The following is the text of a report set out on pages I–1 to I–[●], received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong SAR, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF PUXIANG HEALTHCARE HOLDING LIMITED AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED AND ABCI CAPITAL LIMITED

Introduction

We report on the historical financial information of Puxiang Healthcare Holding Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2023, 2024 and 2025 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2023, 2024 and 2025, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 28(d) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong SAR

[Date]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

		Year ended 31 December		
	Note	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	4	421,914	500,427	471,423
Cost of sales		(327,057)	(382,968)	(365,715)
Gross profit		94,857	117,459	105,708
Other net income	5	3,819	4,297	6,367
Selling expenses		(2,185)	(4,786)	(4,280)
General and administrative expenses		(38,896)	(49,957)	(67,059)
Impairment loss on financial assets (recognised)/reversed, net		(358)	107	323
Profit from operations		57,237	67,120	41,059
Finance costs	6(a)	(3,730)	(5,343)	(4,874)
Share of results of a joint venture		(23)	(228)	–
Profit before taxation		53,484	61,549	36,185
Income tax	7(a)	(14,257)	(17,667)	(2,795)
Profit and total comprehensive income for the year		39,227	43,882	33,390
Profit and total comprehensive income for the year attributable to:				
Equity shareholders of the Company		40,914	44,401	34,125
Non-controlling interests		(1,687)	(519)	(735)
		39,227	43,882	33,390
Earnings per share	10			
Basic earnings per share (RMB)		0.37	0.40	0.31
Diluted earnings per share (RMB)		0.37	0.39	0.29

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Note	As at 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property and equipment	*11*	74,869	74,864	63,249
Right-of-use assets	*12*	100,536	83,064	75,960
Intangible assets	*13*	1,193	3,152	2,625
Goodwill	*14*	60,247	60,247	60,247
Interest in joint venture		1,048	820	–
Financial assets measured at fair value through profit or loss ("FVPL")	*15*	2,500	3,500	9,450
Other receivables	*18*	73,185	140,795	138,943
Deferred tax assets	*27(b)*	6,385	5,671	7,706
Other non-current assets		5,267	1,070	134
		325,230	373,183	358,314
Current assets				
Inventories	*16*	21,803	20,228	39,165
Trade receivables	*17*	57,056	55,100	26,176
Other receivables and prepayments	*18*	12,936	6,484	22,349
Restricted bank deposits	*19(a)*	1,707	1	–
Cash and cash equivalents	*19(a)*	25,516	107,804	126,865
		119,018	189,617	214,555
Current liabilities				
Trade payables	*20*	31,230	25,405	36,522
Accruals and other payables	*21*	40,187	29,567	12,128
Contract liabilities	*22*	1,434	7,849	19,496
Interest-bearing borrowings	*23*	–	36,000	44,500
Lease liabilities	*24*	16,999	15,663	10,705
Other borrowings	*25*	–	50,000	50,000
Current taxation	*27(a)*	3,712	4,099	1,542
		93,562	168,583	174,893
Net current assets		25,456	21,034	39,662
Total assets less current liabilities		350,686	394,217	397,976
Non-current liabilities				
Lease liabilities	*24*	84,494	68,865	66,331
Deferred tax liabilities	*27(b)*	52	207	582
		84,546	69,072	66,913
NET ASSETS		266,140	325,145	331,063

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

(Expressed in RMB)

		As at 31 December		
	Note	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
CAPITAL AND RESERVES	*28*			
Share capital		72	72	72
Reserves		266,438	326,196	328,329
Total equity attributable to equity shareholders of the Company		266,510	326,268	328,401
Non-controlling interests		(370)	(1,123)	2,662
TOTAL EQUITY		266,140	325,145	331,063

The accompanying notes form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in RMB)

	Note	As at 31 December		
		2023	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Other receivables and prepayments	*18*	169,531	218,410	218,923
Investments in a subsidiary	*1.2*	7,676	14,692	20,802
		177,207	233,102	239,725
Current assets				
Other receivables and prepayments	*18*	–	–	4,134
Restricted bank deposits	*19*	5	–	–
Cash and cash equivalents	*19*	636	661	114
		641	661	4,248
Current liabilities				
Accruals and other payables		–	–	17,207
Other borrowings	*25*	–	50,000	50,000
		–	50,000	67,207
Net current assets/(liabilities)		641	(49,339)	(62,959)
Total assets less current liabilities		177,848	183,763	176,766
NET ASSETS		177,848	183,763	176,766
CAPITAL AND RESERVES	*28*			
Share capital		72	72	72
Reserves		177,776	183,691	176,694
TOTAL EQUITY		177,848	183,763	176,766

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	**Share capital**	**Share premium**	**Other reserves**	**(Accumulated losses)/retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000 *Note 28(b)*	*RMB'000* *Note 28(c)*	*RMB'000* *Note 28(c)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		68	99,883	94,222	(16,563)	177,610	2,265	179,875
Profit and total comprehensive income		–	–	–	40,914	40,914	(1,687)	39,227
Acquisition of non-controlling interests ("NCI")	*31*	–	–	(21,867)	–	(21,867)	(887)	(22,754)
Issuance of shares	*28(a)*	4	69,849	–	–	69,853	–	69,853
Capital contributions from non-controlling shareholder of a subsidiary		–	–	–	–	–	93	93
Dividend declared by subsidiaries to non-controlling shareholder		–	–	–	–	–	(154)	(154)
Balance at 31 December 2023		72	169,732	72,355	24,351	266,510	(370)	266,140
Balance at 1 January 2024		72	169,732	72,355	24,351	266,510	(370)	266,140
Profit and total comprehensive income		–	–	–	44,401	44,401	(519)	43,882
Dividend declared by subsidiaries to non-controlling shareholder		–	–	–	–	–	(234)	(234)
Equity-settled share-based payment	*26*	–	–	15,357	–	15,357	–	15,357
Balance at 31 December 2024		72	169,732	87,712	68,752	326,268	(1,123)	325,145

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	**Share capital**	**Share premium**	**Other reserves**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 28(b)	*Note 28(c)*	*Note 28(c)*				
Balance at 1 January 2025		72	169,732	87,712	68,752	326,268	(1,123)	325,145
Profit and total comprehensive income		–	–	–	34,125	34,125	(735)	33,390
Deemed distribution to shareholders	*18(i)*	–	–	(48,823)	–	(48,823)	–	(48,823)
Dividend declared by subsidiaries to non-controlling shareholder		–	–	–	–	–	(191)	(191)
Disposal of subsidiaries	*30*	–	–	–	–	–	4,134	4,134
Acquisition of a subsidiary	*29*	–	–	–	–	–	577	577
Equity-settled share-based payment	*26*	–	–	16,831	–	16,831	–	16,831
Balance at 31 December 2025		72	169,732	55,720	102,877	328,401	2,662	331,063

The accompanying notes form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in RMB)

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
Operating activities				
Cash generated from operations	19(b)	52,117	128,114	108,749
Income tax paid	27(a)	(15,560)	(16,411)	(10,692)
Net cash generated from operating activities		36,557	111,703	98,057
Investing activities				
Payments for property and equipment and intangible assets		(31,765)	(21,474)	(20,221)
Proceeds from disposal of property and equipment		290	30	943
Payments for purchase of financial assets measured at FVPL		(286,500)	(41,000)	(326,749)
Proceeds from disposal of financial assets measured at FVPL		322,700	40,000	321,799
Interest received on financial assets measured at FVPL		612	1,522	511
Acquisition of a joint venture		(1,071)	–	–
Repayment of advances to related parties		–	500	439
Provision of advances to related parties		(39,591)	(44,093)	(4,125)
Repayment of advances to third parties		12,000	–	–
Provision of advances to third parties		(27,500)	(21,950)	(36,160)
Acquisition of a subsidiary, net of cash acquired	29	(27,002)	–	153
Disposal of subsidiaries, net of cash disposed	30	–	–	(274)
Interest received		657	418	2,607
Net cash used in investing activities		(77,170)	(86,047)	(61,077)

CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

(Expressed in RMB)

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Proceeds from interest-bearing borrowings	*19(c)*	–	36,000	82,000
Repayment of interest-bearing borrowings	*19(c)*	–	–	(73,500)
Capital elements of lease payments	*19(c)*	(18,616)	(16,965)	(17,109)
Interest elements of lease payments	*19(c)*	(3,730)	(4,430)	(3,875)
Advances from a third party	*19(c)*	6,120	–	–
Repayment of advances from a third party	*19(c)*	–	(6,120)	–
Advances from related parties	*19(c)*	265	380	7
Repayment of advances from related parties	*19(c)*	(14,302)	(20)	(452)
Payment for acquisition of NCI of subsidiaries	*19(c)*	(22,754)	–	–
Dividend paid to NCI of subsidiaries		(154)	(234)	(191)
Proceeds from issuance of redeemable preferred shares	*19(c)*	–	48,880	–
Capital injection received from equity shareholders and NCI of a subsidiary		69,946	–	–
[REDACTED] expenses paid		[REDACTED]	[REDACTED]	[REDACTED]
Interest paid	*19(c)*	–	(913)	(999)
Net cash generated from/(used in) financing activities		16,775	56,578	(17,859)
Net (decrease)/increase in cash and cash equivalents		(23,838)	82,234	19,121
Cash and cash equivalents at the beginning of the year	*19(a)*	49,332	25,516	107,804
Effects of foreign exchange rate changes		22	54	(60)
Cash and cash equivalents at the end of the year	*19(a)*	25,516	107,804	126,865

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

1.1 General information

Puxiang Healthcare Holding Limited (the "Company") was incorporated in Cayman Islands on 23 January 2019 as an exempted company with limited liability under the Companies Act (Revised) of the Cayman Islands.

The Company is an investment holding company and has not carried on any business since the date of its incorporation save for the group reorganisation mentioned below. The Company and its subsidiaries (together, "the Group") primarily focused on healthcare and eldercare business, the revenue of the Group is generated from (i) integrated healthcare and eldercare business through the operation of self-owned medical institutions and medical institution management services, as well as (ii) supply of medical equipment and consumables in the People's Republic of China (the "PRC").

There are no audited statutory financial statements issued for the Company.

Prior to the incorporation of the Company, the above-mentioned principal activities were carried out by Puxiang Medical Investment Group Co., Ltd (普祥醫療投資集團有限公司, "Puxiang Investment") and its subsidiaries (together, the "Puxiang Medical Group"). To rationalise the corporate structure in preparation of the [**REDACTED**] of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group underwent a corporate reorganisation (the "Reorganisation") as detailed in the section headed "History, Reorganization and Corporate Structure" in the Document. Upon completion of the Reorganisation on 25 April 2021, the Company became the holding company of the companies now comprising the Group. Details of the Group's principal subsidiaries are set out in Note 1.2.

Prior to the Reorganisation, Puxiang Investment holds 100%, 100%, 91.75%, 95.25% and 85.46% equity interests in Beijing Dashanzi Puxiang Chinese Medicine Hospital Co., Ltd. (北京大山子普祥中醫醫院有限公司, "Dashanzi Hospital"), Beijing Puxiang Chinese Medicine Oncology Hospital Co., Ltd. (北京普祥中醫腫瘤醫院有限公司, "Puxiang Oncology Hospital"), Beijing Dahuangzhuang Hospital Co., Ltd. (北京大黃莊醫院有限責任公司, "Dahuangzhuang Hospital"), Beijing Zhonglian Yanlong Hospital Co., Ltd. (北京中聯燕龍醫院有限責任公司, "Yanlong Hospital") and Beijing Puxiang Traditional Chinese Medicine Hospital Co., Ltd. (北京普祥中醫院有限公司, "Puxiang TCM Hospital") (the "VIE Hospitals") and consolidated these hospitals. As a result of the Reorganisation, Puxiang Investment became a foreign invested company. Since the business conducted by the Puxiang Medical Group is subject to foreign investment restrictions under the relevant laws and regulations in the PRC, Puxiang Investment entered into a series of contractual arrangements (the "Contractual Arrangements") with Beijing Puxiang Ren'ai Hospital Management Co., Ltd. (北京普祥仁愛醫院管理有限公司, "Puxiang Ren'ai"), details of which are set out in the section headed "Contractual Arrangements" of the Document. Pursuant to the Contractual Arrangements, Puxiang Ren'ai acquired 30%, 30%, 21.75%, 25.25% and 15.46% equity interests in Dashanzi Hospital, Puxiang Oncology Hospital, Dahuangzhuang Hospital, Yanlong Hospital and Puxiang TCM Hospital from Puxiang Investment, respectively. The remaining 70% equity interest in each of the VIE Hospitals are still held by Puxiang Investment directly. As the Group continues to exercise the shareholders' rights in, and receive the economic benefits derived from, these VIE Hospitals which Puxiang Ren'ai is entitled to on behalf of Puxiang Ren'ai, the Group's effective interest in these VIE Hospitals remained unchanged before and after the execution of the Contractual Arrangements. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the PRC laws and regulations and are legally enforceable.

1.2 Subsidiaries

At the date of this report, particulars of the Company's principal subsidiaries are as follows:

Company name	Place and date of establishment and operation	Registered capital	Paid-up capital	Effective interest	Principal activities
Puxiang Investment	The PRC, 21 June 2004	RMB100,000,000	RMB60,000,000	100.00%	Investment holding, hospital management and supply of medical equipment and consumables
Puxiang Oncology Hospital	The PRC, 21 June 2006	RMB18,460,000	RMB18,460,000	100.00%	General healthcare services
Dashanzi Hospital	The PRC, 14 March 2005	RMB10,000,000	RMB10,000,000	100.00%	General healthcare services
Dahuangzhuang Hospital	The PRC, 30 September 2017	RMB5,000,000	RMB5,000,000	91.75%	General healthcare services
Yanlong Hospital	The PRC, 8 June 2006	RMB4,000,000	RMB4,000,000	95.25%	General healthcare services
Puxiang TCM Hospital	The PRC, 24 March 2016	RMB15,384,600	RMB15,384,600	85.46%	General healthcare services

Notes:

(i) The official name of these entities is in Chinese. The English translation is included for identification purpose only.

(ii) These entities were registered as limited liability companies under the laws and regulations in the PRC.

(iii) No audited financial statements were issued for these entities during the Track Record Period.

All companies now comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (the "IASB"). Further details of the material accounting policy information are set out in Note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards to the Track Record Period, except for any revised or new standards that are not yet effective for the accounting period beginning on 1 January 2025. The revised and new accounting standards issued but not yet effective for the accounting year beginning on 1 January 2025 are set out in Note 36.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The Historical Financial Information has been prepared on the assumption that the Group will continue as a going concern.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except that investments in equity securities are stated at their fair value as explained in the accounting policies (see note 2(f)).

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in Note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(o) and (p) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(j)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

An acquisition of a business which is a business combination under common control is accounted for using the pooling of interests method whereby the assets and liabilities acquired are accounted for at carryover predecessor values from the date when the Group and the acquired business are first under common control. The difference between the consideration paid by the Group and the net assets or liabilities of the business acquired is adjusted against equity. The results and cash flows of the acquired business under common control are consolidated from the date when the Group and the acquired business first came under common control.

(d) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture, after applying the ECL model to such other long-term interests where applicable (see note 2(j)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(j)).

(f) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 32(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(t)(iv)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortized cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(g) Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual value, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

Leasehold improvement	Shorter of the lease term or estimated useful lives
Medical equipment	5-15 years
Motor vehicles	4-10 years
Office and other equipment	3-5 years

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(h) Intangible assets

Intangible assets, including software and patents that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)(ii)).

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the Track Record Period are as follows:

Software	5-10 years
Patents	10 years

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for trade and other receivables.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is past the contractual due date.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is past the contractual due date.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or

– it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGUs"). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(t)).

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(j)(i)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(v)).

(q) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date. The equity amount is recognised in the other reserves until either the option is exercised (when it is included in the amount recognised in share capital and share premium for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(r) Redemption liabilities

The Company issued series B preferred shares to an investor. The preferred shares that entitle its holder to redeem the shares at issue price plus any declared but unpaid dividends upon the occurrence of contingent events, which are not all within the control of the Group, and are convertible into ordinary shares at the option of the holder or automatically upon closing of a qualified [**REDACTED**] of the Company, are accounted for as compound financial instruments.

The Group's obligation to redeem the preferred shares gives rise to a financial liability that is measured at the present value of the redemption amount under the worst-case approach. Subsequently, any changes in the carrying amount of the financial liability arising from the remeasurement of the redemption amount are recognised in profit or loss.

(s) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Integrated healthcare and eldercare business: inpatient services and outpatient services

For inpatient service, the customers normally receive inpatient treatment which contains various treatment components that are all highly relevant and regarded as one performance obligation. Relevant revenue of inpatient treatment is recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The progress towards the complete satisfaction of performance obligation is measured by direct measurements of the value of the goods or services transferred by the Group to the customer.

For outpatient services, revenue from the provision of outpatient services is recognised at a point in time when the services are provided. Revenue is recognised when the customer obtains the control of the completed services and the Group has satisfied its performance obligations with present right to payment and the collection of the consideration is probable.

(ii) Integrated healthcare and eldercare business: medical institution management service

The Group provides the management related services to private hospitals over the service period. The hospital receives and consumes the benefits provided by the Group's performance as the Group performs. The Group uses a time-based measure of progress. Revenue from provision of managed hospital management services is recognised over the period in which the services are rendered. For revenue from hospital management services, service fee is calculated based on pre-set formulas set out in the arrangements, which primarily relating to the managed hospital's revenue.

(iii) Supply of medical equipment and consumables

Revenue from supplying of medical equipment and consumables is recognised when control of the inventory has been transferred, i.e. when the goods are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the goods.

(iv) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

(u) Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(w) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The Group determined that it only has one operating segment during the Track Record Period. The Group's operations are mainly located in the PRC with all of the Group's non-current assets located in the PRC.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(a) Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in Note 14.

(b) Share-based payments arrangement and its fair value measurement

The Group measures the cost of share-based payments with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. The determination of the fair value of the share-based payments is affected by the significant assumptions such as the underlying equity value, the expected volatility of share price and risk-free interest rate. Details of share-based payments are included in Note 26.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

Revenue of the Group is generated from (i) integrated healthcare and eldercare business through the operation of self-owned medical institutions and medical institution management services, as well as (ii) supply of medical equipment and consumables.

Disaggregation of revenue

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of goods or services			
– Integrated healthcare and eldercare business	409,778	481,247	450,582
– Supply of medical equipment and consumables	12,136	19,180	20,841
Revenue from contracts with customers	421,914	500,427	471,423
Timing of revenue recognition			
At a point in time	234,300	293,738	296,192
Over time	187,614	206,689	175,231
	421,914	500,427	471,423

All of the revenue of the Group is generated from contracts with customers within the scope of IFRS 15.

The Group has applied the practical expedient in paragraph 121(a) of IFRS 15 and therefore the information about remaining performance obligations is not disclosed for contracts that have an expected duration of one year or less.

(b) Segment reporting

The Group's most senior executive management assesses performance and allocates resources on a group basis. Accordingly, no operating segment information is presented.

The Group generated all revenue in the PRC and its non-current assets are substantially located in the PRC, and accordingly, no analysis of geographic information is presented.

(c) Information about major customers

None of the Group's customers contributed 10% or more of the Group's revenue during the Track Record Period.

5 OTHER NET INCOME

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Government grants	1,725	1,501	242
Interest income on bank deposits	657	418	783
Interest income on amounts due from third parties	95	1,569	2,974
Fair value gain on financial assets at FVPL	612	1,522	511
Gains/(Losses) on disposal of property and equipment	23	(46)	(30)
Write-off of payables	115	159	384
Net foreign exchange differences	258	(1,066)	(60)
Gains on disposal of subsidiaries *(Note 30)*	–	–	1,270
Others	334	240	293
	3,819	4,297	6,367

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing borrowings	–	913	999
Interest on lease liabilities	3,730	4,430	3,875
	3,730	5,343	4,874

(b) Staff cost

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	81,494	92,157	92,010
Contributions to defined contribution retirement plan	7,148	8,440	9,149
Equity-settled share-based payment expenses	–	15,357	16,831
	88,642	115,954	117,990

The employees of the subsidiaries of the Group established in the Chinese Mainland participate in defined contribution retirement benefit plans managed by the local government authorities, whereby these subsidiaries are required to contribute funds which are calculated based on certain percentages of the average employee salary as agreed by the local municipal governments to the scheme to fund the retirement benefits of the employees.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions. Contributions to the plans vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contributions.

(c) Other items

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amortisation cost of intangible assets *(Note 13)*	286	382	410
Depreciation charge			
– owned property and equipment *(Note 11)*	12,616	13,163	13,745
– right-of-use assets *(Note 12)*	17,420	17,472	16,668
[**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Cost of inventories	175,626	188,774	162,251

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current tax – the PRC Enterprise Income Tax			
Provision for the year *(Note 27(a))*	14,711	16,798	6,932
Deferred tax			
Origination and reversal of temporary differences *(Note 27(b))*	(454)	869	(4,137)
	14,257	17,667	2,795

(b) Reconciliation between tax expense/(credit) and accounting profit at applicable tax rates:

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Profit before taxation		53,484	61,549	36,185
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	*(i), (ii), (iii)*	13,515	15,280	9,046
Tax effect of non-deductible expenses		748	2,459	2,212
Tax effect of share of results of a joint venture		6	57	–
Tax effect of gains on disposal of subsidiaries at consolidation level		–	–	(6,966)
Effect of PRC tax concessions	*(iv)*	(852)	(1,209)	(1,448)
Utilisation of prior year unrecognised tax losses		–	–	(1,307)
Tax effect of unused tax losses not recognised		840	1,080	1,258
Actual tax expense		14,257	17,667	2,795

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) The subsidiaries of the Group established in the Chinese Mainland are subject to PRC Enterprise Income Tax rate of 25% during the Track Record Period.

(iii) The provision for Hong Kong Profits Tax is subject to Hong Kong's two-tiered profits tax regime, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.50% for any assessable profits in excess of HK$2 million. The Group's subsidiary in Hong Kong SAR did not have any assessable profits during the Track Record Period.

(iv) Certain subsidiaries of the Group have been approved as small-and-low-profit Enterprise ("SLE"). The entitled subsidiaries are subject to a preferential income tax rate of 5% during the Track Record Period.

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the directors during the Track Record Period are as follows:

	Year ended 31 December 2023					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Executive directors						
Bian Jiao	–	–	–	–	–	–
Xu Huayong	–	449	–	51	–	500
Non-executive directors						
Wang Weibin	–	–	–	–	–	–
Wang Yu	–	–	–	–	–	–
Zhang Jianwei	–	–	–	–	–	–
	–	449	–	51	–	500

	Year ended 31 December 2024					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Executive directors						
Bian Jiao	–	314	300	23	2,304	2,941
Xu Huayong	–	495	–	57	2,333	2,885
Non-executive directors						
Wang Weibin	–	–	–	–	2,304	2,304
Wang Yu	–	–	–	–	2,304	2,304
Zhang Jianwei	–	–	–	–	2,304	2,304
	–	809	300	80	11,549	12,738

	Year ended 31 December 2025					
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*
Executive directors						
Bian Jiao	–	945	–	68	2,874	3,887
Dong Lei (appointed in May 2025, *note (a)*)	–	1,356	–	45	657	2,058
Xu Huayong (resigned in October 2025)	–	619	–	54	–	673
Non-executive directors						
Wang Weibin	–	–	–	–	2,874	2,874
Wang Yu	–	–	–	–	2,874	2,874
Zhang Jianwei	–	–	–	–	2,874	2,874
	–	2,920	–	167	12,153	15,240

The directors' emoluments represented the amounts paid or payable for their services rendered to the Group during the Track Record Period.

Notes:

a. The total emolument of Dong Lei from 1 January 2025 to the date of his appointment as a director was RMB926,000.

b. Ma Weihua, Lu Yongren and Yang Mingyuan were appointed as independent non-executive directors of the Company in June 2025, which will become effective upon the [**REDACTED**].

c. No amounts were paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group during the Track Record Period.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, nil, five and five are directors of the Company for the years ended 31 December 2023, 2024 and 2025, respectively, whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	592	–	–
Discretionary bonuses	2,824	–	–
Retirement scheme contributions	59	–	–
	3,475	–	–

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

Number of individuals

	Year ended 31 December		
	2023	2024	2025
HKD			
0 - 1,000,000	4	–	–
1,000,001 - 1,500,000	1	–	–
	5	–	–

During the Track Record Period, no amounts were paid or payable by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of shares in issue during the Track Record Period, calculated as follows:

	Year ended 31 December		
	2023	2024	2025
Profit for the year attributable to ordinary equity shareholders of the Company (RMB'000)	40,914	44,401	34,125
Issued shares at 1 January			
Number of ordinary shares	100,000,000	100,000,000	100,000,000
Number of non-redeemable preferred shares	6,944,444	11,805,555	11,805,555
Effect of issuance of shares *(note 28(b))*	2,690,259	–	–
Weighted average number of shares at 31 December for the purpose of basic earnings per share	109,634,703	111,805,555	111,805,555
Basic earnings per share (in RMB)	0.37	0.40	0.31

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the above profit attributable to ordinary equity shareholders of the Company and the weighted average number of shares, calculated as follows:

	Year ended 31 December		
	2023	2024	2025
Weighted average number of shares at 31 December	109,634,703	111,805,555	111,805,555
Effect of the pre-[**REDACTED**] share options granted *(note 26)*	–	–	4,393,420
Effect of conversion of redeemable preferred shares *(note 25)*	–	2,214,184	3,072,917
Weighted average number of shares at 31 December (diluted)	109,634,703	114,019,739	119,271,892
Diluted earnings per share (in RMB)	0.37	0.39	0.29

The unvested share options under the pre-[**REDACTED**] share option scheme (note 26) were excluded from the calculation of diluted earnings per share in the year ended 31 December 2024 because their effect would have been anti-dilutive.

11 PROPERTY AND EQUIPMENT

(a) Reconciliation of carrying amount

	Leasehold improvement	Medical equipment	Motor vehicles	Office and other equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2023	37,574	55,623	2,804	10,033	106,034
Additions	7,032	15,623	1,142	1,290	25,087
Disposals	–	(2,196)	(297)	(285)	(2,778)
At 31 December 2023 and 1 January 2024	44,606	69,050	3,649	11,038	128,343
Additions	4,769	6,501	886	1,078	13,234
Disposals	–	(1,175)	–	(365)	(1,540)
At 31 December 2024 and 1 January 2025	49,375	74,376	4,535	11,751	140,037
Additions	1,462	5,602	315	891	8,270
Acquisition of a subsidiary	–	–	–	42	42
Disposals of subsidiaries	(9,167)	(2,965)	(152)	(1,572)	(13,856)
Disposals	–	(1,813)	(222)	(45)	(2,080)
At 31 December 2025	41,670	75,200	4,476	11,067	132,413
Accumulated depreciation:					
At 1 January 2023	(18,971)	(15,193)	(2,422)	(6,783)	(43,369)
Charge for the year	(4,804)	(6,436)	(190)	(1,186)	(12,616)
Written back on disposals	–	1,952	282	277	2,511
At 31 December 2023 and 1 January 2024	(23,775)	(19,677)	(2,330)	(7,692)	(53,474)
Charge for the year	(4,658)	(7,232)	(258)	(1,015)	(13,163)
Written back on disposals	–	1,115	–	349	1,464
At 31 December 2024 and 1 January 2025	(28,433)	(25,794)	(2,588)	(8,358)	(65,173)
Charge for the year	(4,528)	(7,874)	(337)	(1,006)	(13,745)
Disposals of subsidiaries	6,167	1,117	119	1,244	8,647
Written back on disposals	–	857	210	40	1,107
At 31 December 2025	(26,794)	(31,694)	(2,596)	(8,080)	(69,164)
Net book value:					
At 31 December 2025	14,876	43,506	1,880	2,987	63,249
At 31 December 2024	20,942	48,582	1,947	3,393	74,864
At 31 December 2023	20,831	49,373	1,319	3,346	74,869

12 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Property	Machinery and equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2023	102,406	1,160	103,566
Additions	54,327	–	54,327
Lease matured	(19,973)	–	(19,973)
At 31 December 2023, 1 January 2024, 31 December 2024 and 1 January 2025	136,760	1,160	137,920
Additions	10,636	–	10,636
Disposal of subsidiaries	(4,848)	(1,160)	(6,008)
Lease matured	(10,810)	–	(10,810)
At 31 December 2025	131,738	–	131,738
Accumulated depreciation:			
At 1 January 2023	(39,776)	(161)	(39,937)
Charge for the year	(17,033)	(387)	(17,420)
Lease matured	19,973	–	19,973
At 31 December 2023 and 1 January 2024	(36,836)	(548)	(37,384)
Charge for the year	(17,085)	(387)	(17,472)
At 31 December 2024 and 1 January 2025	(53,921)	(935)	(54,856)
Charge for the year	(16,507)	(161)	(16,668)
Disposal of subsidiaries	3,840	1,096	4,936
Lease matured	10,810	–	10,810
At 31 December 2025	(55,778)	–	(55,778)
Net book value:			
At 31 December 2025	75,960	–	75,960
At 31 December 2024	82,839	225	83,064
At 31 December 2023	99,924	612	100,536

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets		17,420	17,472	16,668
Interest on lease liabilities	*6(a)*	3,730	4,430	3,875
Expense relating to short-term leases		699	602	439

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 19(d) and Note 24 respectively.

The Group leases hospital buildings and office under leases expiring in no more than twenty years. None of the leases includes variable lease payments.

13 INTANGIBLE ASSETS

	Software	Patents	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2023	1,305	1,161	2,466
Addition	108	–	108
At 1 January 2024	1,413	1,161	2,574
Addition	2,341	–	2,341
At 31 December 2024 and 1 January 2025	3,754	1,161	4,915
Addition	674	–	674
Disposals of subsidiaries	(1,050)	–	(1,050)
At 31 December 2025	3,378	1,161	4,539
Accumulated amortisation and impairment:			
At 1 January 2023	(137)	(958)	(1,095)
Amortisation	(169)	(117)	(286)
At 31 December 2023 and 1 January 2024	(306)	(1,075)	(1,381)
Amortisation	(296)	(86)	(382)
At 31 December 2024 and 1 January 2025	(602)	(1,161)	(1,763)
Amortisation	(410)	–	(410)
Disposals of subsidiaries	259	–	259
At 31 December 2025	(753)	(1,161)	(1,914)
Net book value:			
At 31 December 2025	2,625	–	2,625
At 31 December 2024	3,152	–	3,152
At 31 December 2023	1,107	86	1,193

The amortisation charge is included in "cost of sales" and "general and administrative expenses" according to the function of amortisation charge.

14 GOODWILL

	RMB'000
At 1 January 2023, 31 December 2023, 2024 and 2025	60,247

Goodwill is allocated to Puxiang TCM Hospital cash-generating unit identified according to operation.

The recoverable amount of the cash-generating unit was determined based on the higher of fair value less costs of disposal and value in use calculations of the underlying assets with reference to valuation reports issued by an independent valuer. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. These cash flow projections adopted annual sales growth rates, which are based on the Group's historical experience with these operations and adjusted for other factors that are specific to each cash-generating unit. Cash flows beyond the five-year period are extrapolated using an estimated growth rate by reference to the long-term inflation rate of China and the growth rate which is consistent with the market consensus on long-term growth rate of relevant market in the PRC. The discount rates used are pre-taxed and reflect specific risks relating to the respective cash generating unit.

The key assumptions used in the value-in-use calculations are as follows:

	As at 31 December		
	2023	2024	2025
Annual sales growth rate beyond five-year period	2.00%	2.00%	2.00%
Pre-tax discount rate	18.30%	18.99%	19.09%

As a result of the impairment tests, the directors of the Company are of the view that there was no impairment of goodwill as of 31 December 2023, 2024 and 2025.

The headroom calculated by deducting the carrying amount from the recoverable amount of cash-generating unit is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Puxiang TCM Hospital	17,090	21,137	18,735

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate beyond five-year period and pre-tax discount rate that would, in isolation, have removed the headroom respectively as at 31 December 2023, 2024 and 2025:

	As at 31 December		
	2023	2024	2025
Decrease in annual growth rate beyond five-year period	2.00%	2.74%	2.45%
Increase in pre-tax discount rate	1.23%	1.89%	1.82%

The directors of the Company are of the view that reasonably possible changes in key assumptions would not cause the carrying amount of the CGU to exceed its recoverable amount during the Track Record Period.

15 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Unlisted equity securities	2,500	3,500	9,450

Financial assets measured at fair value through profit or loss represent unlisted equity securities. As at 31 December 2025, the unlisted equity securities represented 5% interests in Beijing Puxiang Ophthalmology Hospital Co., Ltd. (北京普祥眼科醫院有限公司), 20% interests in Beijing Puxiang Chunhui Care Co., Ltd. (北京普祥春暉護理有限公司) and 17% interests in Beijing Puxiang Ankang Chinese Medicine Hospital Co., Ltd. (北京普祥安康中醫醫院有限公司).

16 INVENTORIES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Pharmaceuticals	20,459	17,617	13,853
Medical equipment and consumables	1,344	2,611	25,312
	21,803	20,228	39,165

17 TRADE RECEIVABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Related parties	9,812	10,219	10,130
– Third parties	47,793	45,622	16,339
Less: loss allowance	(549)	(741)	(293)
	57,056	55,100	26,176

Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	45,522	42,281	21,325
4 to 6 months	8,427	10,271	261
7 to 9 months	583	387	3,681
10 to 12 months	9	97	109
Over 1 year	2,515	2,064	800
	57,056	55,100	26,176

Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 32(a).

18 OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties *(i)*	60,242	103,835	58,698
Amounts due from third parties *(ii)*	15,595	39,114	76,260
Receivables from a disposed subsidiary *(iii)*	–	–	13,983
Deposits	8,426	2,519	4,671
Others	357	283	333
Less: loss allowance	(439)	(140)	(258)
Sub-total of other receivables	84,181	145,611	153,687
Current tax recoverable	–	–	821
Capitalised [**REDACTED**] expenses incurred in connection with the proposed issuance of the Company's shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Value-added tax recoverable	–	–	1,126
Prepayments for inventories and services	1,940	1,668	1,524
Other receivables and prepayments	86,121	147,279	161,292
Less: non-current portion	(73,185)	(140,795)	(138,943)
Current portion	12,936	6,484	22,349

(i) Amounts due from related parties represent the unsecured loans which are interest-free and repayable on demand. The directors regard the amount of RMB57,590,000, RMB101,681,000 and RMB51,200,000 as non-current as of 31 December 2023, 2024 and 2025, respectively, as the directors do not intend to request repayment of the amount within 12 months from the end of the respective periods. Pursuant to an supplemental agreement dated 26 September 2025, amounts due from Puxiang Ren'ai of RMB48.8 million were designated as the consideration for acquisition of equity interests in the VIE Hospitals held by Puxiang Ren'ai when the foreign investment restrictions under the relevant laws and regulations were relaxed. Hence, the amounts due from Puxiang Ren'ai of RMB48.8 million was debited to equity as a deemed distribution to shareholder in September 2025. The remaining amounts due from related parties were mainly due from the hospitals managed by the Group. Except for the amounts due from Puxiang Ren'ai of RMB5.5 million as at 31 December 2025, the balance will not be settled prior to [**REDACTED**].

(ii) Amounts due from third parties bear interest of 6%-9% per annum and the directors regard the amount of RMB15,595,000, RMB39,114,000, and RMB76,260,000 as of 31 December 2023, 2024 and 2025, respectively, as non-current as the directors do not intend to request repayment of the amount within 12 months from the end of the respective reporting periods.

(iii) Pursuant to the repayment agreement, the outstanding balance will be settled in equal annual installment until 2031.

The current portion of other receivables and prepayments are expected to be settled, recognised as expenses or credited to equity within one year.

The movements in the loss allowance in respect of other receivables during the Track Record Period are as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Loss allowance as at 1 January	146	439	140
Effects of disposal of subsidiaries	–	–	(7)
Impairment losses recognised/(reversed)	293	(299)	125
Loss allowance as at 31 December	439	140	258

The Company

Other receivables and prepayments represent the unsecured, interest-free loans due from subsidiaries with no fixed term of repayment and capitalised [**REDACTED**] expenses incurred in connection with the proposed issuance of the Company's shares.

19 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	305	459	232
Cash at bank	26,918	107,346	126,633
Less: restricted bank deposits	(1,707)	(1)	–
Cash and cash equivalents	25,516	107,804	126,865

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank	641	661	114
Less: restricted bank deposits	(5)	–	–
Cash and cash equivalents	636	661	114

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Profit before tax		53,484	61,549	36,185
Adjustments for:				
Net foreign exchange (gain)/loss	*5*	(258)	1,066	60
Interest expenses, net		2,978	3,356	1,117
Depreciation and amortisation	*6(c)*	30,322	31,017	30,823
Share-based payment expenses	*6(b)*	–	15,357	16,831
Fair value gain on financial assets at FVPL	*5*	(612)	(1,522)	(511)
(Gains)/Losses on disposal of property and equipment	*5*	(23)	46	30
Share of results of a joint venture		23	228	–
Gains on disposal of subsidiaries		–	–	(1,270)
Impairment losses on financial assets recognised/(reversed), net		358	(107)	(323)
Changes in working capital:				
– Changes in inventories		(1,385)	1,575	(19,232)
– Changes in trade receivables		(34,858)	1,764	22,987
– Changes in other receivables and prepayments		(6,216)	6,253	(3,705)
– Changes in restricted bank deposits		(1,706)	1,706	1
– Changes in trade payables		6,040	(5,825)	15,007
– Changes in accruals and other payables		4,375	5,236	(911)
– Changes in contract liabilities		(405)	6,415	11,660
Cash generated from operations		52,117	128,114	108,749

(c) Reconciliation of liabilities arising from financing activities

The tables below detail changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Lease liabilities	Payable for acquisition of non-controlling interests	Amounts due to related parties and a third party	Total
	RMB'000 *(Note 24)*	*RMB'000* *(Note 31)*	*RMB'000* *(Note 21)*	*RMB'000*
At 1 January 2023	65,782	–	14,322	80,104
Changes from financing cash flows:				
Capital elements of lease payments	(18,616)	–	–	(18,616)
Interest elements of lease payments	(3,730)	–	–	(3,730)
Advances from a third party	–	–	6,120	6,120
Advances from related parties	–	–	265	265
Repayment of advances from related parties	–	–	(14,302)	(14,302)
Payment for acquisition of NCI of subsidiaries *(Note 31)*	–	(22,754)	–	(22,754)
Total changes from financing cash flows	(22,346)	(22,754)	(7,917)	(53,017)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	54,327	–	–	54,327
Acquisition of NCI *(Note 31)*	–	22,754	–	22,754
Interest expenses *(Note 6(a))*	3,730	–	–	3,730
Total other changes	58,057	22,754	–	80,811
At 31 December 2023	101,493	–	6,405	107,898

	Interest-bearing borrowings	Lease liabilities	Other borrowings	Amounts due to related parties and a third party	Total
	RMB'000 *(Note 23)*	*RMB'000* *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000* *(Note 21)*	*RMB'000*
At 1 January 2024	–	101,493	–	6,405	107,898
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	36,000	–	–	–	36,000
Capital elements of lease payments	–	(16,965)	–	–	(16,965)
Interest elements of lease payments	–	(4,430)	–	–	(4,430)
Repayment of advances from a third party	–	–	–	(6,120)	(6,120)
Advances from related parties	–	–	–	380	380
Repayment of advances from related parties	–	–	–	(20)	(20)
Proceeds from issuance of redeemable preferred shares	–	–	48,880	–	48,880
Interest paid	(913)	–	–	–	(913)
Total changes from financing cash flows	35,087	(21,395)	48,880	(5,760)	56,812
Other changes:					
Foreign exchange loss	–	–	1,120	–	1,120
Interest expenses *(Note 6(a))*	913	4,430	–	–	5,343
Total other changes	913	4,430	1,120	–	6,463
At 31 December 2024	36,000	84,528	50,000	645	171,173

	Interest-bearing borrowings	Lease liabilities	Other borrowings	Amounts due to related parties and a third party	Total
	RMB'000 *(Note 23)*	*RMB'000* *(Note 24)*	*RMB'000* *(Note 25)*	*RMB'000* *(Note 21)*	*RMB'000*
At 1 January 2025	36,000	84,528	50,000	645	171,173
Changes from financing cash flows:					
Proceeds from interest-bearing borrowings	82,000	–	–	–	82,000
Repayment of interest-bearing borrowings	(73,500)	–	–	–	(73,500)
Capital elements of lease payments	–	(17,109)	–	–	(17,109)
Interest elements of lease payments	–	(3,875)	–	–	(3,875)
Advances from related parties	–	–	–	7	7
Repayment of advances from related parties	–	–	–	(452)	(452)
Interest paid	(999)	–	–	–	(999)
Total changes from financing cash flows	7,501	(20,984)	–	(445)	(13,928)
Other changes:					
Increase in lease liabilities from entering into new leases during the period	–	10,636	–	–	10,636
Acquisition of a subsidiary	–	–	–	(200)	(200)
Disposal of subsidiaries	–	(1,019)	–	–	(1,019)
Interest expenses *(Note 6(a))*	999	3,875	–	–	4,874
Total other changes	999	13,492	–	(200)	14,291
At 31 December 2025	44,500	77,036	50,000	–	171,536

(d) Total cash outflow for leases

Amounts included in the cash flow statements for leases represented lease rentals paid and comprise the following:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating cash flows	699	602	439
Within financing cash flows	22,346	21,395	20,984
	23,045	21,997	21,423

20 TRADE PAYABLES

All trade payables are expected to be settled within one year or are repayable on demand.

As of the end of each reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	28,070	19,819	34,608
4 to 6 months	1,753	2,914	383
7 to 12 months	704	1,181	134
Over 1 year	703	1,491	1,397
	31,230	25,405	36,522

21 ACCRUALS AND OTHER PAYABLES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare payables	5,390	6,049	6,060
Other taxes payable	592	6,128	439
Amounts due to related parties *(Note (i))*	285	645	–
Amounts due to a third party *(Note (i))*	6,120	–	–
Payables for purchase of property and equipment	23,072	12,977	764
Accrued [**REDACTED**] expenses	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Others	4,728	3,768	2,578
	40,187	29,567	12,128

All accruals and other payables are expected to be settled within one year or are repayable on demand.

Note:

(i) Amounts due to related parties and amounts due to a third party are unsecured, interest-free and have no fixed term of payment.

22 CONTRACT LIABILITIES

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Supply of medical equipment and consumables	95	7,469	13,382
Provision of services	1,339	380	6,114
	1,434	7,849	19,496

Contract liabilities primarily relate to the considerations received from customers before the Group satisfying performance obligations. It would be recognised as revenue upon the rendering of goods and services. The contract liabilities balance as at 1 January 2023, 2024 and 2025 has been recognised as revenue during the respective years.

23 INTEREST-BEARING BORROWINGS

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings within 1 year or on demand			
– Guaranteed	–	36,000	44,500

The bank borrowings are guaranteed by a subsidiary of the Group, bears an interest rate of 2.72% per annum in 2024 and 2.20%-2.50% per annum in 2025, and are repayable within one year.

24 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities as at the end of each reporting period:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	16,999	15,663	10,705
After 1 year but within 2 years	15,630	9,218	9,184
After 2 years but within 5 years	24,187	23,350	29,821
After 5 years	44,677	36,297	27,326
	84,494	68,865	66,331
	101,493	84,528	77,036

25 OTHER BORROWINGS

The Group and the Company:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Other borrowings			
– Redemption liability	–	50,000	50,000

The Company issued 3,072,917 Series B redeemable preferred shares on 12 April 2024 at a consideration of RMB50,000,000.

Other borrowings represent the series B preferred shares issued by the Company. The Group's obligation to redeem the series B preferred shares gives rise to a financial liability that is measured at the present value of the redemption amount under the worst-case approach (see note 2(r)). The key terms of the series B preferred shares are summarised as follows:

The Series B preferred shares are non-interest-bearing. The Series B preferred shares investor was granted the Series B redemption right to require the Company to redeem at any time after the earliest of (i) the occurrence of a material breach by the Group, the founders or any of the key parties of any of their respective representations, warranties, covenants or undertaking under the applicable transaction documents; (ii) the failure by the Company to complete a qualified [**REDACTED**] prior to 31 December 2025; and (iii) the occurrence of a material legal change causing the Group material difficulty to carry on its principal business, and such material difficulty to carry on principal business is not reasonably resolved within six months. The redemption price is the issue price plus any declared but unpaid dividends.

In anticipation of the [**REDACTED**], the redemption rights granted to pre-[**REDACTED**] investors had been terminated immediately prior to the submission of the Company's application for the [**REDACTED**] and the rights shall be reinstated upon the failure of [**REDACTED**] application or 24 December 2026.

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

On 1 December 2024, the Company adopted a pre-[**REDACTED**] share option scheme for the purpose of attracting, retaining and motivating the Company's directors, senior management and employees and such other participants. Pursuant to the pre-[**REDACTED**] share option scheme, the Company grant the options to the grantees to subscribe for the Company's shares at a subscription price of US$0.1 per Share or equivalent HK$ at the time of the exercise of the option. The options shall be vested annually in three or four tranches. The grantees can exercise the vested options within six years from the first vesting date.

The number of instruments granted is as follows:

	2024	2025
	Number of shares	Number of shares
Outstanding at the beginning of the year	–	5,965,968
Forfeited during the year	–	(584,497)
Granted during the year	5,965,968	–
Outstanding at the end of the year	5,965,968	5,381,471

The amount of 1,826,393 and 3,367,764 of these shares were exercisable at 31 December 2024 and 2025, respectively.

The fair value of the pre-[**REDACTED**] share option at the date of grant was determined by an external valuer taking into the terms and conditions upon which the awarded shares were granted. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity value allocation model to determine the fair value of the underlying ordinary shares. The Group has used the binomial trees model to determine the fair value of the share options.

The fair value of the share option granted and the key assumptions to the valuation at the grant date are summarised as below:

Fair value at measurement date (RMB)	7.38
Share price (USD)	1.13
Exercise price (USD)	0.10
Risk-free interest rate	4.08%
Expected dividend yield	0.00%
Expected volatility	49.38%

Expected dividend yield is estimated based on the Company's expected dividend policy over the expected life of the awarded shares. The expected volatility is based on the historical volatility of selected comparable companies in the period of the expected life of the share options.

27 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the year	4,561	3,712	4,099
Provision for the year	14,711	16,798	6,932
Disposal of subsidiaries	–	–	382
Income tax paid	(15,560)	(16,411)	(10,692)
At the end of the year	3,712	4,099	721
Representing:			
Current tax recoverable (included in other receivables)	–	–	(821)
Current tax payable	3,712	4,099	1,542

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statements of financial position and the movements during the year are as follows:

Deferred tax arising from:

	Lease liabilities	Right-of-use assets	Cumulative tax losses	Share-based payments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	8,266	(7,826)	5,439	–	5,879
Credited/(charged) to profit or loss	10,321	(10,555)	688	–	454
At 31 December 2023 and 1 January 2024	18,587	(18,381)	6,127	–	6,333
(Charged)/credited to profit or loss	(3,070)	3,158	(2,594)	1,637	(869)
At 31 December 2024 and 1 January 2025	15,517	(15,223)	3,533	1,637	5,464
(Charged)/credited to profit or loss	(2,546)	2,495	2,832	1,356	4,137
Effect of disposal of subsidiaries	(255)	268	(2,490)	–	(2,477)
At 31 December 2025	12,716	(12,460)	3,875	2,993	7,124

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	6,385	5,671	7,706
Deferred tax liabilities	(52)	(207)	(582)
	6,333	5,464	7,124

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB6,481,000, RMB10,799,000 and RMB5,690,000 at 31 December 2023, 2024 and 2025 respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of each of the reporting period will expire in the following years:

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
2025	127	127	–
2026	473	473	8
2027	2,520	2,520	989
2028	3,361	3,361	1,080
2029	–	4,318	1,085
2030	–	–	2,528
	6,481	10,799	5,690

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

	Share capital	Share premium	Other reserves	Retained profits/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023	68	99,883	7,632	33	107,616
Profit and total comprehensive income	–	–	–	379	379
Issuance of shares	4	69,849	–	–	69,853
Balance at 31 December 2023 and 1 January 2024	72	169,732	7,632	412	177,848
Loss and total comprehensive income	–	–	–	(9,442)	(9,442)
Equity-settled share-based payment	–	–	15,357	–	15,357
Balance at 31 December 2024 and 1 January 2025	72	169,732	22,989	(9,030)	183,763
Loss and total comprehensive income	–	–	–	(23,828)	(23,828)
Equity-settled share-based payment	–	–	16,831	–	16,831
At at 31 December 2025	72	169,732	39,820	(32,858)	176,766

(b) Share capital

Issued share capital

	As at 31 December					
	2023		2024		2025	
	No. of shares	*RMB'000*	*No. of shares*	*RMB'000*	*No. of shares*	*RMB'000*
At 1 January	106,944,444	68	111,805,555	72	111,805,555	72
– Number of ordinary shares	100,000,000	64	100,000,000	64	100,000,000	64
– Number of non-redeemable preferred shares	6,944,444	4	11,805,555	8	11,805,555	8
Issuance of non-redeemable preferred shares	4,861,111	4	–	–	–	–
31 December	111,805,555	72	111,805,555	72	111,805,555	72

Notes:

(i) The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 January 2019, with an authorised share capital of US$50,000, divided into 500,000,000 shares with par value of US$0.0001 each.

(ii) The Company issued 6,944,444 Series A non-redeemable preferred shares on 24 January 2022 at a consideration of RMB99,887,000 and 4,861,111 Series A+ non-redeemable preferred shares on 12 June 2023 at a consideration of RMB69,853,000.

(c) Nature and purpose of reserves

(i) Share premium

The share premium comprises the differences between the net considerations received and the nominal amount of share capital issued by the Company.

(ii) Other reserves

Other reserve represents the differences between consideration paid/received and non-controlling interests acquired/disposed; accumulated fair value of equity-settled share-based payment in accordance with accounting policy in Note 2(q)(ii); and the amounts due from Puxiang Ren'ai of RMB48.8 million debited to equity as a deemed distribution to shareholder, as set out in Note 18.

(d) Dividend

The Company did not declare and pay any dividends since its incorporation.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 ACQUISITION OF A SUBSIDIARY

In January 2025, Beijing Puxin Ruian Qiren Enterprise Management Partnership Enterprise (Limited Partnership) irrevocably entrusted its voting rights of Beijing Puxin Hospital Management Co., Ltd ("Beijing Puxin", the then joint venture of the Group) to Puxiang Investment. As a result, the Group's voting rights in Beijing Puxin has increased from 35.7% to 65.7% and Beijing Puxin became a subsidiary of the Group since 1 January 2025. This transaction is recorded as an assets acquisition because Beijing Puxin has not yet commenced its business operation.

30 DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2025, the Group disposed two subsidiaries at an aggregated consideration of RMB1,167,000 and resulting in a disposal gain of RMB1,270,000.

Net cash inflow arising on disposal	*RMB'000*
Consideration for disposal of the subsidiaries	1,167
Cash and cash equivalents derecognised from the financial statements	1,441
Net cash outflow	(274)

31 ACQUISITIONS OF NON-CONTROLLING INTERESTS

In December 2023, the Group acquired an additional 34% non-controlling interests of Puxiang TCM Hospital at a consideration of RMB22,754,000. As a result of the acquisition, the Group's shareholding in Puxiang TCM Hospital increased from 51% to 85%.

The decrease in equity attributable to equity shareholders of the Company is calculated as follows:

	RMB'000
Carrying amount of NCI acquired	887
Less: Cash consideration paid	22,754
A decrease in equity attributable to equity shareholders of the Company	(21,867)

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, and interest rate arises in the normal course of the Group's business. The Group is not exposed to significant currency risk.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, other receivables and prepayment. The Group's exposure to credit risk arising from cash at bank is limited because the counterparties are banks with good credit standing, for which the Group considers having low credit risk.

Trade receivables

The Group's trade receivables due from related parties are mainly arose from provision of management service and trade receivables due from third parties are mainly arose from providing hospital service to patients and supplying medical equipment and consumables, without any single customer contributing material revenue.

The Group applies the IFRS 9 simplified approach to measuring ECLs which uses a lifetime expected loss allowance for all trade receivables. To measure the ECLs, trade receivables have been grouped based on similar credit risk characteristics and ages.

For the receivables due from related parties which are in relation to the management fees from the hospitals managed by the Group, the Group has assessed that the expected credit loss for these receivables is immaterial.

For the receivables from hospital services, the Group has concentrated debtor's portfolio, as majority patients will claim their medical bills from public medical insurance program. The reimbursement from these organisations may take one to three months. The Group has policy in place to ensure the treatments and medicines prescribed and provided to such insured patients are in line with the policies of the respective organisations, and fulfilling all ethics and moral responsibilities as a healthcare provider. The carrying amount of receivables from public medical insurance programs is RMB45,058,000, RMB40,997,000 and RMB2,107,000 at 31 December 2023, 2024 and 2025 respectively.

For the receivables from supplying medical equipment and consumables, the Group has granted credit terms of one to three months and would follow up actively on the settlement with respective counterparties to avoid any overdue receivables.

The Group has performed an impairment analysis at the end of each reporting period using a provision matrix to measure expected credit losses. The provision rates are based on aging of trade receivables for groupings of various debtor segments with similar loss patterns. The calculation reflects the historical credit losses experienced and reasonable and supportable information that is available at end of each reporting period about past events, current conditions and forecasts of future economic conditions.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables from supplying medical equipment and consumables at the end of each reporting period.

	As at 31 December 2023		
	Gross carrying amount	**Expected loss rate**	**Allowance**
	RMB'000	*%*	*RMB'000*
Current (not past due)	2,097	1.28%	(26)
0-3 months past due	87	14.56%	(13)
4-6 months past due	15	19.10%	(3)
7-9 months past due	2	37.50%	(1)
10-12 months past due	114	75.00%	(86)
More than 1 year past due	420	100.00%	(420)
	2,735		(549)

	As at 31 December 2024		
	Gross carrying amount	**Expected loss rate**	**allowance**
	RMB'000	*%*	*RMB'000*
Current (not past due)	3,670	3.41%	(126)
0-3 months past due	342	33.14%	(113)
4-6 months past due	60	45.33%	(27)
7-9 months past due	34	56.15%	(19)
10-12 months past due	252	75.00%	(189)
More than 1 year past due	267	100.00%	(267)
	4,625		(741)

	As at 31 December 2025		
	Gross carrying amount	**Expected loss rate**	**allowance**
	RMB'000	*%*	*RMB'000*
Current (not past due)	13,785	0.11%	(15)
0-3 months past due	169	2.98%	(5)
4-6 months past due	5	9.52%	–
More than 1 year past due	273	100.00%	(273)
	14,232		(293)

Movements in the loss allowance in respect of trade receivables from supplying medical equipment and consumables during the Track Record Period are as follows:

	Trade receivables		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Loss allowance as at 1 January	484	549	741
Impairment losses recognised/(reversed)	65	192	(448)
Loss allowance as at 31 December	549	741	293

Other receivables and prepayments

In respect other receivables and prepayments, the Group has assessed that the expected credit loss for these receivables is immaterial under 12-month expected losses method.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date on which the Group can be required to pay:

	As at 31 December 2023					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	22,429	19,273	32,192	49,746	123,640	101,493
Trade payables	31,230	–	–	–	31,230	31,230
Other payables	40,187	–	–	–	40,187	40,187
	93,846	19,273	32,192	49,746	195,057	172,910

	As at 31 December 2024					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	36,022	–	–	–	36,022	36,000
Lease liabilities	20,307	12,292	30,178	39,468	102,245	84,528
Trade payables	25,405	–	–	–	25,405	25,405
Other payables	29,567	–	–	–	29,567	29,567
Other borrowings	50,000	–	–	–	50,000	50,000
	161,301	12,292	30,178	39,468	243,239	225,500

	As at 31 December 2025					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing borrowings	45,508	–	–	–	45,508	44,500
Lease liabilities	14,039	14,200	36,288	29,017	93,544	77,036
Trade payables	36,522	–	–	–	36,522	36,522
Other payables	12,128	–	–	–	12,128	12,128
Other borrowings	50,000	–	–	–	50,000	50,000
	158,197	14,200	36,288	29,017	237,702	220,186

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group's borrowings at the end of each reporting period:

	As at 31 December					
	2023		2024		2025	
	Effective interest rate %	*RMB'000*	*Effective interest rate %*	*RMB'000*	*Effective interest rate %*	*RMB'000*
Fixed rate borrowings:						
– Interest-bearing borrowings	–	–	2.72%	36,000	2.40%-2.50%	18,500
Variable rate borrowings:						
– Interest-bearing borrowings	–	–	–	–	2.20%-2.30%	26,000
Total		–		36,000		44,500

(ii) Sensitivity analysis

At 31 December 2025, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB195,000.

(d) Fair value measurement

(i) Assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The fair value measurement of unlisted equity securities falls into level 3 of the fair value hierarchy.

The fair value of unlisted equity securities is based on price-to-book ratio of comparable companies, adjusted for the effect of the non-marketability or discounted cash flow method. For the unlisted equity securities measured using market price-to-book ratio, the fair value is positively correlated to the market price-to-book ratio. As at 31 December 2024 and 2025, it is estimated that with all other variables held constant, an increase/decrease in price-to-book ratio by 5% would have increased/decreased the Group's profit or loss by RMB53,000 and RMB212,000, respectively. For the unlisted equity securities measured based on discounted cash flow method, the fair value is negatively correlated to discount rate. As at 31 December 2023, 2024 and 2025, it is estimated that with all other variables held constant, an increase/decrease in discount rate by 1% would have decreased/increased the Group's profit or loss by RMB224,000, RMB181,000 and RMB213,000, respectively.

During the Track Record Period, there were no transfers between Level 2 and Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at the end of each reporting period.

33 CONTINGENT LIABILITIES

During the year ended 31 December 2025, the Group had provided guarantees to a bank for credit facilities granted to Beijing Puxiang Ophthalmology Hospital. The maximum amount guaranteed was RMB10,000,000 with an outstanding principal amount of RMB4,000,000.

34 MATERIAL RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended 31 December 2023, 2024 and 2025:

Name of related parties	Relationship with the Group
Beijing Puxin 北京普新醫院管理有限公司	Joint venture of the Group
Puxiang Ren'ai 北京普祥仁愛醫院管理有限公司	Entity controlled by ultimate controlling shareholder
Yinchuan Puxiang Yangyuan Internet Hospital Co., Ltd. 銀川普祥養元互聯網醫院有限公司	Entity controlled by ultimate controlling shareholder
Beijing Shuangquan Real Estate Development Co., Ltd. 北京雙全房地產開發有限公司	Entity controlled by ultimate controlling shareholder
Beijing Shuangquan Property Management Co., Ltd. 北京雙全物業管理有限公司	Entity controlled by ultimate controlling shareholder
Beijing Puxiang Hospital Management Consulting Co., Ltd. 北京普祥醫院管理諮詢有限公司	Entity controlled by ultimate controlling shareholder
Beijing Puxiang Yikang Network Technology Co., Ltd. 北京普祥怡康網絡技術有限公司	Entity controlled by ultimate controlling shareholder

Although there is no share-holding relationship between the Group and the managed hospitals, since the Group can participate in the financial and operating policy decisions of the managed hospitals, the directors of the Company regard the managed hospitals as related parties.

Name of related parties	Relationship with the Group
Beijing Fengtai Yikang Hospital 北京豐台怡康醫院	Entity managed by the Group
Beijing Daxing District Xingtao Community Healthcare Service Center 北京市大興區興濤社區衛生服務站	Entity managed by the Group
Gu'an Puxiang Hospital 固安普祥醫院	Entity managed by the Group
Beijing Daxing District Tongxin Jiayuan Community Healthcare Service Center 北京市大興區佟馨家園社區衛生服務站	Entity managed by the Group
Beijing Harmonious Integrative Traditional Chinese and Western Medicine Hospital 北京和諧中西醫結合醫院	Entity managed by the Group

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	935	1,893	4,280
Post-employment benefits	90	141	308
Share based payment expenses	–	12,341	12,774
	1,025	14,375	17,362

Total remuneration is included in "staff cost" (see note 6(b)).

(c) Significant related party transactions

The transactions which were carried out in the ordinary course of business are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sale of goods and provision of service to related parties			
– Beijing Fengtai Yikang Hospital	4,315	4,172	4,001
– Beijing Daxing District Xingtao Community Healthcare Service Center	2,972	1,934	2,525
– Beijing Harmonious Integrative Traditional Chinese and Western Medicine Hospital	1,887	2,642	3,019
– Gu'an Puxiang Hospital	864	1,406	1,365
– Beijing Daxing District Tongxin Jiayuan Community Healthcare Service Center	26	324	447
– Beijing Shuangquan Property Management Co., Ltd.	36	45	80
Purchase of service from related parties			
– Beijing Puxiang Yikang Network Technology Co., Ltd.	–	–	900
Provision of advances to related parties, net of repayment from related parties			
– Beijing Fengtai Yikang Hospital	11,100	4,600	–
– Beijing Harmonious Integrative Traditional Chinese and Western Medicine Hospital	1	2	(4)
– Beijing Daxing District Tongxin Jiayuan Community Healthcare Service Center	500	(500)	–
– Gu'an Puxiang Hospital	17,000	–	–
– Puxiang Ren'ai	10,990	39,491	3,840
– Beijing Daxing District Xingtao Community Healthcare Service Center	–	–	(150)
Provision of advances by related parties, net of repayment to related parties			
– Beijing Shuangquan Real Estate Development Co., Ltd.	15	–	(15)
– Beijing Puxin	–	200	–
– Puxiang Ren'ai	(4,811)	–	–
– Yinchuan Puxiang Yangyuan Internet Hospital Co., Ltd.	(25)	(20)	–
– Beijing Puxiang Hospital Management Consulting Co., Ltd.	(9,216)	180	(430)

(d) Balances with related parties

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade related:			
Trade receivables			
– Beijing Daxing District Xingtao Community Healthcare Service Center	609	431	1,555
– Gu'an Puxiang Hospital	465	501	1,094
– Beijing Harmonious Integrative Traditional Chinese and Western Medicine Hospital	2,000	2,800	3,200
– Beijing Fengtai Yikang Hospital	6,133	6,187	4,023
– Beijing Daxing District Tongxin Jiayuan Community Healthcare Service Center	605	255	258
– Beijing Shuangquan Real Estate Development Co., Ltd.	–	45	–
Prepayments for services			
– Beijing Puxiang Yikang Network Technology Co., Ltd.	–	–	60

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-trade related:			
Amount due from related parties			
Other receivables:			
– Beijing Fengtai Yikang Hospital	29,600	34,200	34,200
– Beijing Harmonious Integrative Traditional Chinese and Western Medicine Hospital	2	4	–
– Beijing Daxing District Tongxin Jiayuan Community Healthcare Service Center	2,500	2,000	2,000
– Beijing Daxing District Xingtao Community Healthcare Service Center	150	150	–
– Gu'an Puxiang Hospital	17,000	17,000	17,000
– Puxiang Ren'ai	10,990	50,481	5,498
Amount due to related parties			
Other payables:			
– Beijing Shuangquan Real Estate Development Co., Ltd.	15	15	–
– Beijing Puxin	–	200	–
– Yinchuan Puxiang Yangyuan Internet Hospital Co., Ltd.	20	–	–
– Beijing Puxiang Hospital Management Consulting Co., Ltd.	250	430	–

35 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As at 31 December 2025, the directors consider the immediate parent company of the Group to be Yangyuan Investment Limited. The ultimate controlling shareholder of the Group is considered to be Mr. Wang Weibin.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR BEGINNING ON 1 JANUARY 2025

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on 1 January 2025 and which have not been adopted in the Historical Financial Information.

	Effective for accounting periods beginning on or after
Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7)	1 January 2026
Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)	1 January 2026
Annual Improvements to IFRS Accounting Standards (Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)	1 January 2026
Presentation and Disclosure in Financial Statements (IFRS 18)	1 January 2027
Subsidiaries without Public Accountability: Disclosures (IFRS 19)	1 January 2027
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following.

IFRS 18, Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements and aims to improve the transparency and comparability of information about an entity's financial statements. IFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under IFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss and other comprehensive income, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt IFRS 18. IFRS 18 will impact the presentation of financial statements and is not expected to have significant impact on the financial performance and positions of the Group.

37 SUBSEQUENT EVENTS

There are no material events subsequent to the end of the Track Record Period that should be disclosed in the Historical Financial Information.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2025.