	5,298
<i>Financial assets at fair value</i>			
Financial assets at FVTPL ( <i>Note 24</i> )	7,210	3,556	5,024
Financial assets at FVOCI ( <i>Note 23</i> )	8,764	8,293	6,073
	<u>705,595</u>	<u>690,442</u>	<u>679,846</u>
<b>Liabilities as per balance sheet</b>			
<i>Financial liabilities at amortized cost</i>			
Borrowings ( <i>Note 28</i> )	776,000	928,923	1,175,584
Trade payables ( <i>Note 30</i> )	200,844	295,269	296,872
Dividend payable ( <i>Note 29</i> )	–	875	175
Accruals and other payables (excluding payroll and welfare benefit payables, accrued taxes other than income tax and provision for contingent and closed legal claims) ( <i>Note 31</i> )	454,117	505,608	461,699
Lease liabilities ( <i>Note 15</i> )	475,636	487,052	466,112
Redemption liabilities ( <i>Note 32</i> )	1,158,393	1,269,729	–
	<u>3,064,990</u>	<u>3,487,456</u>	<u>2,400,442</u>

**The Company**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Assets as per balance sheet</b>			
<i>Financial assets at amortized cost</i>			
Trade and notes receivables ( <i>Note 18</i> )	22,123	54,418	71,222
Other receivables ( <i>Note 19</i> )	1,020	1,034	1,064
Amounts due from subsidiaries	472,366	555,854	440,134
Cash and cash equivalents ( <i>Note 21</i> )	150,939	21,928	33,678
<i>Financial assets at fair value</i>			
Financial assets at FVOCI ( <i>Note 23</i> )	8,764	8,293	6,073
	<u>655,212</u>	<u>641,527</u>	<u>552,171</u>

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	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Liabilities as per balance sheet</b>			
<i>Financial liabilities at amortized cost</i>			
Borrowings (Note 28)	35,000	45,000	79,950
Trade payables (Note 30)	2,106	3,250	2,884
Accruals and other payables (excluding payroll and welfare benefit payables, accrued taxes other than income tax and provision for contingent and closed legal claims) (Note 31)	2,562	3,243	18,187
Amounts due to subsidiaries	218,342	181,943	170,788
Lease liabilities (Note 15)	8,241	5,890	3,452
Redemption liabilities (Note 32)	1,158,393	1,269,729	–
	<u>1,424,644</u>	<u>1,509,055</u>	<u>275,261</u>

**23 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

**The Group and the Company**

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Investment in an unlisted company	<u>8,764</u>	<u>8,293</u>	<u>6,073</u>

The carrying amount of the financial assets at FVOCI are denominated RMB.

On July 16, 2019, the Group invested RMB5,000,000 for 3.13% equity interest of a private company. The Group managed the performance of this investment on a fair value basis and designated this investment as FVOCI in accordance with the Group’s risk management and investment strategy.

**24 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

**The Group**

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wealth management products	<u>7,210</u>	<u>3,556</u>	<u>5,024</u>

The carrying amount of the financial assets at FVTPL are denominated in RMB.

The Group entered into contracts in respect of wealth management products from banks with expected but not guaranteed rates of return during the Track Record Period. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group’s risk management and investment strategy and hence they have been designated as financial assets at FVTPL.

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**25 SHARE CAPITAL AND SHARES HELD FOR RESTRICTED SHARE SCHEMES**

**(a) Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

*The Group and the Company*

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Share capital	<u>370,847</u>	<u>370,847</u>	<u>370,847</u>

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

	<b>Number of ordinary shares</b>	<b>Share capital</b>
		<i>RMB’000</i>
<b>At January 1, 2021</b>	<u>361,576</u>	<u>361,576</u>
Issuance of ordinary shares (v)	<u>9,271</u>	<u>9,271</u>
<b>At December 31, 2021, 2022 and 2023</b>	<u>370,847</u>	<u>370,847</u>

- (i) By January 1, 2020, the Company had completed three rounds of financing by way of registered capital increase to the Company, including:

Angel Financing: In December 2014, Mr. Lu Zhen made capital injection in cash of RMB25,000,000 as a consideration for the purchase of the Company’s registered capital of RMB1,250,000. In May 2016, Ms. Ge Feiyu made capital injection in cash of RMB25,000,000 as a consideration for the purchase of the Company’s registered capital of RMB1,500,000;

Series A Financing: In October 2016, Tianjin New Horizon Yousheng Equity Investment Partnership (Limited Partnership) (“Tianjin New Horizon”) and Shanghai Fuji Yinyuan Investment Co., Ltd. (“Yinyuan Investment”) completed injection of an aggregate of RMB150,000,000 to the Company as a consideration for the purchase of the Company’s registered capital of RMB5,000,000;

Series B Financing: In December 2016, Jiangsu Yida Result Innovation Venture Capital Fund (Limited Partnership) (“Jiangsu Addor”), Suzhou Qiming Rongxin Equity Investment Partnership (Limited Partnership) (“Qiming Rongxin”), Shanghai Healthcare Industry Equity Investment Fund Partnership (Limited Partnership) (“Healthcare Investment”) and Tianjin New Horizon completed injection of an aggregate of RMB215,000,000 to the Company as a consideration for the purchase of the Company’s registered capital of RMB1,433,333.

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- (ii) Series C Financing: In August 2020, China Life Chengda (Shanghai) Healthcare Equity Investment Center (Limited Partnership) (“China Life Investment”), Beijing PICC Healthcare Pension Industry Investment Fund (Limited Partnership) (“PICC Fund”), Shenzhen Hongshan Hanchen Equity Investment Partnership (Limited Partnership) (“Hongshan Hanchen”), Cliff Investment Pte. Ltd. (“Cliff Investment”), Yuanhai Mingsheng (Suzhou) Equity Investment Partnership (Limited Partnership) (“Yuanhai Mingsheng”), Hangzhou Puhua Zetong Equity Investment Partnership (Limited Partnership) (“Puhua Investment”), Suzhou Detong Hexin Venture Investment Partnership (Limited Partnership) (“Detong Investment”), Qimin Rongxin and Shanghai Dexin Equity Investment Fund Center (limited partnership) (“Dexin Investment”) completed injection of an aggregate of RMB280,000,000 to the Company as a consideration for the purchase of the Company’s registered capital of RMB5,068,000.
- (iii) On December 1, 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. By reference to the Company’s net asset value on August 31, 2020, the Company issued 360,000,000 shares at a par value of RMB1 each to the shareholders. Upon the conversion, capital reserve of RMB213,292,000 and retain earnings of RMB33,040,000 of the Company have been transferred to the share capital of the Company. And for the employee incentive plan, shares held for restricted share schemes of RMB6,502,000 have been reclassified from equity.
- (iv) On December 8, 2020, Jiexiao Enterprise made capital contribution of RMB16,000,000 to the Company to subscribe for 0.4359% of its share capital, of which RMB1,576,000 was recorded as share capital and RMB14,424,000 was recorded as capital reserves, respectively.
- (v) Series D Financing: In March 2021, Zhuhai Jinyiming Equity Investment Fund Partnership (Limited Partnership) (“Zhuhai Jinyiming”), Hongshan Hanchen and Mr. Cui Qi completed injection of an aggregate of RMB200,000,000 to the Company as a consideration for the subscription of the Company’s ordinary shares of RMB9,271,184.

**(b) Shares held for restricted share schemes**

*The Group and the Company*

A summary of movements in the Group’s and the Company’s shares held for restricted share schemes is as follows:

	<b>Number of ordinary shares</b>	<b>Shares held for restricted share schemes</b>
		<i>RMB’000</i>
<b>At January 1, 2021, December 31, 2021, 2022 and 2023</b>	<b>11,078</b>	<b>11,078</b>

Shares held for restricted share schemes are recorded to reflect the carrying amount of the shares which were granted through four limited liability partnership companies.

As the employee incentive plan is designed by the Group for its benefit and the Group has discretion in determining the participating personnel, these limited partnerships are all controlled and consolidated by the Group as structured entities and the equity interest of the Company held by these limited partnerships for the purpose of employee incentive plan are recorded as “shares held for restricted share schemes”, the details of which are set out in Note 27.



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26 RESERVES

The Group

	Reserves			
	Capital reserve <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Other reserves* <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at January 1, 2021</b>	423,097	16,523	(642,501)	(202,881)
Issuance of ordinary shares <i>(Note 25(a))</i>	190,729	–	–	190,729
Recognition of financial instruments issued to equity owners as redemption liabilities <i>(Note 32)</i>	–	–	(210,567)	(210,567)
Capital contribution from non-controlling interests	4,951	–	–	4,951
Share-based compensation expenses <i>(Note 27)</i>	–	4,582	–	4,582
Acquisition of non-controlling interests <i>(Note 17)</i>	2,889	–	–	2,889
Changes in fair value of FVOCI <i>(Note 23)</i>	–	–	2,826	2,826
Profit appropriations to statutory reserves <i>(a)</i>	–	–	7,366	7,366
<b>As at December 31, 2021</b>	<u>621,666</u>	<u>21,105</u>	<u>(842,876)</u>	<u>(200,105)</u>
<b>As at January 1, 2022</b>	621,666	21,105	(842,876)	(200,105)
Changes in fair value of FVOCI <i>(Note 23)</i>	–	–	(471)	(471)
Share-based compensation expenses <i>(Note 27)</i>	–	4,876	–	4,876
Profit appropriations to statutory reserves <i>(a)</i>	–	–	10,755	10,755
<b>As at December 31, 2022</b>	<u>621,666</u>	<u>25,981</u>	<u>(832,592)</u>	<u>(184,945)</u>
<b>As at January 1, 2023</b>	621,666	25,981	(832,592)	(184,945)
Derecognition of redemption liabilities <i>(Note 32)</i>	–	–	1,349,530	1,349,530
Changes in fair value of FVOCI <i>(Note 23)</i>	–	–	(2,220)	(2,220)
Share-based compensation expenses <i>(Note 27)</i>	–	5,848	–	5,848
Profit appropriations to statutory reserves <i>(a)</i>	–	–	1,974	1,974
<b>As at December 31, 2023</b>	<u>621,666</u>	<u>31,829</u>	<u>516,692</u>	<u>1,170,187</u>

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**The Company**

	<b>Reserves</b>			<b>Total</b> <i>RMB’000</i>
	<b>Capital reserve</b> <i>RMB’000</i>	<b>Share-based payment reserve</b> <i>RMB’000</i>	<b>Other reserves*</b> <i>RMB’000</i>	
<b>As at January 1, 2021</b>	510,544	16,523	(646,770)	(119,703)
Issuance of ordinary shares ( <i>Note 25(a)</i> )	190,729	–	–	190,729
Recognition of financial instruments issued to equity owners as redemption liabilities ( <i>Note 32</i> )	–	–	(210,567)	(210,567)
Changes in fair value of FVOCI ( <i>Note 23</i> )	–	–	2,826	2,826
Share-based compensation expenses ( <i>Note 27</i> )	–	4,582	–	4,582
<b>As at December 31, 2021</b>	<u>701,273</u>	<u>21,105</u>	<u>(854,511)</u>	<u>(132,133)</u>
<b>As at January 1, 2022</b>	701,273	21,105	(854,511)	(132,133)
Changes in fair value of FVOCI ( <i>Note 23</i> )	–	–	(471)	(471)
Share-based compensation expenses ( <i>Note 27</i> )	–	4,876	–	4,876
<b>As at December 31, 2022</b>	<u>701,273</u>	<u>25,981</u>	<u>(854,982)</u>	<u>(127,728)</u>
<b>As at January 1, 2023</b>	701,273	25,981	(854,982)	(127,728)
Derecognition of redemption liabilities ( <i>Note 32</i> )	–	–	1,349,530	1,349,530
Changes in fair value of FVOCI ( <i>Note 23</i> )	–	–	(2,220)	(2,220)
Share-based compensation expenses ( <i>Note 27</i> )	–	5,848	–	5,848
<b>As at December 31, 2023</b>	<u>701,273</u>	<u>31,829</u>	<u>492,328</u>	<u>1,225,430</u>

\* It mainly represents statutory reserves, changes in fair value of FVOCI and recognition of redemption liabilities.

- (a) In accordance with the PRC regulations and the articles of association of the Group, before distributing the net profit of each year, companies registered in the PRC are required to set aside 10% of its statutory net profit for the year after offsetting any prior year’s losses as determined under relevant accounting standards to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of each company’s share capital, any further appropriation is optional.

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**27 SHARE-BASED PAYMENTS**

The Group operates an equity-settled share-based compensation plan, under which the entity receives services from eligible employees and personnel with unique skill as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of equity instruments is recognized as an expense on the consolidated statements. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted:

- Excluding the impact of any service and non-market performance vesting conditions (e.g., remaining an employee of the entity over a specified time period and until successful [REDACTED])

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The estimates about the number of equity instruments that are expected to vest are revised at the end of each reporting period and adjustments are recognized in profit or loss and the share-based payment reserves. Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognized in relation to such shares are reversed effective at the date of the forfeiture.

Share-based compensations are provided to certain directors, mid-level and senior management, key technical personnel, key employees and other personnel with unique skills or outstanding contributions to the Group’s development for the purpose of attracting and retaining the best personnel and to provide additional incentive to promote the business, which includes the grant of restricted stock units (“RSUs”) through four limited liability partnership companies, namely Lanjun Enterprise, Shujie Investment, Shujun Enterprise and Jiexiao Enterprise. As the employee incentive plan is designed by the Group for its benefit and the Group has discretion in determining the participating personnel, these limited partnerships are all controlled and consolidated by the Group as structured entities and the equity interest of the Company held by these limited partnerships for the purpose of employee incentive plan are recorded as “shares held for restricted share schemes”.

**(a) Employee Incentive Plan in 2019**

On March 31, 2019, 9,502,000 RSUs were granted to eligible personnel at a consideration of RMB10 per RSU as rewards for their services, time devotion and professional expertise to the Company and certain of its subsidiaries (“2019 RSU Scheme”). These RSUs would be vested over the longer of service period of 5 years and one year after the consummation of a qualified [REDACTED], which was re-estimated at the end of each reporting period. The forfeited RSUs can be repurchased by the controlling shareholders of the Group (excluding the Company) or their designated third parties at the price determined by reference to subscription price and predetermined interest rate.

**(b) Employee Incentive Plan in 2020**

On December 15, 2020, 1,576,000 RSUs were granted to eligible personnel at a consideration of RMB10 per RSU as rewards for their services, time devotion and professional expertise to the Company and certain of its subsidiaries (“2020 RSU Scheme”). These RSUs would be vested over the longer of service period of 5 years and one year after the consummation of a qualified [REDACTED], which was re-estimated at the end of each reporting period. The forfeited RSUs can be repurchased by the controlling shareholders of the Group (excluding the Company) or their designated third parties at the price determined by reference to subscription price and predetermined interest rate.

**(c) Set out below are summary of shares granted for employee incentive plan in 2021, 2022 and 2023:**

	Year ended December 31,					
	2021		2022		2023	
	Average subscription price per shares	Number of RSUs	Average subscription price per shares	Number of RSUs	Average subscription price per shares	Number of RSUs
	RMB	Thousand	RMB	Thousand	RMB	Thousand
As at beginning of year	8.40	13,080	8.40	13,080	8.40	13,080
Granted during the year	10.15	261	10.15	955	10.15	739
Forfeited during the year	10.15	(261)	10.15	(955)	10.15	(492)
As at year end	8.40	13,080	8.40	13,080	8.40	13,327
Vested as of year end	0.20	2,249	0.20	2,249	0.20	2,249

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**(d) Fair value of shares granted**

The shares were valued by the third-party independent valuer using discounted cash flow method (“DCF method”). The DCF method involves applying appropriate discount rate, to discount the future cash flow forecast to present value. Key assumptions are set as below:

	Year ended December 31,		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Discount rate	12.00%-12.50%	12.00%	12.00%
Terminal growth rate	2.00%-2.50%	2.00%	2.00%

**(e) Expenses for the share-based payments has been charged to the consolidated statements of comprehensive income as follows:**

	Year ended December 31,		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
Cost of sales	2,099	1,303	1,521
Selling and marketing expenses	9	9	9
General and administrative expenses	2,474	3,564	4,318
	<u>4,582</u>	<u>4,876</u>	<u>5,848</u>

**28 BORROWINGS**

**The Group**

	As at December 31,		
	2021 <i>RMB’000</i>	2022 <i>RMB’000</i>	2023 <i>RMB’000</i>
<b>Including in non-current liabilities</b>			
<i>Secured</i>			
Long-term bank borrowings (a)	584,000	700,385	932,523
Less: current portion	(30,000)	(40,000)	(86,610)
Subtotal	<u>554,000</u>	<u>660,385</u>	<u>845,913</u>
<i>Unsecured</i>			
Long-term bank borrowings	–	28,000	37,950
Less: current portion	–	–	(2,900)
Subtotal	<u>–</u>	<u>28,000</u>	<u>35,050</u>
<b>Including in current liabilities</b>			
<i>Secured</i>			
Current portion of long-term bank borrowings (a)	30,000	40,000	86,610
Short-term bank borrowings	–	10,000	–
Subtotal	<u>30,000</u>	<u>50,000</u>	<u>86,610</u>

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	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
<b>Unsecured</b>			
Short-term borrowings (b)	192,000	149,890	195,100
Bank borrowings relating to			
bills discounted with recourse (Note 18)	–	40,648	10,011
Current portion of long-term bank borrowings	–	–	2,900
	<u>192,000</u>	<u>190,538</u>	<u>208,011</u>
<b>Total borrowings</b>	<u><u>776,000</u></u>	<u><u>928,923</u></u>	<u><u>1,175,584</u></u>

As at December 31, 2021, 2022 and 2023, the Group’s borrowings were repayable as follows:

	As at December 31,		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Within 1 year	222,000	240,538	294,621
Between 1 and 2 years	40,000	102,800	150,890
Between 2 and 5 years	245,260	194,940	589,160
Over 5 years	268,740	390,645	140,913
	<u>776,000</u>	<u>928,923</u>	<u>1,175,584</u>

(a) Long-term borrowing of RMB315,294,000, RMB309,740,000 and RMB286,610,000 as at December 31, 2021, 2022 and 2023, respectively, was secured by buildings and constructions in progress (Note 14) with aggregate net book amount of RMB544,163,000, RMB528,859,000 and RMB513,283,000 and land use rights with net book amount of RMB90,872,000, RMB88,882,000 and RMB86,891,000. The Company was the guarantor of the long-term bank borrowing. The interests are paid monthly. Maturity date for the long-term borrowing is December 26, 2026.

Long-term borrowing of RMB268,706,000, RMB390,645,000 and RMB488,913,000 as at December 31, 2021, 2022 and 2023, respectively, was secured by land use rights (Note 15) with net book amount of RMB294,642,000, RMB290,196,000 and RMB285,068,000. The Company was the guarantor of all these long-term bank borrowings with irrevocable joint guarantee liabilities. As at December 31, 2021, 2022 and 2023, RMB211,858,000, RMB256,517,000 and RMB336,841,000 of these long-term bank borrowings was also guaranteed by Shanghai Shulan Investment Co., Ltd., shareholder of the Company, with irrevocable joint guarantee liabilities and all trade receivables under certain hospital management services agreements that are generated within the period from January 1, 2025 to the date of full repayment of the borrowing were pledged as collateral for this borrowing. The interests are paid monthly. Maturity date for the long-term borrowing is December 11, 2028.

Long-term borrowing of RMB157,000,000 as at December 31, 2023, respectively, was secured by buildings and constructions in progress (Note 14) with aggregate net book amount of RMB333,596,000 and land use rights with net book amount of RMB69,012,000. All trade receivables under certain healthcare services that are generated within the period from February 20, 2023 to February 20, 2033 were pledged as collateral for this borrowing. Shanghai Shulan Investment Co., Ltd., Mr. Zheng Jie and Mr. Zheng Jun were the guarantors of the long-term bank borrowing. The interests are paid monthly. Maturity date for the long-term borrowing is February 20, 2033.

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- (b) As at December 31, 2021, the Company, Mr. Zheng Jie and Zhejiang Tongchuang were the guarantors of the Group’s secured short-term bank borrowings of RMB122,000,000, RMB15,000,000 and RMB10,000,000.

As at December 31, 2022, the Company, Zhejiang Tongchuang, Shulan (Hangzhou) Hospital Co., Ltd. and Shanghai Shulan Medical Technology Co., Ltd. were the guarantors of the Group’s secured short-term bank borrowings of RMB65,000,000, RMB20,000,000, RMB9,900,000 and RMB10,000,000.

As at December 31, 2023, the Company, Mr. Zheng Jie, Zhejiang Tongchuang, Shulan (Hangzhou) Hospital Co., Ltd. and Shanghai Shulan Medical Technology Co., Ltd. were the guarantors of the Group’s secured short-term bank borrowings of RMB30,500,000, RMB15,000,000 RMB45,000,000, RMB14,900,000 and RMB10,000,000.

- (c) As at December 31, 2021, 2022 and 2023, the fair value of borrowings approximated their carrying amounts.
- (d) As at December 31, 2021, 2022 and 2023, the weighted average annual interest rate of long-term borrowings was 4.78%, 4.70% and 4.58%, respectively.

**The Company**

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
<b>Including in non-current liabilities</b>			
<i>Unsecured</i>			
Long-term bank borrowings	–	–	9,950
Less: current portion	–	–	(100)
Subtotal	–	–	9,850
<b>Including in current liabilities</b>			
<i>Unsecured</i>			
Short-term borrowings	35,000	45,000	70,000
Current portion of long-term bank borrowings	–	–	100
	35,000	45,000	70,100
<b>Total borrowings</b>	<b>35,000</b>	<b>45,000</b>	<b>79,950</b>

As at December 31, 2021, 2022 and 2023, the Company’s borrowings were repayable as follows:

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
Within 1 year	35,000	45,000	70,100
Between 1 and 2 years	–	–	100
Between 2 and 5 years	–	–	9,750
	35,000	45,000	79,950

- (a) As at December 31, 2021, 2022 and 2023, the fair value of borrowings approximated their carrying amounts.

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*Borrowings and borrowing costs*

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the consolidated balance sheets when the obligation specified in the contract is discharged, cancelled or expired. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

**29 DIVIDEND PAYABLE**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend payable	–	875	175

Dividend payable represented dividends declared by subsidiaries of the Group out of their retained earnings to the then owners of the respective companies, after eliminating intra-group dividends. No dividends have been declared or paid by the Company during the Track Record Period.

**30 TRADE PAYABLES**

Trade payables primarily consist of payables for purchase of pharmaceuticals and medical consumables.

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts due to related parties (Note 37(c)(ii))	54,943	56,664	80,279
Trade payables to third parties	145,901	238,605	216,593
	<u>200,844</u>	<u>295,269</u>	<u>296,872</u>

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Aging analysis of the trade payables based on recognition at the respective balances sheet dates are as follows:

	As at December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Less than 1 year	188,519	270,091	280,095
Over 1 year	12,325	25,178	16,777
	<u>200,844</u>	<u>295,269</u>	<u>296,872</u>

**The Company**

	As at December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Amounts due to related parties	<u>2,106</u>	<u>3,250</u>	<u>2,884</u>

Aging analysis of the trade payables based on recognition at the respective balances sheet dates are as follows:

	As at December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
Less than 1 year	1,366	3,250	2,884
Over 1 year	740	–	–
	<u>2,106</u>	<u>3,250</u>	<u>2,884</u>

As at December 31, 2021, 2022 and 2023, the carrying amount of the Group’s and the Company’s trade payables were denominated in RMB. The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

**31 ACCRUALS AND OTHER PAYABLE**

Trade and other payables represent liabilities for products sold and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

**The Group**

	As at December 31,		
	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>
<i>Current</i>			
Amounts due to related parties (Note 37(c)(ii))	6,294	11,089	13,285
Payables for purchase of property, plant and equipment	241,165	273,609	265,141
Payroll and welfare benefit payables	84,541	104,842	107,080



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	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Payables for the settlement with			
Medical Security Bureau ( <i>b</i> )	18,957	–	–
Deposits received from patients	14,681	22,714	21,505
Other deposits	9,437	12,643	18,544
Accrued taxes other than income tax	12,740	15,503	14,299
Interests payable	8,244	6,982	5,602
Payables for outsourcing compensation	6,182	11,248	9,832
Provision for contingent and closed legal claims	4,983	3,838	5,827
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Others	9,157	27,323	52,213
	<u>416,381</u>	<u>489,791</u>	<u>528,905</u>
<i>Non-current</i>			
Amount due to third parties ( <i>a</i> )	<u>140,000</u>	<u>140,000</u>	<u>60,000</u>

(a) As at December 31, 2021, 2022 and 2023, the amounts due to third parties mainly represent the loan from third parties, Shanghai Shulan Investment Co., Ltd. and Anji Zhuozheng Investment Management Co., Ltd were the guarantors and the equity interest of Shulan Anji, a subsidiary of the Group, were pledged as a collateral for the loan. The loan is with a principal of RMB140,000,000 and bears annual interest at floating rates per annum on a yearly basis and shall be repaid on March 31, 2024.

In December 2023, a subsidy of RMB80,000,000 was granted to Shulan Anji by local government authority (Note 7). Concurrently, Shulan Anji, local government authorities and the above-mentioned third parties entered into supplemental agreements to settle the grant of the subsidy by offset RMB80,000,000 of Shulan Anji’s loan due to these third parties, and to extend the remaining loan of RMB60,000,000 to May 31, 2026.

(b) Payables for the settlement of Medical Security Bureau represent the payables that the Group should return to the Medical Security Bureau after the subsequent settlement agreement on the government approved annual quota for the medical fees to be recovered from the relevant public medical insurance program which the Group had received from the Medical Security Bureau before.

**The Company**

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Current</i>			
Payroll and welfare benefit payables	10,739	9,416	8,925
Accrued taxes other than income tax	554	1,020	725
Accruals for [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Others	2,562	3,243	2,610
	<u>13,855</u>	<u>13,679</u>	<u>27,837</u>
Total	<u>13,855</u>	<u>13,679</u>	<u>27,837</u>

As at December 31, 2021, 2022 and 2023, the carrying amount of the Group’s and the Company’s Accruals and other payables were denominated in RMB.

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**32 REDEMPTION LIABILITIES**

**The Group and Company**

	<b>As at December 31,</b>		
	<b>2021</b> <i>RMB’000</i>	<b>2022</b> <i>RMB’000</i>	<b>2023</b> <i>RMB’000</i>
Redemption liabilities	1,158,393	1,269,729	–

A contract that contains an obligation for an entity to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability. Even if the Company’s obligations to purchase is conditional on the counterparty exercising a right to redeem, the financial instruments with preferred rights are recognized as financial liabilities initially at the present value of the redemption amount and subsequently measured at amortized cost with interest charged in finance costs. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the financial liability to reflect the present value of revised estimated future cash outflows at original effective interest rate, and the adjustments will be recognized as finance costs. The redemption liabilities are classified as current liabilities unless the preferential rights can only be exercised after 12 months after the end of each reporting period.

The Group derecognises redemption liabilities when, and only when, the Group’s obligations are discharged, canceled or have expired. The carrying amount of the redemption liabilities derecognized is credited into the equity.

Since the date of incorporation, the Company completed several rounds of financing for increase in its share capital. Pursuant to the shareholders agreements entered into with each of the financing investors including Series A Financing, Series B Financing, Series C Financing and Series D Financing (collectively, the “Financial Investors”), preferred rights are granted to these investors. The key terms of the preferred rights are summarized as follows:

**Redemption right**

Financial Investors with preferred rights have a right to require the Controlling Shareholders or the Company to redeem their investments if the Company fails to achieve a qualified [REDACTED] (“[REDACTED]”) before a specified period, which updated to be December 31, 2024 after the capital injection of Series C. In addition, all these investors have a right to require the Company or the Ultimate Controllers, to redeem their investments under the circumstances that will adversely impact the Group’s operation or its [REDACTED].

The redemption amount is the original investment principal from the Financial Investors, plus an annual rate of, among which 8% for the series A Financing Investors, 10% for the of Series B, Series C and Series D Financing Investors, of the original investment principal for a period of time commencing from the relevant payment date of investments to the relevant payment date of redemption amount (calculated as 365 days in a calendar year) and any declared but unpaid dividends or profits. Any dividends or profits previously distributed to the Financial Investors shall be deducted from the redemption amount.

**Anti-dilution right**

If the Company increases its paid-in capital at a price lower than the price paid by Financing Investors including Angel Financing investors on a per paid-in capital basis (The “New Low Financing”), the Financing Investor with preferred rights have a right to require: (a) the Company to issue additional equity interests to these investors at no charge or at the lowest price allowed by the law; and (b) the Ultimate Controllers to transfer the equity interests of the Company directly or indirectly held to these investors at no charge or at the lowest price allowed by the law, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

The redemption right granted to the investors constitute as the Company’s obligations to repurchase its own equity instruments. These obligations were recognized as redemption liabilities which are initially measured at fair value (representing the present value of the expected cash flows for settling the related obligations if these rights are exercised by the investors) and subsequently measured at amortized cost. The Company applied a redemption

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discount rate ranged from 8.50% to 9.20% to determine the initial recognition amount of the redemption liabilities. The anti-dilution right is a derivative financial instrument measured at fair value through profit or loss, of which the fair value was considered close to nil as the directors of the Company expects the New Low Financing would not ever occur.

The movements of redemption liabilities for the years ended December 31, 2021, 2022 and 2023 are set out below:

**The Group and Company**

	<b>Redemption liabilities</b>
	<i>RMB’000</i>
<b>As at January 1, 2021</b>	851,266
Recognition	210,567
Charged to finance costs ( <i>Note 11</i> )	96,560
<b>As at December 31, 2021</b>	<u>1,158,393</u>
<b>As at January 1, 2022</b>	1,158,393
Charged to finance costs ( <i>Note 11</i> )	111,336
<b>As at December 31, 2022</b>	<u>1,269,729</u>
<b>As at January 1, 2023</b>	1,269,729
Charged to finance costs ( <i>Note 11</i> )	79,801
Derecognition of redemption liabilities ( <i>i</i> )	(1,349,530)
<b>As at December 31, 2023</b>	<u>–</u>

- (i) In July 2023, the Company and its shareholders entered into an amendment agreement, pursuant to which the redemption rights, liquidation rights (excluding statutory liquidation rights) and certain other rights were terminated from the date preceding the Company’s first submission of the [REDACTED] to the Stock Exchange in August 2023. On August 27, 2023, all the redemption liabilities balance of approximately RMB1,349,530,000 were credited to the Company’s equity.

**33 DEFERRED INCOME**

**The Group**

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Non-current</i>			
Government subsidies for construction projects	27,814	36,348	37,103
<i>Current</i>			
Government subsidies for research projects and others	9,479	11,282	20,251
<b>Total</b>	<u>37,293</u>	<u>47,630</u>	<u>57,354</u>

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The amounts represented subsidy granted by and received from local government authorities in the PRC. Relevant government grants related to assets which are subsidies for building. The government grants included in current portion mainly represent subsidies received from local government authorities as support on expenses incurred by the Group. There are no unfulfilled conditions or other contingencies attached to grants related to assets.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**34 DEFERRED INCOME TAX**

**The Group**

(a) The analysis of deferred tax assets and deferred tax liabilities of the Group is as follows:

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Deferred tax assets (i):			
– To be recovered within 12 months	16,104	24,663	25,990
– To be recovered after 12 months	121,595	142,832	148,764
	<u>137,699</u>	<u>167,495</u>	<u>174,754</u>
Deferred tax liabilities (ii):			
– To be recovered within 12 months	9,483	8,757	7,606
– To be recovered after 12 months	117,830	123,816	120,273
	<u>127,313</u>	<u>132,573</u>	<u>127,879</u>
(i) Deferred tax assets:			
The balance comprises temporary differences attribute to:			
– Lease liabilities	119,630	122,843	116,072
– Deferred income	6,638	6,443	6,641
– Provision for impairment losses on financial assets	5,822	7,093	8,679
– Tax losses	3,148	27,500	39,623
– Provision for contingent and closed legal claims	1,222	935	1,432
– Unrealized profit	946	2,062	2,214
– Depreciation of property, plant and equipment	263	549	–
– Impairment loss for inventories	30	70	93
	<u>137,699</u>	<u>167,495</u>	<u>174,754</u>
Offset of deferred tax liabilities pursuant to set-off provisions	<u>(123,923)</u>	<u>(129,832)</u>	<u>(123,294)</u>
Net deferred tax assets	<u>13,776</u>	<u>37,663</u>	<u>51,460</u>

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(ii) Deferred tax liabilities

	As at December 31,		
	2021	2022	2023
The balance comprises temporary differences attribute to:			
– Right-of-use assets	106,293	107,446	98,642
– Depreciation of property, plant and equipment	21,017	25,126	29,237
– Fair value gain of financial assets at FVTPL	3	1	–
	<u>127,313</u>	<u>132,573</u>	<u>127,879</u>
Offset of deferred tax assets pursuant to set-off provisions	<u>(123,923)</u>	<u>(129,832)</u>	<u>(123,294)</u>
Net deferred tax liabilities	<u>3,390</u>	<u>2,741</u>	<u>4,585</u>

(b) The movement in deferred income tax assets for the Group during the Track Record Period is as follows:

	Loss allowances for trade and notes receivables, other receivables and inventories		Provision for contingent medical claims		Unrealized profit	Lease liabilities	Deferred income	Depreciation of property, plant and equipment		Total
	RMB'000	RMB'000	RMB'000	RMB'000				RMB'000	RMB'000	
At January 1, 2021	2,613	83	974	1,390	124,790	189	–	–	130,039	
Credited/(Charged) to the consolidated statements of comprehensive income	<u>3,239</u>	<u>3,065</u>	<u>248</u>	<u>(444)</u>	<u>(5,160)</u>	<u>6,449</u>	<u>263</u>	<u>–</u>	<u>7,660</u>	
At December 31, 2021	<u>5,852</u>	<u>3,148</u>	<u>1,222</u>	<u>946</u>	<u>119,630</u>	<u>6,638</u>	<u>263</u>	<u>–</u>	<u>137,699</u>	
At January 1, 2022	5,852	3,148	1,222	946	119,630	6,638	263	–	137,699	
Credited/(Charged) to the consolidated statements of comprehensive income	<u>1,311</u>	<u>24,352</u>	<u>(287)</u>	<u>1,116</u>	<u>3,213</u>	<u>(195)</u>	<u>286</u>	<u>–</u>	<u>29,796</u>	
At December 31, 2022	<u>7,163</u>	<u>27,500</u>	<u>935</u>	<u>2,062</u>	<u>122,843</u>	<u>6,443</u>	<u>549</u>	<u>–</u>	<u>167,495</u>	

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	Loss allowances for trade and notes receivables, other receivables and inventories		Provision for contingent medical claims		Lease liabilities	Deferred income	Depreciation of property, plant and equipment		Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>			<i>RMB'000</i>	<i>RMB'000</i>	
<b>At January 1, 2023</b>	7,163	27,500	935	2,062	122,843	6,443	549	167,495	
Credited/(Charged) to the consolidated statements of comprehensive income	1,609	12,123	497	152	(6,771)	198	(549)	7,259	
<b>At December 31, 2023</b>	<u>8,772</u>	<u>39,623</u>	<u>1,432</u>	<u>2,214</u>	<u>116,072</u>	<u>6,641</u>	<u>-</u>	<u>174,754</u>	

- (c) The movement in deferred income tax liabilities for the Group during the Track Record Period is as follows:

	Fair value gain of financial assets at FVTPL	Right-of-use assets	Depreciation of property, plant and equipment	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2021</b>	148	112,825	16,909	129,882
(Credited)/Charged to the consolidated statements of comprehensive income	(145)	(6,532)	4,108	(2,569)
<b>At December 31, 2021</b>	<u>3</u>	<u>106,293</u>	<u>21,017</u>	<u>127,313</u>
<b>At January 1, 2022</b>	3	106,293	21,017	127,313
(Credited)/Charged to the consolidated statements of comprehensive income	(2)	1,153	4,109	5,260
<b>At December 31, 2022</b>	<u>1</u>	<u>107,446</u>	<u>25,126</u>	<u>132,573</u>
<b>At January 1, 2023</b>	1	107,446	25,126	132,573
(Credited)/Charged to the consolidated statements of comprehensive income	(1)	(8,804)	4,111	(4,694)
<b>At December 31, 2023</b>	<u>-</u>	<u>98,642</u>	<u>29,237</u>	<u>127,879</u>

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**The Company**

(a) The analysis of deferred tax assets and deferred tax liabilities of the Company is as follows:

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
Deferred tax assets (i):			
– To be recovered within 12 months	2,123	2,979	4,737
– To be recovered after 12 months	1,712	1,098	1,704
	<u>3,835</u>	<u>4,077</u>	<u>6,441</u>
Deferred tax liabilities (ii):			
– To be recovered within 12 months	553	527	514
– To be recovered after 12 months	1,585	1,058	437
	<u>2,138</u>	<u>1,585</u>	<u>951</u>
(i) Deferred tax assets:			
The balance comprises temporary differences attribute to:			
– Lease liabilities	2,304	1,707	1,006
– Provision for impairment for trade and notes receivables and other receivables	1,531	2,370	4,121
– Tax losses	–	–	1,314
	<u>3,835</u>	<u>4,077</u>	<u>6,441</u>
Offset of deferred tax liabilities pursuant to set-off provisions	<u>(2,138)</u>	<u>(1,585)</u>	<u>(951)</u>
Net deferred tax assets	<u>1,697</u>	<u>2,492</u>	<u>5,490</u>
(ii) Deferred tax liabilities:			
The balance comprises temporary differences attribute to:			
– Right-of-use assets	2,138	1,585	951
Offset of deferred tax assets pursuant to set-off provisions	<u>(2,138)</u>	<u>(1,585)</u>	<u>(951)</u>
Net deferred tax liabilities	<u>–</u>	<u>–</u>	<u>–</u>

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(b) The movement in deferred income tax assets for the Company during the Track Record Period is as follows:

	<b>Loss allowances for trade and notes receivables and other receivables</b>	<b>Lease liabilities</b>	<b>Tax losses</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2021</b>	607	2,761	–	3,368
Credited/(Charged) to the consolidated statements of comprehensive income	924	(457)	–	467
<b>At December 31, 2021</b>	<u>1,531</u>	<u>2,304</u>	<u>–</u>	<u>3,835</u>
<b>At January 1, 2022</b>	1,531	2,304	–	3,835
Credited/(Charged) to the consolidated statements of comprehensive income	839	(597)	–	242
<b>At December 31, 2022</b>	<u>2,370</u>	<u>1,707</u>	<u>–</u>	<u>4,077</u>
<b>At January 1, 2023</b>	2,370	1,707	–	4,077
Credited/(Charged) to the consolidated statements of comprehensive income	1,751	(701)	1,314	2,364
<b>At December 31, 2023</b>	<u>4,121</u>	<u>1,006</u>	<u>1,314</u>	<u>6,441</u>

(c) The movement in deferred income tax liabilities are as follows:

	<b>Fair value gain of financial assets at FVTPL</b>	<b>Right-of-use assets</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2021</b>	36	2,602	2,638
Credited to the consolidated statements of comprehensive income	(36)	(464)	(500)
<b>At December 31, 2021</b>	<u>–</u>	<u>2,138</u>	<u>2,138</u>



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	Fair value gain of financial assets at FVTPL	Right-of-use assets	Total
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
<b>At January 1, 2022</b>	–	2,138	2,138
Credited to the consolidated statements of comprehensive income	–	(553)	(553)
<b>At December 31, 2022</b>	<u>–</u>	<u>1,585</u>	<u>1,585</u>
<b>At January 1, 2023</b>	–	1,585	1,585
Credited to the consolidated statements of comprehensive income	–	(634)	(634)
<b>At December 31, 2023</b>	<u>–</u>	<u>951</u>	<u>951</u>

**35 CASH FLOW INFORMATION**

**(a) Cash generated from operations**

	<u>Year ended December 31,</u>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
(Loss)/profit before income tax	(73,145)	(99,127)	7,377
Adjustments for:			
– Depreciation of property, plant and equipment ( <i>Note 14</i> )	71,837	85,908	96,220
– Depreciation of right-of-use assets ( <i>Note 15</i> )	34,194	35,334	37,347
– Amortisation of intangible assets ( <i>Note 16</i> )	3,817	4,582	5,051
– Losses/(gains) on disposal of property, plant and equipment ( <i>Note 8</i> )	89	(46)	29
– Gains on termination of lease ( <i>Note 8</i> )	–	(621)	–
– (Reversal of)/provision impairment of inventories ( <i>Note 9</i> )	(248)	174	113
– Provision for impairment losses on financial assets	11,534	7,627	9,355
– Share of losses of investments accounted for using equity method	5,423	3,534	2,145
– Finance costs ( <i>Note 11</i> )	129,734	156,258	124,969
– Fair value gains on financial assets at FVTPL ( <i>Note 8</i> )	(4,511)	(238)	(109)
– Interest income on loans granted to related parties ( <i>Note 7</i> )	(1,651)	–	–
– Deemed disposal gain from transfer a subsidiary to an associate ( <i>Note 8</i> )	–	–	(8,674)
– Finance income ( <i>Note 11</i> )	(3,120)	(2,278)	(2,153)
– Share-based compensation expenses ( <i>Note 27</i> )	4,582	4,876	5,848
<b>Operating cash flows before changes in working capital</b>	<u>178,535</u>	<u>195,983</u>	<u>277,518</u>

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	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Change in working capital:			
– Increase/(Decrease) of contract liabilities	1,857	6,306	(7,229)
– Increase in restricted cash	(1,770)	(5)	(650)
– (Decrease)/Increase of deferred income	(3,981)	984	7,731
– Increase of trade and notes receivables	(90,109)	(158,237)	(48,164)
– Increase of prepayments, deposits and other receivables	(3,227)	(11,874)	(15,894)
– (Increase)/Decrease of inventories	(5,840)	(31,522)	8,216
– Increase of trade payables	5,803	94,425	12,175
– (Decrease)/Increase of other payables	(14,236)	42,793	(9,812)
<b>Cash generated from operations</b>	<b>67,032</b>	<b>138,853</b>	<b>223,891</b>

**(b) Non-cash investing and financing activities**

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Increase/(Decrease) of redemption liabilities	307,127	111,336	(1,269,729)
Derecognition of notes receivable	–	–	49,080
Offset of the loan due to third parties	–	–	80,000

**(c) Net debt reconciliation**

Set out below is an analysis of net debt and the movements in net debt for each of the years presented.

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents	389,112	222,429	230,520
Borrowings	(776,000)	(928,923)	(1,175,584)
Amount due to related parties	(6,294)	(11,089)	(13,285)
Amount due to third parties	(140,000)	(140,000)	(60,000)
Lease liabilities	(475,636)	(487,052)	(466,112)
<b>Net debt</b>	<b>(1,008,818)</b>	<b>(1,344,635)</b>	<b>(1,484,461)</b>
Cash and cash equivalents	389,112	222,429	230,520
Amount due to related parties	(6,294)	(11,089)	(13,285)
Gross debt – fixed interest rates	(507,636)	(637,600)	(781,523)
Gross debt – variable interest rates	(884,000)	(918,375)	(920,173)
<b>Net debt</b>	<b>(1,008,818)</b>	<b>(1,344,635)</b>	<b>(1,484,461)</b>

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	Liabilities arising from financing activities					Other assets	
	Amount due					Cash and cash equivalents	Net debt
	Lease liabilities	to related parties	Loan from third parties	Borrowings	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at January 1, 2021</b>	(496,901)	(35,775)	(140,000)	(300,860)	(973,536)	235,386	(738,150)
Cash flows from financing activities	50,326	20,811	-	(280,253)	(209,116)	153,726	(55,390)
Cash flows from investing activities	-	-	-	17,944	17,944	-	17,944
Additions	(5,606)	2,809	-	-	(2,797)	-	(2,797)
Accrual interest	(23,455)	(160)	-	(27,449)	(51,064)	-	(51,064)
Step-acquisition from an associate to a subsidiary	-	-	-	(185,382)	(185,382)	-	(185,382)
Other changes	-	6,021	-	-	6,021	-	6,021
<b>Balance at December 31, 2021</b>	<b>(475,636)</b>	<b>(6,294)</b>	<b>(140,000)</b>	<b>(776,000)</b>	<b>(1,397,930)</b>	<b>389,112</b>	<b>(1,008,818)</b>

	Liabilities arising from financing activities					Other assets	
	Amount due					Cash and cash equivalents	Net debt
	Lease liabilities	to related parties	Loan from third parties	Borrowings	Subtotal		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at January 1, 2022</b>	(475,636)	(6,294)	(140,000)	(776,000)	(1,397,930)	389,112	(1,008,818)
Cash flows from financing activities	49,779	(1,000)	-	(126,102)	(77,323)	(166,683)	(244,006)
Cash flows from investing activities	-	16,323	-	16,740	33,063	-	33,063
Additions	(37,255)	(20,118)	-	-	(57,373)	-	(57,373)
Accrual interest	(23,940)	-	-	(43,561)	(67,501)	-	(67,501)
<b>Balance at December 31, 2022</b>	<b>(487,052)</b>	<b>(11,089)</b>	<b>(140,000)</b>	<b>(928,923)</b>	<b>(1,567,064)</b>	<b>222,429</b>	<b>(1,344,635)</b>

<b>Balance at January 1, 2023</b>	(487,052)	(11,089)	(140,000)	(928,923)	(1,567,064)	222,429	(1,344,635)
Cash flows from financing activities	48,885	1,000	-	(272,535)	(222,650)	8,091	(214,559)
Cash flows from investing activities	-	3,333	-	23,160	26,493	-	26,493
Additions	(5,135)	(6,529)	-	-	(11,664)	-	(11,664)
Accrual interest	(22,810)	-	-	(46,366)	(69,176)	-	(69,176)
Other changes	-	-	80,000	49,080	129,080	-	129,080
<b>Balance at December 31, 2023</b>	<b>(466,112)</b>	<b>(13,285)</b>	<b>(60,000)</b>	<b>(1,175,584)</b>	<b>(1,714,981)</b>	<b>230,520</b>	<b>(1,484,461)</b>

**36 COMMITMENTS**

**Capital commitments**

Capital expenditure contracted for at the end of the year but not yet incurred is as follows:

	As at December 31,		
	2021	2022	2023
Property, plant and equipment	1,276,867	1,035,227	787,641

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**37 SIGNIFICANT RELATED PARTY TRANSACTIONS**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended December 31, 2021, 2022 and 2023 respectively, and balances arising from related party transactions as at December 31, 2021, 2022 and 2023 respectively.

**(a) Names and relationships with related parties**

<b>Name</b>	<b>Relationship</b>
Mr. Zheng Jie	Controlling Shareholder
Mr. Zheng Jun	Controlling Shareholder
Shulan Investment	Controlling Shareholder
Ms. Ge Feiyu	Shareholder of the Company
Ningbo Obstetrics	Associate
Shulan Liangyun	Associate of the Group before August 31, 2021
Shandong Shulan Industry Holdings Co., Ltd. (“Shandong Shulan”)	Associate of the Group after December 29, 2023
Shulan Jinan	Associate of the Group after December 29, 2023
Zhejiang Tongchuang Yuecheng Health Technology Co., LTD (“Tongchuang Yuecheng”)	Controlled by controlling shareholder
Zhejiang Shulan Health Industry Investment Development Co., Ltd (“Shulan Health Industry”)	Controlled by controlling shareholder
Zhejiang Shengchuang Precision Medical Technology Co., LTD (“Zhejiang Shengchuang”)	Controlled by controlling shareholder
Hangzhou Zhuoshen Technology Co., LTD (“Hangzhou Zhuoshen”)	Controlled by controlling shareholder
Hangzhou Tongchuang Yuecheng Gene Technology Co., LTD (“Yuecheng Gene”)	Controlled by controlling shareholder
Hangzhou Tongchuang Biological	Controlled by controlling shareholder
Hangzhou Shulan Junjie Investment Management Co. LTD (“Shulan Junjie”)	Controlled by controlling shareholder
Hangzhou Saituo Accelerator Co. LTD (“Hangzhou Saituo”)	Controlled by controlling shareholder
Zhejiang Huzhou Wowjoy Information Technology Co., LTD (“Wowjoy Information”)	Controlled by controlling shareholder
Hangzhou Hongzhuo Intelligent Engineering Co., LTD (“Hangzhou Hongzhuo”)	Controlled by controlling shareholder
Shenzhen Shulan Symbiotic Equity Investment Fund Management Co. LTD (“Shulan Symbiotic”)	Controlled by controlling shareholder
Shaoxing Tongchuang Medical Instrument Co. LTD (“Tongchuang Medical Instrument”)	Controlled by controlling shareholder
Shaoxing Tongchuang Biological Technology Co. LTD (“Tongchuang Biological Technology”)	Controlled by controlling shareholder
Hangzhou General Health Management Consulting Co., LTD (“Hangzhou Health”)	Controlled by controlling shareholder
Ms. Shen Yimin	Non-controlling shareholder of a subsidiary
Mr. Ke Guohong	Non-controlling shareholder of a subsidiary
Huadong Medicine Co., Ltd. (“Huadong Medicine”)	Non-controlling shareholder of a subsidiary
Anji Zhuozheng Investment Management Co., LTD (“Anji Zhuozheng”)	Non-controlling shareholder of a subsidiary
Zhoushan Tongli investment partnership (limited partnership) (“Zhoushan Tongli”)	Non-controlling shareholder of a subsidiary
Zhoushan Tongyuan investment partnership (limited partnership) (“Zhoushan Tongyuan”)	Non-controlling shareholder of a subsidiary

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<b>Name</b>	<b>Relationship</b>
Huadong Ningbo Pharmaceutical Co., Ltd (“Huadong Pharmaceutical Ningbo”)	Controlled by non-controlling shareholder of a subsidiary
Huadong Pharmaceutical (Hangzhou) Biological Products Co., Ltd (“Huadong Pharmaceutical Hangzhou”)	Controlled by non-controlling shareholder of a subsidiary
Huadong Huzhou Pharmaceutical Co., Ltd (“Huadong Pharmaceutical Huzhou”)	Controlled by non-controlling shareholder of a subsidiary
Huadong Medicine Shaoxing Co. LTD (“Huadong Medicine Shaoxing”)	Controlled by non-controlling shareholder of a subsidiary
Anji Jinxin Investment Co. LTD (“Anji Jinxin”)	Controlled by non-controlling shareholder of a subsidiary

**(b) Transactions with related parties**

*Continuing transactions – trade*

	<b>Year ended December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(i) Sales of goods			
Zhejiang Shengchuang	88	170	223
Wowjoy Information	–	–	1,352
	<u>88</u>	<u>170</u>	<u>1,575</u>
(ii) Provision of services			
Ningbo Obstetrics	8,809	11,618	11,026
Zhejiang Shengchuang	1,661	3,792	2,592
	<u>10,470</u>	<u>15,410</u>	<u>13,618</u>
(iii) Purchase of products			
Huadong Medicine	158,350	175,838	238,792
Wowjoy Information	11,275	21,939	11,904
Yuecheng Gene	66	–	–
Huadong Pharmaceutical Hangzhou	1,606	196	397
Tongchuang Yuecheng	1,340	1,034	1,053
Huadong Pharmaceutical Ningbo	315	–	–
Tongchuang Biological Technology	956	663	810
Huadong Medicine Shaoxing	3	2	4
Hangzhou Zhuoshen	–	–	300
Huadong Pharmaceutical Huzhou	–	–	207
	<u>173,911</u>	<u>199,672</u>	<u>253,467</u>
(iv) Purchase of services			
Hangzhou Saituo	841	304	399
Hangzhou Health	39	22	–
Hangzhou Hongzhuo	31	–	–
	<u>911</u>	<u>326</u>	<u>399</u>

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	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(v) Lease to related parties			
Zhejiang Shengchuang	984	954	946
(vi) Increase of right-of-use assets leased from related parties			
Hangzhou Saituo	2,802	–	–

*Discontinuing transactions – non-trade*

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
(i) Interest income from related parties			
Shulan Liangyun	1,131	–	–
(ii) Loans granted to related parties			
Shulan Liangyun	254,799	–	–

The loans to Shulan Liangyun were unsecured, repayable on demand and bore interests at floating rates. The loan to Shulan Health Industry was unsecured, interest-free and repayable on demand.

(iii) Repayment of loans granted to related parties			
Shulan Health Industry	1,558	–	–
(iv) Loans from related parties			
Mr. Zheng jie	–	3,000	–

The loans from Anji Zhuozheng and Mr. Zheng Jie were unsecured, interest-free and repayable on demand.

(v) Repayments to related parties			
Mr. Zheng Jie	–	2,000	1,000

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(c) **Balances with related parties**

(i) *Amounts due from related parties*

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Trade and notes receivables – Trade:</i>			
Ningbo Obstetrics	2,854	3,280	479
Zhejiang Shengchuang	27	929	540
Hangzhou Health	10	2	15
Shulan Jinan	–	–	43
Wowjoy Information	–	2	1,086
	<u>2,891</u>	<u>4,213</u>	<u>2,163</u>
<i>Prepayments, deposits and other receivables –</i>			
<i>Prepayments Trade:</i>			
Huadong Pharmaceutical Hangzhou	163	220	48
Wowjoy Information	135	–	–
Huadong Medicine	88	50	32
Tongchuang Medical Instrument	–	13	13
	<u>386</u>	<u>283</u>	<u>93</u>
<i>Prepayments, deposits and other receivables –</i>			
<i>Other receivables – Non-trade:</i>			
Hangzhou Saituo	135	135	135
Shandong Shulan	–	–	14
Ningbo Obstetrics	–	181	176
Wowjoy Information	4	–	–
Ms. Ge Feiyu	263	263	263
	<u>402</u>	<u>579</u>	<u>588</u>

(ii) *Amounts due to related parties*

	<b>As at December 31,</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Accruals and other payables –</i>			
<i>Non-trade</i>			
Anji Zhuozheng	5,901	5,901	5,901
Mr. Zheng Jie	–	1,000	–
Ningbo Obstetrics	–	–	20
Hangzhou Health	257	257	256
Wowjoy Information	79	3,874	7,051
Hangzhou Zhuoshen	57	57	57
	<u>6,294</u>	<u>11,089</u>	<u>13,285</u>

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	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Trade payables – Trade:</i>			
Huadong Medicine	49,278	51,580	76,586
Wowjoy Information	2,141	4,302	2,885
Tongchuang Yuecheng	401	196	310
Tongchuang Biological Technology	115	119	233
Huadong Pharmaceutical Hangzhou	438	435	59
Zhejiang Shengchuang	2,371	–	–
Hangzhou Saituo	80	–	–
Huadong Pharmaceutical Huzhou	2	3	147
Hangzhou Hongzhuo	29	29	29
Hangzhou Zhuoshen	–	–	30
Huadong Pharmaceutical Ningbo	88	–	–
	<u>54,943</u>	<u>56,664</u>	<u>80,279</u>

**(iii) Lease liabilities due to related parties-Trade**

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Hangzhou Saituo	5,244	3,864	2,420
	<u>5,244</u>	<u>3,864</u>	<u>2,420</u>

**(d) Commitments to an associate**

	As at December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<i>Commitments to provide funding for capital</i>			
Hangzhou Shulan technology	–	–	6,000
	<u>–</u>	<u>–</u>	<u>6,000</u>

**(e) Key management personnel compensations**

Key management includes directors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,		
	2021	2022	2023
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Wages, salaries, bonuses and employee welfare	6,048	6,316	7,046
Pension, social security costs and housing benefits	609	679	797
Share-based compensation expenses	273	273	(224)
	<u>6,930</u>	<u>7,268</u>	<u>7,619</u>

**38 AMOUNTS DUE FROM/TO SUBSIDIARIES – THE COMPANY**

As at December 31, 2021, 2022 and 2023, the amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.



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39 SUBSIDIARIES

Subsidiaries

The following is a list of the subsidiaries of the Group as at December 31, 2021, 2022 and 2023:

Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			2021	2022	2023			
Shanghai Shulan Medical Technology Co., LTD. (“Shanghai Shulan”)	Shanghai, the PRC, December 19, 2016, limited liability company	RMB25,000,000/ RMB20,000,000	100%	100%	100%	100% direct	Technical services and consulting, the PRC.	(vii)
Shulan (Anji) Hospital Co., Ltd. (“Shulan Anji”)	Huzhou, the PRC, January 17, 2017, limited liability company	RMB100,000,000/ RMB100,000,000	85%	85%	85%	85% indirect	General hospital services, the PRC.	(ii) (vii)
Shulan (Anji) General Outpatient Department Co., LTD. (“Anji General Outpatient Department”)	Huzhou, the PRC, December 2, 2020, limited liability company	RMB5,000,000/Nil	85%	85%	85%	85% indirect	Clinic services, the PRC.	(x)
Hangzhou Daikai Medical Technology Co., LTD. (“Daikai Medical”)	Hangzhou, the PRC, November 30, 2015, limited liability company	RMB5,000,000/ RMB5,000,000	100%	100%	100%	100% direct	The third category of medical equipment sales, the PRC.	(i) (vii)
Hangzhou Lantian Technology Co., LTD. (“Hangzhou Lantian”)	Hangzhou, the PRC, March 18, 2016, limited liability company	RMB1,000,000/Nil	100%	100%	100%	100% direct	Catering services, the PRC.	(x)

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Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			As at December 31, 2021	2022	2023			
Zhejiang Nash Property Management Service Co., LTD. (“Hangzhou Nash”)	Hangzhou, the PRC, September 24, 2015, limited liability company	RMB10,000,000/ RMB1,000,000	100%	100%	100%	direct	Property management and parking services, the PRC.	(x)
Shulan Internet Hospital (Hangzhou) Co., LTD. (formerly Shulan Jiejun Hospital (Hangzhou) Co., LTD.) (“Jiejun Hospital”)	Hangzhou, the PRC, February 13, 2020, limited liability company	RMB5,000,000/Nil	100%	100%	100%	indirect	Technical services and consulting, the PRC.	(x)
Hangzhou Jiejun Hospital Management Co., Ltd. (“Jiejun Management”)	Hangzhou, the PRC, October 20, 2015, limited liability company	RMB10,000,000/ RMB500,000	100%	100%	100%	direct	Consultation business, the PRC.	(x)
Shulan (Hainan) Doctor Group Co., Ltd. (“Hainan Doctor Group”)	Qionghai, the PRC, March 9, 2018, limited liability company	RMB10,000,000 /Nil	100%	100%	100%	direct	Consultation business, the PRC.	(x)
Hangzhou Shulan Landscape Integrated Traditional Chinese and Western Medicine Clinic Co., Ltd. (“Shulan Landscape Clinic”)	Hangzhou, the PRC, February 28, 2018, limited liability company	RMB2,000,000/ RMB2,000,000	100%	100%	100%	direct	Medical diagnosis and treatment services, the PRC.	(x)
Hainan Shulan Boao Hospital Co., Ltd. (“Hainan Boao”)	Qionghai, the PRC, May 13, 2020, limited liability company	RMB132,000,000/ RMB132,000,000	100%	100%	100%	direct	General hospital services, the PRC.	(iii) (vii)
Shulan (Hangzhou) Hospital Co., Ltd. (“Shulan Hospital”)	Hangzhou, the PRC, December 30, 2014, limited liability company	RMB66,670,000/ RMB66,670,000	100%	100%	100%	indirect	General hospital services, the PRC.	(i) (iv) (vii)

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Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			As at December 31, 2021	2022	2023			
Hangzhou Junlan Medicine Trading Co., Ltd. (“Shulan Junlan”)	Hangzhou, the PRC, July 28, 2015, limited liability company	RMB11,120,000/ RMB11,120,000	89.93%	89.93%	89.93%	indirect	Pharmaceutical sales, the PRC. (i)	
Hangzhou Shulan Hongyi Pharmacy co., Ltd. (“Shulan Hongyi”)	Hangzhou, the PRC, July 3, 2017, limited liability company	RMB300,000/ RMB300,000	89.93%	89.93%	89.93%	indirect	Pharmaceutical sales, the PRC. (x)	
Zhiyoutang (Hangzhou) Traditional Chinese Medicine Clinic Co., Ltd. (“Zhiyoutang Hangzhou”)	Hangzhou, the PRC, October 22, 2015, limited liability company	RMB5,700,000/ RMB3,100,000	70%	70%	70%	indirect	Traditional Chinese Medicine services, the PRC. (x)	
Zhejiang Shulan International Health Management Co., Ltd. (“Shulan International”)	Hangzhou, the PRC, November 23, 2016, limited liability company	RMB10,000,000/ RMB1,000,000	100%	100%	100%	direct	Health management, the PRC. (x)	
Hangzhou Jianli Hospital Management Co., Ltd. (“Hangzhou Jianli”)	Hangzhou, the PRC, July 10, 2019, limited liability company	RMB500,000 /Nil	100%	100%	100%	indirect	Consultation business, the PRC. (x)	
Zhejiang Tongchuang	Hangzhou, the PRC, November 29, 2019, limited liability company	RMB21,000,000/ RMB21,000,000	91.9%	91.9%	91.9%	direct	Medical examination services, the PRC. (i) (v) (vii)	

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Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			As at December 31, 2021	2022	2023			
Hainan Tongzhuo Medical Examination Laboratory Co., Ltd. (“Tongzhuo Doctor”)	Qionghai, the PRC, November 29, 2019, limited liability company	RMB5,000,000/ Nil	91.9%	91.9%	91.9%	indirect	Consultation business, the PRC.	(x)
Hangzhou Tongyi Cold Chain Logistics Co., Ltd. (“Tongyi Cold Chain”)	Hangzhou, the PRC, November 29, 2019, limited liability company	RMB5,000,000/ RMB500,000	91.9%	91.9%	91.9%	indirect	Logistics service, the PRC.	(x)
Shanxi Tongchuan Medical Management Co., Ltd. (“Shanxi Tongchuan”)	Taiyuan, the PRC, November 29, 2019, limited liability company	RMB10,000,000/ RMB1,000,000	59.735%	59.735%	59.735%	indirect	Medical examination services, the PRC.	(i) (ix)
Yuncheng Tongchuang Medical Management Co., Ltd. (“Yuncheng Tongchuang”)	Yuncheng, the PRC, November 29, 2018, limited liability company	RMB20,000,000/ RMB850,000	59.735%	59.735%	59.735%	indirect	Medical examination services, the PRC.	(i) (ix)
Hangzhou Tongchuang Medical Examination Laboratory Co., Ltd. (“Hangzhou Tongchuang”)	Hangzhou, the PRC, November 29, 2019, limited liability company	RMB20,000,000/ RMB20,000,000	91.9%	91.9%	91.9%	indirect	Medical examination services, the PRC.	(i) (v) (viii)
Hangzhou Haimao Medical Instruments Co., Ltd. (“Hangzhou Haimao”)	Hangzhou, the PRC, August 20, 2020, limited liability company	RMB5,000,000/ RMB200,000	91.9%	91.9%	91.9%	indirect	Medical instruments operation, the PRC.	(x)
Huzhou Tongchuang	Huzhou, the PRC, November 29, 2019, limited liability company	RMB17,000,000/ RMB17,000,000	91.9%	91.9%	91.9%	N/A indirect	Medical examination services, the PRC.	(i) (v) (viii) (xvii)

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Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			As at December 31, 2021	2022	2023			
Shaoxing Tongchuang Medical Examination Institute Co., Ltd. (“Shaoxing Tongchuang”)	Shaoxing, the PRC, November 29, 2019, limited liability company	RMB17,000,000/ RMB6,000,000	91.9%	N/A	N/A	indirect	Medical examination services, the PRC. (i) (v) (xiii)	
Shulan (Quzhou) Hospital Co., Ltd. (“Quzhou Hospital”)	Quzhou, the PRC, March 12, 2021, limited liability company	RMB40,000,000/ RMB40,000,000	100%	100%	100%	indirect	General hospital service, the PRC. (vii)	
Shulan (Zhoushan Putuo) Hospital Co., Ltd. (“Putuo Hospital”)	Zhoushan, the PRC, April 19, 2021, limited liability company	RMB50,000,000/ RMB5,000,000	100%	N/A	N/A	indirect	General hospital service, the PRC. (x) (xi)	
Shulan (Chengdu) Hospital Co., Ltd. (“Chengdu Hospital”)	Chengdu, the PRC, April 23, 2021, limited liability company	RMB100,000,000/ RMB7,692,300	65%	65%	65%	indirect	General hospital service, the PRC. (x)	
Shulan (Shenzhen) Hospital Co., Ltd. (“Shenzhen Hospital”)	Shenzhen, the PRC, October 29, 2020, limited liability company	RMB5,000,000/ RMB1,000,000	100%	100%	100%	direct	Medical examination services, the PRC. (x)	
Shulan (Hainan) Skin Health Co., Ltd. (“Skin Health”)	Qionghai, the PRC, October 15, 2020, limited liability company	RMB5,000,000/ Nil	70%	N/A	N/A	indirect	Medical examination services, the PRC. (x) (xv)	
Zhejiang Hongyi Huawei Pharmaceutical Co., Ltd. (“Hongyi Huawei”)	Hangzhou, the PRC, June 3, 2021, limited liability company	RMB10,000,000/ RMB6,000,000	100%	100%	100%	indirect	Pharmaceutical sales, the PRC. (x)	

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ACCOUNTANT’S REPORT

Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			As at December 31, 2021	2022	2023			
Shenzhen Tongchuang Medical Examination Laboratory	Shenzhen City, the PRC, April 7, 2022, limited liability company	RMB5,000,000/ Nil	N/A	91.9%	91.9%	indirect	Medical examination services, the PRC. (x) (xiv)	
Shulan Jinan	Jinan, the PRC, November 5, 2021, limited liability company	RMB200,000,000/ RMB40,000,000	80%	N/A	N/A	indirect	General hospital service, the PRC. (vi) (xvi)	
Shulan (Chongqing) Hospital Co., Ltd. (“Shulan Chongqing”)	Chongqing, the PRC, October 29, 2021, limited liability company	RMB30,000,000/ Nil	100%	100%	100%	direct	General hospital service, the PRC. (x)	
Quzhou Hongyi Pharmacy Co., Ltd. (“Quzhou Hongyi”)	Quzhou, the PRC, July 13, 2022, limited liability company	RMB300,000/ RMB300,000	N/A	100%	100%	indirect	Pharmaceutical sales, the PRC. (x)	
Binzhou Tongchuang Medical Equipment Co., Ltd. (“Binzhou Tongchuang”)	Binzhou, the PRC, July 11, 2022, limited liability company	RMB5,000,000/ RMB1,000,000	N/A	91.9%	91.9%	indirect	Medical device sales, the PRC. (x)	
Hangzhou Yunzhonglai Technology Co., Ltd. (“Hangzhou Yunzhonglai”)	Hangzhou, the PRC, June 7, 2022, limited liability company	RMB1,000,000/ Nil	N/A	100%	100%	indirect	Value-added telecommunications services, the PRC. (x)	
Hangzhou Shulan Technology Holdings Co., Ltd. (“Hangzhou Shulan Technology”)	Hangzhou, the PRC, March 1, 2022, limited liability company	RMB100,000,000/ Nil	N/A	100%	N/A	direct	Corporate management and consulting services, the PRC. (x) (xvi)	

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ACCOUNTANT’S REPORT

Company Name	Place and date of incorporation/ acquisition and kind of legal entity	Registered/ Paid-in capital	Attributable equity interest of the Group			Direct or indirect	Principal activities and place of operation	Note
			As at the date of this report					
			As at December 31, 2021	2022	2023			
Shandong Shulan	Jinan, the PRC, August 2, 2022, limited liability company	RMB10,000,000/ RMB10,000,000	N/A	100%	N/A	indirect	Corporate management and consulting services, the PRC. (x) (xvi)	
Shulan Liangyun (Note 18(i))	Hangzhou, the PRC, August 27, 2021, limited liability company	RMB100,000,000/ RMB100,000,000	100%	100%	100%	indirect	General hospital service, the PRC. (vi) (vii)	
Hangzhou Jiayue Investment Partnership (Limited partnership)	Hangzhou, the PRC, August 27, 2021, Limited partnership	RMB193,412,270/ RMB191,612,270	100%	100%	100%	direct	Technical services and consulting, the PRC. (x)	
Ningbo Meishan Bonded Port Area Jieshuo Investment Partnership (Limited Partnership)	Ningbo, the PRC, August 27, 2021, Limited partnership	RMB1,000,000,000/ RMB191,612,270	100%	100%	100%	indirect	Technical services and consulting, the PRC. (x)	
Hangzhou Zhaoyun Health Industrial Development Co., Ltd.	Hangzhou, the PRC, August 27, 2021, limited liability company	RMB50,000,000/ Nil	99%	99%	N/A	indirect	Technical services and consulting, the PRC. (x) (xii)	
Daikai Medical Technology (Shenzhen) Co., Ltd.	Shenzhen City, the PRC, October 17, 2023, limited liability company	RMB10,000,000/ Nil	N/A	N/A	100%	indirect	Medical device sales, the PRC. (x)	
Daikai Medical Technology (Hainan) Co., Ltd.	Qionghai, the PRC, December 28, 2023, limited liability company	RMB10,000,000/ Nil	N/A	N/A	100%	indirect	Medical device sales, the PRC. (x)	

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- \* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.
- (i) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2020 were prepared in accordance with Chinese accounting standards and were audited by Pan-China Certified Public Accountants LLP, certified public accountants registered in the PRC.
- (ii) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2021 were prepared in accordance with Chinese accounting standards and were audited by Beijing Xinghua Certified Public Accountants LLP (北京興華會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.
- (iii) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2021 were prepared in accordance with Chinese accounting standards and were audited by Beijing Xintuozixin Certified Public Accountants Co., Ltd (北京信拓致信會計師事務所有限公司), certified public accountants registered in the PRC.
- (iv) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2021 were prepared in accordance with Chinese accounting standards and were audited by Zhonghua Certified Public Accountants LLP (眾華會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.
- (v) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2021 were prepared in accordance with Chinese accounting standards and were audited by Mazars Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.
- (vi) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2021 were prepared in accordance with Chinese accounting standards and were audited by Hangahou Xinfu Certified Public Accountants Co., Ltd (杭州信服會計師事務所有限公司), certified public accountants registered in the PRC.
- (vii) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2022 were prepared in accordance with Chinese accounting standards and were audited by Beijing Xinghua Certified Public Accountants LLP (北京興華會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.
- (viii) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2022 were prepared in accordance with Chinese accounting standards and were audited by Zhongshenzhonghuan Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合伙)), certified public accountants registered in the PRC.
- (ix) The statutory financial statements of these subsidiaries of the Company for the years ended December 31, 2022 were prepared in accordance with Chinese accounting standards and were audited by Shanxi Baisheng Certified Public Accountants (General Partnership) (山西百聖會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (x) No statutory audited financial statements were issued for these subsidiaries as they are either newly incorporated or not required to issue audited financial statements under the statutory requirement of their respective place of incorporation.
- (xi) Putuo Hospital was deregistered in March 2023.
- (xii) Hangzhou Zhaoyun Health Industrial Development Co., Ltd was deregistered in February 2023.
- (xiii) Shaoxing Tongchuang was deregistered in April 2023.
- (xiv) Shenzhen Tongchuang Medical Examination Laboratory was deregistered in August 2023.
- (xv) Skin Health was deregistered in November 2023.
- (xvi) Hangzhou Shulan Technology, became an associate of the Group after its disposal in December 2023, and its two subsidiaries, namely Shulan Jinan and Shandong Shulan, were transferred from subsidiaries to associates accordingly, the details of which have been set out in Note 17.
- (xvii) Huzhou Tongchuang was deregistered in February 2024.



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**40 CONTINGENT LIABILITIES**

There are no significant contingent liabilities as at December 31, 2021, 2022, and 2023.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company or any the companies now comprising the Group in respect of any period subsequent to December 31, 2023 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2023.