ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGDONG RONG TAI PHARMACEUTICAL CO., LTD. AND CITIC SECURITIES (HONG KONG) LIMITED

[To insert the firm's letterhead]

INTRODUCTION

We report on the historical financial information of Guangdong Rong Tai Pharmaceutical Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[3] to I-[81] , which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2023, 2024 and 2025 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2023, 2024 and 2025 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[3] to I-[10] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "**Document**") in connection with the **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2023, 2024 and 2025 of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[•]
Certified Public Accountants
Hong Kong
[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing as issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	2,915,971	2,875,345	3,388,124
Cost of sales		(2,719,696)	(2,703,165)	(3,157,902)
Gross profit		196,275	172,180	230,222
Other income and gains	*6*	791	1,850	757
Selling and distribution expenses		(92,635)	(110,166)	(95,088)
Administrative expenses		(36,711)	(42,287)	(60,665)
Research and development expenses		(1,795)	(2,003)	(1,615)
Reversal of impairment loss of financial assets, net		3,808	5,412	5,757
Other expenses	*7*	(667)	(980)	(1,152)
Finance costs	*8*	(8,407)	(13,694)	(19,000)
PROFIT BEFORE TAX	*9*	60,659	10,312	59,216
Income tax expense	*12*	(14,942)	(6,571)	(22,625)
PROFIT FOR THE YEAR		45,717	3,741	36,591
Attributable to:				
Owners of the parent		46,081	5,480	39,461
Non-controlling interests		(364)	(1,739)	(2,870)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		45,717	3,741	36,591
Attributable to:				
Owners of the Company		46,081	5,480	39,461
Non-controlling interests		(364)	(1,739)	(2,870)
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in RMB)				
Basic and diluted	*14*	0.45	0.05	0.37

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	8,409	7,179	10,315
Right-of-use assets	*16*	14,218	17,871	25,544
Intangible assets	*17*	14,735	22,167	77,411
Prepayments, deposits and other receivables	*20*	6,635	14,662	10,400
Deferred tax assets	*26*	7,265	5,411	1,787
Total non-current assets		51,262	67,290	125,457
CURRENT ASSETS				
Inventories	*18*	302,083	292,545	604,960
Trade and bills receivables	*19*	454,724	497,378	538,542
Prepayments, deposits and other receivables	*20*	110,818	156,552	299,069
Financial assets at fair value through profit and loss ("**FVTPL**")		—	—	100
Restricted bank deposits	*21*	50,109	30,162	35,406
Cash and cash equivalents	*21*	61,567	110,184	105,993
Total current assets		979,301	1,086,821	1,584,070
CURRENT LIABILITIES				
Trade and bills payables	*22*	330,385	284,073	576,781
Other payables and accruals	*23*	49,524	54,650	65,581
Contract liabilities	*24*	3,517	4,281	6,919
Interest-bearing bank and other borrowings	*25*	293,701	377,009	569,199
Lease liabilities	*16*	4,963	9,307	10,216
Income tax payable		1,011	51	5,212
Total current liabilities		683,101	729,371	1,233,908
NET CURRENT ASSETS		296,200	357,450	350,162
TOTAL ASSETS LESS CURRENT LIABILITIES		347,462	424,740	475,619
NON-CURRENT LIABILITIES				
Lease liabilities	*16*	10,198	10,676	16,364
Total non-current liabilities		10,198	10,676	16,364
Net assets		337,264	414,064	459,255
EQUITY				
Equity attributable to owners of the Company				
Share capital	*27*	10,283	10,532	10,532
Reserves	*28*	326,431	393,721	433,246
		336,714	404,253	443,778
Non-controlling interests		550	9,811	15,477
Total equity		337,264	414,064	459,255

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*			
At 1 January 2023	10,283	354,768	2,240	(76,658)	290,633	23	290,656
Profit/(loss) for the year	—	—	—	46,081	46,081	(364)	45,717
Total comprehensive income/(loss) for the year	—	—	—	46,081	46,081	(364)	45,717
Acquisition of a subsidiary *(note 30)*	—	—	—	—	—	341	341
Capital contribution by non-controlling shareholders	—	—	—	—	—	550	550
Appropriation to statutory surplus reserve	—	—	2,902	(2,902)	—	—	—
At 31 December 2023	10,283	354,768*	5,142*	(33,479)*	336,714	550	337,264

Year ended 31 December 2024

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory surplus reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 27)	*(note 28)*	*(note 28)*	*(note 28)*			
At 1 January 2024	10,283	354,768	5,142	(33,479)	336,714	550	337,264
Profit/(loss) for the year	—	—	—	5,480	5,480	(1,739)	3,741
Total comprehensive income/(loss) for the year	—	—	—	5,480	5,480	(1,739)	3,741
Capital contribution by shareholders	249	61,810	—	—	62,059	—	62,059
Capital contribution by non-controlling shareholders	—	—	—	—	—	1,000	1,000
Non-controlling interests arising from business combinations *(note 29)*	—	—	—	—	—	10,000	10,000
Appropriation to statutory surplus reserve	—	—	125	(125)	—	—	—
At 31 December 2024	10,532	416,578*	5,267*	(28,124)*	404,253	9,811	414,064

Year ended 31 December 2025

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory surplus reserve	(Accumulated losses)/retained earnings	Total	Non-controlling interests	Total equity
	RMB'000 *(note 27)*	*RMB'000* *(note 28)*	*RMB'000* *(note 28)*	*RMB'000* *(note 28)*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2025	10,532	416,578	5,267	(28,124)	404,253	9,811	414,064
Profit/(loss) for the year	—	—	—	39,461	39,461	(2,870)	36,591
Total comprehensive income/(loss) for the year	—	—	—	39,461	39,461	(2,870)	36,591
Capital contribution by non-controlling shareholders	—	—	—	—	—	8,600	8,600
Acquisition of non-controlling interests	—	64	—	—	64	(64)	—
At 31 December 2025	10,532	416,642*	5,267*	11,337*	443,778	15,477	459,255

* These reserve accounts comprise the consolidated reserves of RMB326,431,000, RMB393,721,000 and RMB433,246,000 in the consolidated statements of financial position as at 31 December 2023, 2024 and 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
	Notes	**2023**	**2024**	**2025**
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		60,659	10,312	59,216
Adjustments for:				
Finance costs	*8*	8,407	13,694	19,000
Interest income	*6*	(514)	(786)	(441)
Loss/(gain) on disposal of items of property, plant and equipment and other assets	*6/7*	18	29	(35)
Depreciation of property, plant and equipment	*9*	4,112	4,269	4,528
Depreciation of right-of-use assets	*9*	6,170	7,737	9,640
Amortisation of intangible assets	*9*	670	1,470	3,273
Reversal of impairment loss of financial assets, net	*9*	(3,808)	(5,412)	(5,757)
Write-down of inventories to net realisable value	*9*	55	677	1,028
		75,769	31,990	90,452
(Increase)/decrease in inventories		(86,346)	15,689	(299,314)
Increase in trade and bills receivables		(148,716)	(157,298)	(303,898)
Increase in prepayments, deposits and other receivables		(15,862)	(41,390)	(139,435)
(Increase)/decrease in restricted bank deposit		(50,104)	19,947	(5,244)
Increase in trade and bills payables		172,131	38,564	522,756
(Decrease)/increase in contract liabilities		(3,487)	764	2,081
Decrease in other payables and accruals		(24,708)	(2,566)	(12,670)
Cash used in operations		(81,323)	(94,300)	(145,272)
Interest received		514	786	441
Income taxes paid		(23,169)	(6,176)	(13,341)
Net cash flows used in operating activities		(103,978)	(99,690)	(158,172)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of items of property, plant and equipment		(1,051)	(3,920)	(5,208)
Additions to intangible assets	*17*	(6,253)	(8,706)	(10,134)
Acquisition of subsidiaries	*29*	—	580	647
Acquisition of subsidiaries that are not business	*30*	(6,100)	(145)	(4,432)
Proceeds from disposal of property, plant and equipment and other assets		—	11	63
Purchases of financial assets at fair value through profit or loss		—	—	(100)
Net cash flows used in investing activities		(13,404)	(12,180)	(19,164)

	Notes	Year ended 31 December		
		2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Capital contribution by shareholders		13,000	49,059	—
Capital contribution by minority shareholders		550	1,000	8,600
Increase in/(repayments of) an amount due to the non-controlling interest of a subsidiary		—	4,000	(4,000)
Principal portion of lease payments		(6,873)	(7,312)	(11,942)
New bank and other loans		444,246	619,299	953,241
Repayments of bank and other loans		(333,276)	(492,673)	(756,144)
Interest paid		(7,612)	(12,886)	(18,085)
Net cash flows from financing activities		110,035	160,487	173,145
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(7,347)	48,617	(4,191)
Cash and cash equivalents at beginning of year		68,914	61,567	110,184
CASH AND CASH EQUIVALENTS AT END OF YEAR		61,567	110,184	105,993

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
	Notes	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*15*	6,963	4,192	2,584
Right-of-use assets	*16*	11,952	7,260	11,686
Investments in subsidiaries	*1*	26,187	60,054	91,454
Prepayments, deposits and other receivables	*20*	4,124	8,121	5,575
Deferred tax assets	*26*	7,265	5,411	1,787
Total non-current assets		56,491	85,038	113,086
CURRENT ASSETS				
Inventories	*18*	291,780	228,679	358,554
Trade and bills receivables	*19*	463,495	453,108	515,329
Prepayments, deposits and other receivables	*20*	115,554	238,700	392,250
Restricted bank deposit	*21*	50,109	13,047	7,502
Cash and cash equivalents	*21*	48,525	82,934	75,215
Total current assets		969,463	1,016,468	1,348,850
CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	*25*	293,701	373,505	557,990
Trade and bills payables	*22*	337,968	264,164	379,359
Other payables and accruals	*23*	45,717	40,683	39,281
Contract liabilities	*24*	3,092	1,796	2,748
Lease liabilities	*16*	3,798	5,707	4,600
Income tax payable		992	—	5,079
Total current liabilities		685,268	685,855	989,057
NET CURRENT ASSETS		284,195	330,613	359,793
TOTAL ASSETS LESS CURRENT LIABILITIES		340,686	415,651	472,879
NON-CURRENT LIABILITIES				
Lease liabilities	*16*	8,981	3,274	7,996
Total non-current liabilities		8,981	3,274	7,996
Net assets		331,705	412,377	464,883
EQUITY				
Share capital	*27*	10,283	10,532	10,532
Reserves	*28*	321,422	401,845	454,351
Total equity		331,705	412,377	464,883

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Guangdong Rong Tai Pharmaceutical Co., Ltd. (the "**Company**") was incorporated as a limited liability company in Chinese mainland on 9 May 2004 and converted into a joint stock company with limited liability on 30 August 2022. The registered office address of the Company is 1101–1108, 11/F, No. 11, Xiancun Road, Tianhe District, Guangzhou, Guangdong, the People's Republic of China (the "**PRC**").

As of the date of this report, Mr. Chen Changqing is considered to be the largest shareholder, who held approximately 46.31% of interest in the issued shares of the Company.

The Company and its subsidiaries (the "**Group**") are principally engaged in provision of digitalized sales of pharmaceutical products in the out-of-hospital pharmaceutical market. As at the date of this report, the Company had direct and indirect interests in its principal subsidiaries as below:

Name	Place and date of establishment and place of operations	Registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rong Tai Pharmaceutical (Shenyang) Co., Ltd.* (融泰醫藥(瀋陽)有限公司) *(note a)*	Chinese mainland 8 August 2002	RMB20,408,163	51%	—	Pharmacy sector wholesale
Rong Tai Pharmaceutical (Anhui) Co., Ltd.* (融泰醫藥(安徽)有限公司) *(note b)*	Chinese mainland 15 November 2017	RMB25,000,000	96%	4%	Pharmacy sector wholesale
Guangzhou Yikangsi Health Pharmacy Co., Ltd.* (廣州宜康思健康大藥房有限公司) *(note c)*	Chinese mainland 22 January 2021	RMB20,000,000	100%	—	Retail of pharmaceutical products
Wuhan Yikangsi Digital Technology Co., Ltd.* (武漢宜康思數字科技有限公司) *(note d)*	Chinese mainland 30 September 2021	RMB5,000,000	80%	2%	System operation, research and development
Rong Tai Pharmaceutical (Chongqing) Co., Ltd.* (融泰醫藥(重慶)有限公司) *(note e)*	Chinese mainland 19 May 2023	RMB20,000,000	80%	—	Pharmacy sector wholesale
Rong Tai Pharmaceutical (Hubei) Co., Ltd.* (融泰醫藥(湖北)有限公司) *(note f)*	Chinese mainland 7 September 2023	RMB25,000,000	100%	—	Pharmacy sector wholesale
Rong Tai Pharmaceutical (Lanzhou) Co., Ltd.* (融泰醫藥(蘭州)有限公司) *(note g)*	Chinese mainland 23 July 2024	RMB10,200,000	51%	—	Pharmacy sector wholesale

Name	Place and date of establishment and place of operations	Registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Rong Tai Bio-pharmaceutical Technology (Hainan) Co., Ltd.* (融泰生物醫藥科技(海南)有限公司) *(note h)*	Chinese mainland 17 November 2022	RMB5,000,000	100%	—	Pharmacy manufacturing

Notes:

* The English names of the above companies registered in the PRC represent the best efforts made by the directors of the Company in directly translating the Chinese names of these companies as no English names have been registered.

a. This entity is a limited liability enterprises established under the PRC law and was acquired on 2 April 2024. Further details are included in note 29 to the Historical Financial Information. The statutory financial statements for the year ended 31 December 2024 prepared under China Accounting Standards for Business Enterprises ("**CASBE**") was audited by Guangzhou Ruigin Certified Public Accountants (廣州瑞勤會計師事務所), certified public accountants registered in the PRC. No audited financial statements have been prepared for the year ended 31 December 2025.

b. This entity is a limited liability enterprise established under the PRC law and was acquired on 27 September 2023. Further details are included in note 30 to the Historical Financial Information. The statutory financial statements for the years ended 31 December 2023 and 2024 prepared under CASBE were audited by Guangzhou Ruigin Certified Public Accountants (廣州瑞勤會計師事務所), certified public accountants registered in the PRC. No audited financial statements have been prepared for the year ended 31 December 2025.

c. This entity is a limited liability enterprise established under the PRC law. The statutory financial statements for the years ended 31 December 2023 and 2024 prepared under CASBE were audited by Guangzhou Ruigin Certified Public Accountants (廣州瑞勤會計師事務所), certified public accountants registered in the PRC. No audited financial statements have been prepared for the year ended 31 December 2025.

d. This entity is a limited liability enterprise established under the PRC law. The statutory financial statements for the years ended 31 December 2023 prepared under CASBE were audited by Hubei Zhengda Certified Public Accountants Co., Ltd. (湖北正大會計師事務有限責任公司) and Guangzhou Ruigin Certified Public Accountants (廣州瑞勤會計師事務所), certified public accountants registered in the PRC. No audited financial statements have been prepared for the years ended 31 December 2024 and 2025.

e. This entity is a limited liability enterprise established under the PRC law and was acquired on 4 January 2024. Further details are included in note 30 to the Historical Financial Information. The statutory financial statements for the years ended 31 December 2024 prepared under CASBE were audited by Guangzhou Ruigin Certified Public Accountants (廣州瑞勤會計師事務所), certified public accountants registered in the PRC. No audited financial statements have been prepared for the year ended 31 December 2025.

f. This entity is a limited liability enterprise established under the PRC law and was acquired on 29 May 2025. Further details are included in note 29 to the Historical Financial Information. No audited financial statements have been prepared for the year ended 31 December 2025.

g. This entity is a limited liability enterprise established under the PRC law. No audited financial statements have been prepared for the year ended 31 December 2025.

h. This entity is a limited liability enterprise established under the PRC law and this entity was acquired by the Group on 23 October 2025. Further details are included in note 30 to the Historical Financial Information. No audited financial statements have been prepared for the year ended 31 December 2025.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results during the Relevant Periods or formed a substantial portion of the net assets of the Group.

In the opinion of the directors, no non-controlling interests in subsidiaries are material to the Group.

The carrying amounts of the Company's investments in subsidiaries are as follows:

	At 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Investments, at cost	26,187	60,054	91,454

Based on the impairment assessment performed by the Group, the directors of the Company considered that there was no impairment in the carrying values of the Company's investment in subsidiaries as at 31 December 2023, 2024 and 2025.

2.1 BASIS OF PREPARATION

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

The Historical Financial Information has been prepared under the historical cost convention, except for certain bills receivables and wealth management products which have been measured at fair value at the end of each of the Relevant Periods.

Basis of consolidation

The Historical Financial Information includes the financial information of the Company and its subsidiaries for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

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

IFRS 18	*Presentation and Disclosure in Financial Statements*[2]
IFRS 19 and its amendments	*Subsidiaries without Public Accountability: Disclosures*[2]
Amendments to IAS 21	*Translation to a Hyperinflationary Presentation Currency*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[1]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Annual Improvements to IFRS Accounting Standards — Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[1]

1 Effective for annual periods beginning on or after 1 January 2026
2 Effective for annual/reporting periods beginning on or after 1 January 2027
3 No mandatory effective date yet determined but available for adoption

The Group is in the process of making a detailed assessment of the impact of these new and amended IFRS Accounting Standards upon initial application. So far, the Group considers that these new and amended IFRS Accounting Standards, except for IFRS 18, may result in changes in certain accounting policies and no significant impact on the Group's financial performance and financial position is expected in the period of initial application. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Business combinations and goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Vehicles	23.75%
Machines and equipment	31.67% to 32.33%
Furniture and others	31.67% to 32.33%
Leasehold improvements	20.00% to 33.33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Licences

Purchased licences are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years. The useful life of 10 years for a licence is estimated based on the duration of the licence, as well as the useful lives of similar assets in the marketplace.

Research and development costs

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

Expenditure incurred on projects to develop new digital operation systems is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the digital operation systems passes the completion acceptance to become ready for the intended use.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

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

Office premises and warehouses	2 to 10 years

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate used to determine such lease payments) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented in a separate line in the consolidated statements of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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

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

Financial assets at fair value through profit or loss

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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

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

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

Simplified approach

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (trade and other payables, and interest-bearing bank and other borrowings)

After initial recognition, trade and other payables, and interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is based on estimated selling prices in the ordinary course of business, less applicable variable selling expenses and contract fulfilment cost.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

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

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

Income tax

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

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

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary difference; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary difference; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

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

The credit period granted to customers by the Group is determined based on their credit risk characteristics, which is consistent with industry practice, and there is no significant financing component.

Sales of pharmaceutical products—e-commerce platforms, distributors and pharmacy

Revenue is recognised at a point in time when the goods are delivered to designated locations and accepted by the e-commerce platforms, distributors and pharmacy in accordance with the sales contract.

Sales of pharmaceutical products—individual customers

The Group mainly sells its products directly to individual customers via self-operated stores. Revenue is recognised at a point in time when control of the asset is transferred to the customer, generally on acceptance by the customer. Specifically, revenue from direct sales via self-operated stores is recognised when the goods are accepted by consumers directly in the stores.

The Group generally do not permit unconditional products return for the products sold to customers, except for major e-commerce platforms including JD Health, Ali Health and Meituan Health. Therefore, these contracts with major e-commerce platforms as customersprovide them with rights of return. Some contracts for the sale of pharmaceutical products to e-commerce platforms, distributors and pharmacy also provide them with volume rebates. The rights of return and volume rebates give rise to variable consideration.

(i) Rights of return

For contracts which provide a customer with a right to return the products within a specified period, the expected value method is used to estimate the products that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For products that are expected to be returned, instead of revenue, a refund liability is recognised. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(ii) Volume rebates

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

Other income

Bank interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Right-of-return assets

A right-of-return asset is recognised for the right to recover the products expected to be returned by customers. The asset is measured at the former carrying amount of the products to be returned, less any expected costs to recover the products and any potential decreases in the value of the returned products. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned products.

Contract liabilities

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

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of the Relevant Periods.

Employee benefits

Pension scheme

The employees of the Group which operates in Chinese mainland are required to participate in a central pension scheme operated by the local municipal government. The Company and its subsidiaries operating in Chinese mainland are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. Other than the monthly contributions, the Group has no further payment obligations once the contributions have been paid.

Housing fund and other social insurances—Chinese mainland

The Group has participated in defined social contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group contributes on a monthly basis to a defined contribution housing fund and other social insurances. Contributions reexpensed on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in each of the Relevant Periods.

Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its Historical Financial Information. The Group will adjust the amounts recognised in its Historical Financial Information to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its Historical Financial Information, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Company's subsidiaries mainly incorporated in the PRC and considered RMB as its functional currency.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Principal versus agent considerations

The Group determines whether it is a principal or an agent in the sales of pharmaceutical products by evaluating the nature of its promise to the customer. The Group is a principal and therefore records revenue on a gross basis if it controls promised products before transferring the products to the distributors and retailers. Otherwise, the Group is an agent and records the net amount that it retains profits for agency services as revenue if its role is to arrange to provide the products. To assess whether the Group controls the products before they are transferred to the distributors and retailers, the Group has considered various factors, including but not limited to whether the Group (i) is the primary obligor in the arrangement, (ii) has general inventory risk, (iii) has discretion in establishing the selling price.

Development expenses

Expenses incurred on each projects to develop new software are only capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Development expenditure which does not meet these criteria is expensed when incurred. Determining the amounts to be capitalised requires management to make judgements and estimation.

Recognition of income taxes and deferred tax assets

Determining income tax provision involves judgement on the future tax treatment of certain transactions and when certain matters relating to the income taxes have not been confirmed by the local tax bureau. Management evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatments of such transactions are reconsidered periodically to take into account all changes in tax legislation.

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group performed individual assessment on certain customers. These evaluations focused on the customer's settlement history and current and future ability to pay, and took into account the information specific to the customer as well as pertaining to the current and future economic environment in which the customer operates.

The Group uses a provision matrix to calculate ECLs for trade receivables with similar credit characteristics. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the customer's current and future ability to pay and correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The

Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to Historical Financial Information, respectively.

Leases—Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as a subsidiary's stand-alone credit rating).

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including right-of-use assets) at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of products with rights of return.

The Group has developed a statistical model for forecasting sales returns. The model used the historical return data of each product to estimate expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical return pattern will impact the expected return percentages estimated by the Group.

Allowance for inventories

The Group records inventories at the lower of cost and net realisable value. Allowance for inventories is provided for those identified obsolete or damaged inventories; and inventories with a carrying amount higher than net realisable value. Regular operational procedures have been in place to monitor the allowance for inventories due to the significant balance involved and nature of the inventories is subject to expiry date.

The management identified the obsolete or damaged inventories based on expiry date or physical condition of the inventories. The specific factors considered by management in the estimation of the allowance for obsolete or damaged inventories include the latest sales information, expected market demand and saleability of inventories. Although the Group carries out regular reviews on the net realisable value of inventories, the actual realisable value of inventories is not known until the sales are concluded.

The carrying amounts of inventories at the end of each of the Relevant Periods are disclosed in note 18 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group is organised into business units based on its products and services and has only one reportable operating segment.

The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	2,915,971	2,875,345	3,388,124

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

(b) Non-current assets

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Chinese mainland	41,937	59,898	122,183
Hong Kong	2,060	1,981	1,487
Total non-current assets	43,997	61,879	123,670

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

Information about major customers

Revenue from the customers contributing over 10% of revenue of the Group are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Customer A	521,057	597,348	690,606
Customer B	450,359	483,014	490,262
Customer C	325,114	344,755	N/A*

* The corresponding revenue of the customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue during the respective period.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Types of products or services			
Sales of pharmaceutical products	2,909,168	2,867,834	3,377,270
Others	6,803	7,511	10,854
Total	2,915,971	2,875,345	3,388,124
Timing of revenue recognition			
Transferred at a point in time	2,909,168	2,867,834	3,377,270
Transferred over time	6,803	7,511	10,854
Total	2,915,971	2,875,345	3,388,124

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of those periods:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Type of products			
Sales of pharmaceutical products	7,004	3,517	4,281

(b) Performance obligations

Sales of pharmaceutical products

For distributor sales, the performance obligation is satisfied upon acceptance of the goods and payment is generally due within 30 to 90 days from acceptance, except for new customers, where payment in advance is normally required. For direct sales, the performance obligation is satisfied upon the acceptance of the goods and payment is mainly on cash or credit card settlement simultaneously.

Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint. As the original expected duration of the contracts from customers of the Group is within one year or less, the Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Government grants*	191	1,028	185
Bank interest income	514	786	441
Others	86	36	96
Total other income	791	1,850	722
Gain on disposal of items of property, plant and equipment and other assets	—	—	35
Total other income and gains	791	1,850	757

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these government grants.

7. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Loss on derecognition of financial assets	593	804	766
Loss on disposal of items of property, plant and equipment and other assets	18	29	—
Foreign exchange losses, net	5	7	115
Others	51	140	271
Total	667	980	1,152

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Interest on interest-bearing bank and other borrowings	7,612	12,886	18,085
Interest on lease liabilities *(note 16)*	795	808	915
Total	8,407	13,694	19,000

9. PROFIT BEFORE TAX

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

		Year ended 31 December		
	Notes	2023	2024	2025
		RMB'000	*RMB'000*	*RMB'000*
Cost of inventories sold		2,719,391	2,702,635	3,157,540
Cost of services provided		305	530	362
Depreciation of property, plant and equipment*	*15*	4,112	4,269	4,528
Depreciation of right-of-use assets*	*16(a)*	6,170	7,737	9,640
Amortization of intangible assets*	*17*	670	1,470	3,273
Research and development costs		1,795	2,003	1,615
Loss on termination of a lease contract**		15	—	—
Lease payments not included in the measurement of lease liabilities*	*16(c)*	211	315	163
Reversal of impairment loss of financial assets, net		(3,808)	(5,412)	(5,757)
Write-down of inventories to net realisable value***		55	677	1,028
[REDACTED]		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff costs (including directors' and chief executive's remuneration *(note 10)*):				
—Salaries, discretionary bonuses, allowances and benefits in kind		53,418	57,926	70,210
—Pension scheme contributions		5,572	7,049	7,738
Total		58,990	64,975	77,948

* Included in "Cost of sales", "Selling and distribution expenses", "Administrative expenses", and "Research and development expenses" in profit or loss.

** Included in "Other income and gains" in profit or loss.

*** Included in "Cost of sales" in profit or loss.

10. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration during the Relevant Periods, is as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	360	360	370
Other emoluments:			
Salaries, allowances and benefits in kind	2,504	2,969	2,541
Pension scheme contributions	61	60	45
Subtotal	2,565	3,029	2,586
Total	2,925	3,389	2,956

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods are as follows:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Dr. Yu Yumiao *(Note (a))*	120	120	120
Mr. Zhang Xiaolu *(Note (a))*	120	120	120
Mr. Lu Jun *(Note (a))*	120	120	90
Mr. Zhang Ping *(Note (a))*	—	—	40
Total	360	360	370

(b) Executive directors, non-executive director, and supervisors

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023				
Chief executive and executive director:				
Mr. Chen Changqing *(Note (b))*	—	252	7	259
Executive directors:				
Mr. Luo Qi *(Note (c))*	—	579	9	588
Mr. Wang Dong *(Note (d))*	—	549	9	558
Mr. Zhang Baozeng *(Note (e))*	—	496	9	505
Non-executive director:				
Ms. Chen Qiao *(Note (f))*	—	—	—	—
Supervisors:				
Mr. Liang Ronghui *(Note (h))*	—	289	9	298
Ms. Zhang Yanfei *(Note (h))*	—	105	9	114
Mr. Zhong Xi *(Note (h))*	—	234	9	243
Total	—	2,504	61	2,565

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2024				
Chief executive and executive director:				
Mr. Chen Changqing *(Note (b))*	—	424	—	424
Executive directors:				
Mr. Luo Qi *(Note (c))*	—	711	10	721
Mr. Wang Dong *(Note (d))*	—	674	10	684
Mr. Zhang Baozeng *(Note (e))*	—	549	10	559
Non-executive director:				
Ms. Chen Qiao *(Note (f))*	—	—	—	—
Supervisors:				
Mr. Liang Ronghui *(Note (h))*	—	288	10	298
Ms. Zhang Yanfei *(Note (h))*	—	105	10	115
Mr. Zhong Xi *(Note (h))*	—	218	10	228
Total	—	2,969	60	3,029

	Fees	Salaries, allowances and benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2025				
Chief executive and executive director:				
Mr. Chen Changqing *(Note (b))*	—	424	—	424
Executive directors:				
Mr. Luo Qi *(Note (c))*	—	674	11	685
Mr. Wang Dong *(Note (d))*	—	639	9	648
Mr. Zhang Baozeng *(Note (e))*	—	545	11	556
Non-executive director:				
Ms. Wu Xiaoyi *(Note (h))*	—	50	4	54
Ms. Chen Qiao *(Note (f))*	—	—	—	—
Supervisors:				
Mr. Liang Ronghui *(Note (g))*	—	298	4	102
Ms. Zhang Yanfei *(Note (g))*	—	36	3	39
Mr. Zhong Xi *(Note (g))*	—	75	3	78
Total	—	2,541	45	2,586

Notes:

(a) Dr. Yu Yumiao, Mr. Lu Jun and Mr. Zhang Xiaolu were appointed as independent non-executive directors with effect from July 2022, Mr. Lu Jun was resigned in September 2025, Mr. Zhang Ping was appointed as independent non-executive directors with effect from September 2025.

(b) Mr. Chen Changqing was appointed as an executive director and the chief executive of the Company with effect from August 2019.

(c) Mr. Luo Qi was appointed as an executive director with effect from August 2019.

(d) Mr. Wang Dong was appointed as an executive director with effect from November 2022.

(e) Mr. Zhang Baozeng was appointed as an executive director with effect from January 2022.

(f) Ms. Chen Qiao was appointed as a non-executive director with effect from May 2021 and no emoluments payable to her during the Relevant Periods.

(g) Mr. Liang Ronghui, Ms. Zhang Yanfei and Mr. Zhong Xi were appointed as supervisors with effect from July 2022. The Company had dissolved the supervisory committee from September 2025. Their remuneration disclosed above included the remuneration for the services rendered by them as the supervisor.

(h) Ms. Wu Xiaoyi was appointed as a non-executive director with effect from September 2025.

Save for the non-executive director, there was no arrangement under which a director or supervisor agreed to waive any remuneration during the Relevant Periods.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods included three directors, three directors and three directors respectively, details of whose remuneration are set out in note 10 to the Historical Financial Information.

Details of the remuneration of the remaining highest paid employees, who are neither a director of the Company for each of the Relevant Periods are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits in kind	1,082	1,254	1,171
Pension scheme contributions	19	21	21
Total	1,101	1,275	1,192

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following band are as follow:

	Year ended 31 December		
	2023	2024	2025
	Number of employees	*Number of employees*	*Number of employees*
Nil to HKD1,000,000	2	2	2

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration, and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX

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

Chinese mainland

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the Enterprise Income Tax ("**EIT**") rate of the PRC subsidiaries was 25% during the Relevant Periods except for the entity which was subject to tax concession set out below. A preferential tax treatment is available to Wuhan Yikangsi Information Technology Co., Ltd. was recognised as a High and New Technology Enterprise in 2024 in Chinese mainland, and a lower corporate income tax rate of 15% has been applied since then. The certificate of High and New Technology Enterprise must be renewed every three years and Wuhan Yikangsi Information Technology Co., Ltd. must re-apply for it every three years.

According to the EIT Law, Wuhan Yikangsi Information Technology Co., Ltd. was entitled to additional deduction at 100% of qualified research and development expenses from taxable income from 2024 to 2025. The additional deduction percentage was 200% for the amortization of capitalized development cost.

Hong Kong

The first HK$2,000,000 of assessable profits of the Group's Hong Kong subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.50%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Current income tax	13,260	4,717	19,001
Deferred income tax *(note 26)*	1,682	1,854	3,624
Total	14,942	6,571	22,625

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	Year ended 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	60,659	10,312	59,216
Tax at the statutory tax rate (25%)	15,165	2,578	14,804
Effect of different tax rates enacted by local authorities	16	236	547
Adjustments in respect of current tax of previous periods	—	—	1,532
Additional deductible allowance for research and development expenses	—	(464)	(542)
Deductible temporary difference and tax losses not recognised	579	3,810	4,052
Expenses not deductible for tax	260	411	2,591
Tax losses utilised from previous periods	(1,078)	—	(359)
Tax charge at the Group's effective rate	14,942	6,571	22,625

The Group had tax losses in Chinese mainland of RMB5,847,000, RMB16,995,000 and RMB21,216,000 in aggregate as at 31 December 2023, 2024 and 2025, respectively, that will expire in one to ten years for offsetting against future taxable profits of the company in which the losses arose.

The Group also has accumulated tax losses in Hong Kong of RMB2,263,000, RMB2,564,000 and RMB9,487,000 in aggregate as at 31 December 2023, 2024 and 2025, respectively, that can be carried forward indefinitely to offset against future taxable profits of the companies in which losses were incurred.

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in the subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits in foreseeable future will be available against which the tax losses can be utilised.

13. DIVIDENDS

No dividend was paid or declared by the Company during the Relevant Periods.

14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares in issue for the Relevant Periods.

The weighted average number of ordinary shares outstanding during the year used in the basic and diluted profit per share calculation had been adjusted retrospectively to reflect the share split on a one-for-ten basis, where the Company subdivided its share from one share of RMB1.0 each into ten shares of RMB0.1, which shall take effect immediately before the **[REDACTED]**.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods, since the Group had no potentially dilutive ordinary shares in issue during the Relevant Periods.

The calculation of basic and diluted earnings per share is based on:

	Year ended 31 December		
	2023	**2024**	**2025**
Earnings:			
Earnings attributable to ordinary equity holders of the parent *(RMB'000)*	46,081	5,480	39,461
Shares:			
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation *('000)*	102,830	103,820	105,320
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Express in RMB)*			
—Basic and diluted	0.45	0.05	0.37

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Vehicles	Machines and equipment	Furniture and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023					
At 1 January 2023:					
Cost	4,400	2,032	1,285	9,634	17,351
Accumulated depreciation	(2,705)	(621)	(278)	(2,274)	(5,878)
Net carrying amount	1,695	1,411	1,007	7,360	11,473
At 1 January 2023, net of accumulated depreciation	1,695	1,411	1,007	7,360	11,473
Additions	13	250	451	337	1,051
Disposal	—	(3)	—	—	(3)
Depreciation provided during the year	(930)	(624)	(512)	(2,046)	(4,112)
At 31 December 2023, net of accumulated depreciation	778	1,034	946	5,651	8,409
At 31 December 2023:					
Cost	4,413	2,252	1,736	9,971	18,372
Accumulated depreciation	(3,635)	(1,218)	(790)	(4,320)	(9,963)
Net carrying amount	778	1,034	946	5,651	8,409

	Vehicles	Machines and equipment	Furniture and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024					
At 1 January 2024:					
Cost	4,413	2,252	1,736	9,971	18,372
Accumulated depreciation	(3,635)	(1,218)	(790)	(4,320)	(9,963)
Net carrying amount	778	1,034	946	5,651	8,409
At 1 January 2024, net of accumulated depreciation	778	1,034	946	5,651	8,409
Additions	173	1,381	224	726	2,504
Acquisition of a subsidiary *(note 29)*	49	31	9	491	580
Disposal	—	(13)	(32)	—	(45)
Depreciation provided during the year	(390)	(794)	(569)	(2,516)	(4,269)
At 31 December 2024, net of accumulated depreciation	610	1,639	578	4,352	7,179
At 31 December 2024:					
Cost	4,635	3,591	1,813	11,188	21,227
Accumulated depreciation	(4,025)	(1,952)	(1,235)	(6,836)	(14,048)
Net carrying amount	610	1,639	578	4,352	7,179

	Vehicles	Machines and equipment	Furniture and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025					
At 1 January 2025:					
Cost	4,635	3,591	1,813	11,188	21,227
Accumulated depreciation	(4,025)	(1,952)	(1,235)	(6,836)	(14,048)
Net carrying amount	610	1,639	578	4,352	7,179
At 1 January 2025, net of accumulated depreciation	610	1,639	578	4,352	7,179
Additions	217	2,280	823	3,304	6,624
Acquisition of a subsidiary *(note 29)*	2	503	40	523	1,068
Disposal	—	(4)	(2)	(22)	(28)
Depreciation provided during the year	(368)	(1,337)	(505)	(2,318)	(4,528)
At 31 December 2025, net of accumulated depreciation	461	3,081	934	5,839	10,315
At 31 December 2025:					
Cost	4,854	6,251	2,673	14,788	28,566
Accumulated depreciation	(4,393)	(3,170)	(1,739)	(8,949)	(18,251)
Net carrying amount	461	3,081	934	5,839	10,315

The Company

	Vehicles	Machines and equipment	Furniture and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023					
At 1 January 2023:					
Cost	2,898	1,885	934	8,877	14,594
Accumulated depreciation	(1,919)	(601)	(222)	(2,063)	(4,805)
Net carrying amount	979	1,284	712	6,814	9,789
At 1 January 2023, net of accumulated depreciation	979	1,284	712	6,814	9,789
Additions	—	154	417	68	639
Disposal	—	(1)	—	—	(1)
Depreciation provided during the year	(574)	(573)	(394)	(1,923)	(3,464)
At 31 December 2023, net of accumulated depreciation	405	864	735	4,959	6,963
At 31 December 2023:					
Cost	2,898	2,012	1,351	8,945	15,206
Accumulated depreciation	(2,493)	(1,148)	(616)	(3,986)	(8,243)
Net carrying amount	405	864	735	4,959	6,963

	Vehicles	Machines and equipment	Furniture and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024					
At 1 January 2024:					
Cost	2,898	2,012	1,351	8,945	15,206
Accumulated depreciation	(2,493)	(1,148)	(616)	(3,986)	(8,243)
Net carrying amount	405	864	735	4,959	6,963
At 1 January 2024, net of accumulated depreciation	405	864	735	4,959	6,963
Additions	—	59	3	(165)	(103)
Disposal	—	(1)	—	—	(1)
Depreciation provided during the year	(202)	(497)	(418)	(1,550)	(2,667)
At 31 December 2024, net of accumulated depreciation	203	425	320	3,244	4,192
At 31 December 2024:					
Cost	2,898	2,028	1,352	8,780	15,058
Accumulated depreciation	(2,695)	(1,603)	(1,032)	(5,536)	(10,866)
Net carrying amount	203	425	320	3,244	4,192

	Vehicles	Machines and equipment	Furniture and others	Leasehold improvements	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2025					
At 1 January 2025:					
Cost	2,898	2,028	1,352	8,780	15,058
Accumulated depreciation	(2,695)	(1,603)	(1,032)	(5,536)	(10,866)
Net carrying amount	203	425	320	3,244	4,192
At 1 January 2025, net of accumulated depreciation	203	425	320	3,244	4,192
Additions	—	204	—	341	545
Disposal	—	(4)	—	—	(4)
Depreciation provided during the year	(60)	(312)	(225)	(1,552)	(2,149)
At 31 December 2025, net of accumulated depreciation	143	313	95	2,033	2,584
At 31 December 2025:					
Cost	2,898	2,110	1,352	9,121	15,481
Accumulated depreciation	(2,755)	(1,797)	(1,257)	(7,088)	(12,897)
Net carrying amount	143	313	95	2,033	2,584

As at the end of each Relevant Periods, there were no pledged property, plant and equipment.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of office premises and warehouses used in its operations. Leases of office premises and warehouses generally have lease terms between 2 and 6 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	21,765	14,218	17,871
Additions	253	11,228	7,348
Acquisition of a subsidiary *(note 29)*	—	450	2,099
Depreciation charge	(6,170)	(7,737)	(9,977)
Decrease arising from lease term termination	(1,347)	—	—
Reassessment of a lease term arising from a change in rent	(283)	(289)	8,214
Exchange realignment	—	1	(11)
Carrying amount at the end of the year	14,218	17,871	25,544

During the year ended 31 December 2025, depreciation of right-of-use assets of RMB337,000 was capitalised in deferred development costs.

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year	17,848	11,952	7,260
Additions	—	—	858
Depreciation charge	(4,878)	(4,692)	(4,646)
Decrease arising from lease term termination	(735)	—	—
Reassessment of a lease term arising from a change in rent	(283)	—	8,214
Carrying amount at the end of the year	11,952	7,260	11,686

(b) Lease liabilities

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	22,703	15,161	19,983
New leases	253	11,228	7,348
Acquisition of a subsidiary *(note 29)*	—	391	2,073
Accretion of interest recognised during the year	795	808	915
Lease termination	(1,434)	—	—
Reassessment of a lease term arising from a change in rent	(283)	(294)	8,214
Exchange realignment	—	1	(11)
Payments	(6,873)	(7,312)	(11,942)
Carrying amount	15,161	19,983	26,580
Analysed into:			
Current portion	4,963	9,307	10,216
Non-current portion	10,198	10,676	16,364

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	18,708	12,779	8,981
New leases	—	—	858
Accretion of interest recognised during the year	645	489	367
Lease termination	(774)	—	—
Reassessment of a lease term arising from a change in rent	(283)	—	8,214
Payments	(5,517)	(4,287)	(5,824)
Carrying amount	12,779	8,981	12,596
Analysed into:			
Current portion	3,798	5,707	4,600
Non-current portion	8,981	3,274	7,996

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

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

The Group

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	6,170	7,737	9,640
Interest on lease liabilities	795	808	915
Gain on a lease termination	15	—	—
Expense relating to short-term leases	211	315	163
Total amount recognised in profit or loss	7,191	8,860	10,718

The Company

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	4,878	4,692	4,646
Interest on lease liabilities	645	489	367
Gain on a lease termination	(39)	—	—
Total amount recognised in profit or loss	5,484	5,181	5,013

(d) The total cash outflow for leases is disclosed in note 31 to the Historical Financial Information.

17. INTANGIBLE ASSETS

The Group

	Software	Licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023				
At 1 January 2023:				
Cost	1,137	—	4,520	5,657
Accumulated amortisation	(57)	—	—	(57)
Net carrying amount	1,080	—	4,520	5,600

	Software	Licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023, net of accumulated amortisation	1,080	—	4,520	5,600
Additions—internal development	—	—	6,253	6,253
Acquisition of a subsidiary that is not a business *(note 30)*	—	3,552	—	3,552
Transfers	6,455	—	(6,455)	—
Amortisation	(552)	(118)	—	(670)
At 31 December 2023, net of accumulated amortisation	6,983	3,434	4,318	14,735
At 31 December 2023				
Cost	7,592	3,552	4,318	15,462
Accumulated amortisation	(609)	(118)	—	(727)
Net carrying amount	6,983	3,434	4,318	14,735

	Software	Licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2024				
At 1 January 2024:				
Cost	7,592	3,552	4,318	15,462
Accumulated amortisation	(609)	(118)	—	(727)
Net carrying amount	6,983	3,434	4,318	14,735
At 1 January 2024, net of accumulated amortisation	6,983	3,434	4,318	14,735
Additions	62	—	—	62
Additions—internal development	—	—	8,644	8,644
Internal transfers	3,588	—	(3,588)	—
Acquisition of a subsidiary that is not a business *(note 30)*	—	196	—	196
Amortisation	(1,095)	(375)	—	(1,470)
At 31 December 2024, net of accumulated amortisation	9,538	3,255	9,374	22,167
At 31 December 2024				
Cost	11,242	3,748	9,374	24,364
Accumulated amortisation	(1,704)	(493)	—	(2,197)
Net carrying amount	9,538	3,255	9,374	22,167

	Software	Licences	Deferred development costs	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2025				
At 1 January 2025:				
Cost	11,242	3,748	9,374	24,364
Accumulated amortisation	(1,704)	(493)	—	(2,197)
Net carrying amount	9,538	3,255	9,374	22,167
At 1 January 2025, net of accumulated amortisation	9,538	3,255	9,374	22,167
Additions	32	39,811	—	39,843
Additions—internal development	—	—	10,439	10,439
Internal transfers	19,813	—	(19,813)	—
Acquisition of a subsidiary *(note 29)*	—	3,919	—	3,919
Acquisition of a subsidiary that is not a business *(note 30)*	—	4,316	—	4,316
Amortisation	(2,010)	(1,263)	—	(3,273)
At 31 December 2025, net of accumulated amortisation	27,373	50,038	—	77,411
At 31 December 2025				
Cost	31,087	51,794	—	82,881
Accumulated amortisation	(3,714)	(1,756)	—	(5,470)
Net carrying amount	27,373	50,038	—	77,411

Impairment testing of deferred development costs

The intangible assets of the Group include the deferred development costs which are the expenditure incurred in the development phase of software. The management of the Company tests the deferred development costs which are not yet available for use for impairment at least annually, and whenever there is an indication that the deferred development costs may be impaired, by comparing their carrying amounts with their recoverable amounts.

The test for impairment of the deferred development costs is performed using the relief from royalty method and is based on the expected future cash flows generated from the royalty payments avoided for purchase of external software for the next 10 years.

Assumptions were used in the value in use calculation of deferred development costs as at 31 December 2023 and 2024. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of deferred development costs:

Compound growth rate—The compound growth rate of revenue was estimated based on information available at the time of assessment, disregarding the information that has become available after the assessment. Such information includes sales plans, industry growth rate, past experience and the medium-term or long-term growth target of the Group.

Management considers that using a ten-year forecast period for the relief from royalty method in the impairment test is appropriate because the economic useful lives of software in development are longer than ten years, and it generally takes longer for a software product to reach a perpetual growth mode, compared to products in other industries, especially when the software products are still in development.

Discount rate—The pre-tax discount rate applied to the cash flow projections ranged from 26.86% to 27.93% during the years ended 31 December 2023 and 2024, which is determined by reference to the average pre-tax discount rates for comparable companies with similar business risk and similar industry with the addition of the risk premium associated with the underlying software group in development.

Royalty rate—Royalties generated by the deferred development costs are based on the Group's total revenue from the Group. The royalty rate applied to the cash flow projections was 1% and the royalty rate is determined by reference to the royalty rate for comparable cases with similar industry.

Key assumptions used in the calculation are as follows:

	31 December 2023	**31 December 2024**
Revenue (% compound growth rate of forecasted period)	7.17%	6.00%
Pre-tax discount rate	27.93%	26.86%
Royalty rate	1%	1%

The values assigned to the key assumptions are consistent with historical experience of the Group and external information sources.

No impairment loss in relation to deferred development costs is recognized for the years ended 31 December 2023 and 2024. The impairment assessment is based on a valuation by an independent professional valuer. Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the key parameters would not cause the carrying amount of the deferred development costs to exceed its recoverable amount as at 31 December 2023 and 2024.

Based on management's assessment of the recoverable amounts, the headroom, representing the excess of the recoverable amount over the carrying amount was RMB110,699,000 and RMB85,849,000 for the deferred development costs as at 31 December 2023 and 2024, respectively.

If the pre-tax discount rate increased to 28.93%, or the royalty rate decreased to 0.99%, or the compound growth rate of revenue decreased to 6.17% (with other assumptions remaining unchanged), the recoverable amount of the deferred development costs would equal its carrying amount as at 31 December 2023.

If the pre-tax discount rate rose to 27.86%, or the royalty rate decreased to 0.99%, or the compound growth rate of revenue decreased to 5.00% (with other assumptions remaining unchanged), the recoverable amount of the deferred development costs would equal its carrying amount as at 31 December 2024.

Except for these, any reasonable possible changes in the other key assumptions used value assessment model would not affect management's view on impairment of the deferred development costs at 31 December 2023 and 2024.

18. INVENTORIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trading merchandise	302,083	292,545	604,960
Total	302,083	292,545	604,960

The inventories of the Group are net of a write-down of approximately RMB1,541,000, RMB2,218,000 and RMB1,028,000 as at 31 December 2023, 2024 and 2025.

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trading merchandise	291,780	228,679	358,554
Total	291,780	228,679	358,554

The inventories of the Company are net of a write-down of approximately RMB1,541,000, RMB1,823,000 and RMB759,000 as at 31 December 2023, 2024 and 2025.

19. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables at amortised cost			
Trade receivables	420,062	469,365	491,216
Less: impairment	(26,438)	(21,026)	(15,269)
Trade receivables, net	393,624	448,339	475,947
Bills receivable at amortized cost	61,100	11,601	30,332
Subtotal	454,724	459,940	506,279
Bills receivable at fair value through other comprehensive income ("**FVOCI**")			
Bills receivables	—	37,438	32,263
Total	454,724	497,378	538,542

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade and bills receivables at amortised cost			
Trade receivables			
Subsidiaries	19,988	35,081	115,353
Third parties	408,733	388,698	353,604
Less: impairment	(26,326)	(17,458)	(5,223)
Trade receivables, net	402,395	406,321	463,734
Bills receivable at amortized cost	61,100	11,131	24,188
Subtotal	463,495	417,452	487,922
Bills receivable at FVOCI			
Bills receivables	—	35,656	27,407
Total	463,495	453,108	515,329

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. The balances of trade and bills receivables are non-interest-bearing.

As the end of each of the Relevant Periods, certain trade receivables of the Group amounting to RMB116,219,000, RMB103,117,000 and RMB132,528,000, respectively, were pledged to secure other borrowings.

As the end of each of the Relevant Periods, certain bill receivables of the Group amounting to RMB52,318,000, RMB4,907,000 and RMB22,385,000, respectively, were discounted to secure Bank loans.

Transferred financial assets that are derecognised in their entirety

As at the end of each Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Chinese mainland (the "**Derecognized Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers and discounted with carrying amounts in aggregate of approximately RMB122,087,000, RMB79,091,000 and RMB183,294,000, respectively. The Derecognized Bills had maturity of one to six months at the end of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the Chinese mainland, the holders of the Derecognized Bills shall have recourse against the Group if the banks in Chinese mainland default (the "**Continuing Involvement**"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognized Bills is remote in the absence of a default of the accepted bank, and the Group has transferred substantially all the risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills. The maximum exposures to loss from the Group's Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognized Bills are not significant.

During the Relevant Periods, the Group has recognized loss of RMB593,000, RMB804,000 and RMB766,000, respectively, on the date of discounted of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the year or cumulatively.

Transferred financial assets that are not derecognised in their entirety

As at the end of each Relevant Periods, the Group endorsed certain bills receivable accepted by banks in Chinese mainland (the "**Non-derecognized Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers and discounted with carrying amounts in aggregate of approximately RMB61,100,000, RMB10,806,000 and RMB29,583,000, respectively. The Group is of the opinion that the Group retains nearly all the risks and rewards, including default risks related to it. Therefore, the amount obtained from discounting bank acceptance bills (the carrying value) are recognised as financial liability under interest-bearing bank and other borrowings and current liabilities. Subsequent to discounting or endorsing, the Group will no longer retain usage rights, including the rights for selling, transferring or pledging such assets to other third parties.

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	374,614	411,222	471,530
1 to 2 years	490	6,627	2,614
2 to 3 years	18,520	330	1,803
Over 3 years	—	30,160	—
Total	393,624	448,339	475,947

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	383,394	369,453	460,354
1 to 2 years	481	6,378	1,909
2 to 3 years	18,520	330	1,471
Over 3 years	—	30,160	—
Total	402,395	406,321	463,734

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

The Group performed individual assessment on certain customers. These evaluations focused on the customer's settlement history and current and future ability to pay, and took into account the information specific to the customer as well as pertaining to the current and future economic environment in which the customer operates. The Group has provided impairment for those individual assessed trade receivables based on the cash flows or alternative assets that the Group expects to receive.

The remaining items were categorized by the Group into two types: state-owned enterprises and private companies and others, and the Group determines the ECL on remaining items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

The movement in the loss allowance for impairment of trade receivables is as follows:

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	30,246	26,438	21,026
Impairment losses, net	(3,808)	(5,412)	(5,757)
At end of year	26,438	21,026	15,269

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	30,088	26,326	17,458
Impairment losses, net	(3,762)	(8,868)	(12,235)
At end of year	26,326	17,458	5,223

The following table details the risk profile of trade receivables by types:

The Group

	As at 31 December 2023		
	Gross carrying amount	**Expected credit losses**	**Expected credit loss rate**
	RMB'000	*RMB'000*	*RMB'000*
Individually assessed	39,800	21,361	53.67%
Collectively assessed:			
Private companies and others	370,715	5,074	1.37%
State-owned enterprises	9,547	3	0.03%
Total	420,062	26,438	6.29%

	As at 31 December 2024		
	Gross carrying amount	Expected credit losses	Expected credit loss rate
	RMB'000	*RMB'000*	*RMB'000*
Individually assessed	45,642	12,965	28.41%
Collectively assessed:			
Private companies and others	414,070	8,055	1.95%
State-owned enterprises	9,653	6	0.06%
Total	469,365	21,026	4.48%

	As at 31 December 2025		
	Gross carrying amount	Expected credit losses	Expected credit loss rate
	RMB'000	*RMB'000*	*RMB'000*
Individually assessed	9,431	9,431	100.00%
Collectively assessed:			
Private companies and others	472,577	5,788	1.22%
State-owned enterprises	9,208	50	0.54%
Total	491,216	15,269	3.11%

The Company

	As at 31 December 2023		
	Gross carrying amount	Expected credit losses	Expected credit loss rate
	RMB'000	*RMB'000*	*RMB'000*
Due from subsidiaries	19,988	—	—
Individually assessed	39,800	21,361	53.67%
Collectively assessed:			
Private companies and others	362,485	4,963	1.37%
State-owned enterprises	6,448	2	0.03%
Total	428,721	26,326	6.14%

	As at 31 December 2024		
	Gross carrying amount	Expected credit losses	Expected credit loss rate
	RMB'000	*RMB'000*	*RMB'000*
Due from subsidiaries	35,081	—	—
Individually assessed	40,609	10,449	25.73%
Collectively assessed:			
Private companies and others	346,430	7,004	2.02%
State-owned enterprises	1,659	5	0.30%
Total	423,779	17,458	4.12%

	As at 31 December 2025		
	Gross carrying amount	Expected credit losses	Expected credit loss rate
	RMB'000	*RMB'000*	*RMB'000*
Due from subsidiaries	115,353	—	—
Individually assessed	1,100	1,100	100.00%
Collectively assessed:			
Private companies and others	348,921	4,083	1.17%
State-owned enterprises	3,583	40	1.12%
Total	468,957	5,223	1.11%

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

The Group

	As at 31 December 2023				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.30%	18.60%	33.61%	—	1.34%
Gross carrying amount *(RMB'000)*	379,538	602	122	—	380,262
Expected credit losses *(RMB'000)*	4,924	112	41	—	5,077

	As at 31 December 2024				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.42%	23.14%	36.90%	—	1.90%
Gross carrying amount *(RMB'000)*	414,578	8,622	523	—	423,723
Expected credit losses *(RMB'000)*	5,873	1,995	193	—	8,061

	As at 31 December 2025				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.68%	27.39%	37.72%	100.00%	1.21%
Gross carrying amount *(RMB'000)*	474,767	3,600	2,895	523	481,785
Expected credit losses *(RMB'000)*	3,237	986	1,092	523	5,838

The Company

	As at 31 December 2023				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.24%	18.61%	33.61%	—	1.28%
Gross carrying amount *(RMB'000)*	388,208	591	122	—	388,921
Expected credit losses *(RMB'000)*	4,814	110	41	—	4,965

	As at 31 December 2024				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	1.31%	23.14%	36.90%	—	1.83%
Gross carrying amount *(RMB'000)*	374,349	8,298	523	—	383,170
Expected credit losses *(RMB'000)*	4,896	1,920	193	—	7,009

	As at 31 December 2025				
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Expected credit loss rate	0.43%	27.38%	37.70%	100.00%	0.88%
Gross carrying amount *(RMB'000)*	462,343	2,630	2,361	523	467,857
Expected credit losses *(RMB'000)*	1,990	720	890	523	4,123

The bills receivable included in the above balances relate to receivables for which there was no recent history of default and past due amounts. During the Relevant Periods, bills receivable at amortized cost and FVOCI are subject to impairment under the general approach and the loss allowance was assessed to be minimal.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Long-term deposits	6,635	11,746	10,400
Advance payment for equipment	—	1,416	—
Upfront payment for acquisition	—	1,500	—
Total	6,635	14,662	10,400
Current:			
Prepayments	96,698	123,248	227,584
Right-of-return assets	6,071	12,550	13,982
Value added tax recoverable	5,773	12,615	48,080
Prepaid corporate income tax	—	499	—
Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposits	1,700	1,660	1,645
Due from the non-controlling interest of a subsidiary	—	3,382	2,358
Other receivables	576	2,598	3,912
Total	110,818	156,552	299,069

The Company

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Non-current:			
Long-term deposits	4,124	6,621	5,575
Upfront payment for acquisition	—	1,500	—
Total	4,124	8,121	5,575
Current:			
Prepayments	83,387	105,852	180,690
Right-of-return assets	5,541	10,508	4,049
Value added tax recoverable	5,243	7,929	36,562
Prepaid corporate income tax	—	681	—
Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Deposits	743	10	1,100
Due from subsidiaries	20,000	112,017	165,947
Other receivables	640	1,703	2,394
Total	115,554	238,700	392,250

The financial assets included in the above balances relate to receivables for which there were no recent history of default and past due amounts. In addition, there was no significant change in the economic factors based on the assessment of the forward-looking information, so the directors of the Company are of the opinion that the ECLs in respect of these balances are minimal. The balances are interest-free and are not secured with collateral.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

The Group

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	111,676	140,346	141,399
Less: restricted bank deposits *(note)*	(50,109)	(30,162)	(35,406)
Cash and cash equivalents	61,567	110,184	105,993
Denominated in:			
RMB	61,014	109,449	104,395
HKD	551	701	911
USD	2	34	687
Cash and cash equivalents	61,567	110,184	105,993

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	98,634	95,981	82,717
Less: restricted bank deposits *(note)*	(50,109)	(13,047)	(7,502)
Cash and cash equivalents	48,525	82,934	75,215
Denominated in:			
RMB	48,525	82,934	75,215
Cash and cash equivalents	48,525	82,934	75,215

The RMB is not freely convertible into other currencies, however, under Chinese mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Notes:

As at 31 December 2023, 2024 and 2025, the restricted bank deposits of the Group included RMB50,109,000, RMB30,162,000 and RMB35,406,000, respectively, represented performance deposits for issuing bills payable.

As at 31 December 2023, 2024 and 2025, the restricted bank deposits of the Company included RMB50,109,000, RMB13,047,000 and RMB7,502,000, respectively, represented performance deposits for issuing bills payable.

22. TRADE AND BILLS PAYABLES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	265,281	226,260	511,515
Bills payable	65,104	57,813	65,266
Total	330,385	284,073	576,781

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	328,568	281,679	565,585
6 to 12 months	1,506	1,701	10,940
1 to 2 years	167	469	192
2 to 3 years	144	224	—
Over 3 years	—	—	64
Total	330,385	284,073	576,781

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
Subsidiaries	—	1,263	20,951
Third parties	272,864	222,203	320,908
Subtotal	272,864	223,466	341,859
Bills payable	65,104	40,698	37,500
Total	337,968	264,164	379,359

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

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	336,151	261,848	376,455
6 to 12 months	1,506	1,684	2,904
1 to 2 years	167	469	—
2 to 3 years	144	163	—
Total	337,968	264,164	379,359

The trade payables are non-interest-bearing and are normally settled on terms of 1 to 3 months.

23. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	7,084	5,451	5,651
Output value added tax to be transferred	457	554	899
Other tax payables	2,833	3,675	3,476
Refund liabilities	6,500	13,319	15,055
Deposits	728	3,478	14,474
Advance received from investors	13,000	—	—
Due to the non-controlling interest of a subsidiary	—	4,000	—
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other payables	18,922	24,173	23,042
Total	49,524	54,650	65,581

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Payroll and welfare payable	4,704	3,113	2,338
Output value added tax to be transferred	402	233	357
Other tax payables	2,209	2,760	2,610
Refund liabilities	5,908	11,150	4,302
Deposits	728	1,262	651
Advance received from investors	13,000	—	—
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other payables	18,766	22,165	26,039
Total	45,717	40,683	39,281

24. CONTRACT LIABILITIES

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of pharmaceutical products	3,517	4,281	6,919

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Sales of pharmaceutical products	3,092	1,796	2,748

All contract liabilities included in the carrying amount as at 31 December 2023, 2024 and 2025, were expected to be transferred to operating revenue in following year. The increase in contract liabilities as at 31 December 2024 and 31 December 2025 was mainly due to the increase in short-term advances received from customers in relation to the sale of pharmaceutical products.

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

	At 31 December								
	2023			2024			2025		
	Effective interest rate per annum %	*Maturity*	*RMB'000*	*Effective interest rate per annum %*	*Maturity*	*RMB'000*	*Effective interest rate per annum %*	*Maturity*	*RMB'000*
Current									
Bank loans	3.5–4.0	2024	222,500	3.4–4.0	2025	293,826	3.0–4.1	2026	408,243
Current portion of long term bank loans-secured			—			—	3.0	2026-2028	9,708
Other borrowings	4.0–6.5	2024	71,201	3.6–5.2	2025	83,183	3.5–4.0	2026	151,248
			293,701			377,009			569,199
Analysed into:									
Bank loans repayable:									
Within one year or on demand			222,500			293,826			417,951
Other borrowings repayable:									
Within one year or on demand			71,201			83,183			151,248
Total			293,701			377,009			569,199

Notes: As at the end of each of the Relevant Periods, certain bank borrowings of the Group amounting to RMB170,182,000, RMB286,916,000 and RMB395,566,000 respectively, were guaranteed by Mr. Chen Changqing and the non-controlling interests of a subsidiary, which will be released prior to **[REDACTED]**.

The secured bank loan of RMB9,708,000 with the maturity date of 24 June 2028 is subject to a covenant that requires a debt-to-asset ratio of Guangzhou Yikangsi Health Pharmacy Co., Ltd., a subsidiary not exceeding 95%. The covenant is tested yearly at 31 December. The debt-to-asset ratio applicable to the covenant is calculated as the total liabilities divided by total assets of the subsidiary. The debt-to-asset ratio was 103% based on the relevant financial information as at 31 December 2025 which was higher than that required by the covenant, the lender may demand for immediate repayment of the bank loan. The Company has determined that it does not have the right to defer settlement of the liability for a period exceeding one year. Accordingly, it has been reclassified as current liabilities. The Group is actively negotiating with the lender to obtain a waiver in respect of the potential non-compliance of the covenant.

As the end of each of the Relevant Periods, other borrowings of the Group amounting to RMB71,201,000, RMB83,183,000 and RMB151,248,000 respectively, were secured by trade receivables under the factoring arrangement that were not derecognised.

As the end of each of the Relevant Periods, certain bank loans of the Group amounting to RMB52,318,000, RMB4,907,000 and RMB22,385,000 respectively, were advances from banks as consideration for factored bills receivable.

The Company

	At 31 December								
	2023			2024			2025		
	Effective interest rate per annum %	*Maturity*	*RMB'000*	*Effective interest rate per annum %*	*Maturity*	*RMB'000*	*Effective interest rate per annum %*	*Maturity*	*RMB'000*
Current									
Bank loans	3.5–4.0	2024	222,500	3.4–4.0	2025	290,322	3.0–4.1	2026	406,742
Other borrowings	4.0–6.5	2024	71,201	3.6–5.2	2025	83,183	3.5–4.0	2026	151,248
			293,701			373,505			557,990
Analysed into:									
Bank loans repayable:									
Within one year or on demand			222,500			290,322			406,742
Other borrowings repayable:									
Within one year or on demand			71,201			83,183			151,248
Total			293,701			373,505			557,990

As at the end of each of the Relevant Periods, certain bank borrowings of the Company amounting to RMB170,182,000, RMB285,414,000 and RMB394,065,000 respectively, were guaranteed by Mr. Chen Changqing.

As the end of each of the Relevant Periods, other borrowings of the Company amounting to RMB71,201,000, RMB83,183,000 and RMB151,248,000 respectively, were secured by trade receivables under the factoring arrangement that were not derecognised.

As the end of each of the Relevant Periods, certain bank loans of the Company amounting to RMB52,318,000, RMB4,907,000 and RMB22,385,000 respectively, were advances from banks as consideration for factored bills receivable.

26. DEFERRED TAX

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

Deferred tax liabilities

The Group

	Right-of-use assets	Right-of-return assets	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	5,441	7,490	12,931
Credited to profit or loss	(1,886)	(5,973)	(7,859)
As at 31 December 2023 and 1 January 2024	3,555	1,517	5,072
Charged to profit or loss	855	1,620	2,475
As at 31 December 2024 and 1 January 2025	4,410	3,137	7,547
Charged to profit or loss	1,953	357	2,310
As at 31 December 2025	6,363	3,494	9,857

The Company

	Right-of-use assets	Right-of-return assets	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2023	4,462	7,434	11,896
Credited to profit or loss	(1,474)	(6,049)	(7,523)
As at 31 December 2023 and 1 January 2024	2,988	1,385	4,373
Credited/(charged) to profit or loss	(1,173)	1,242	69
As at 31 December 2024 and 1 January 2025	1,815	2,627	4,442
Charged/(credited) to profit or loss	1,107	(1,615)	(508)
As at 31 December 2025	2,922	1,012	3,934

Deferred tax assets

The Group

	Lease liabilities	Provision for refund liabilities	Impairment of trade receivables	Impairment provision of inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	5,655	8,329	7,522	372	21,878
Charged/(credited) to profit or loss	(1,894)	(6,720)	(940)	13	(9,541)
As at 31 December 2023 and 1 January 2024	3,761	1,609	6,582	385	12,337
Credited/(charged) to profit or loss	1,080	1,689	(2,219)	71	621
As at 31 December 2024 and 1 January 2025	4,841	3,298	4,363	456	12,958
Credited/(charged) to profit or loss	1,750	261	(3,059)	(266)	(1,314)
As at 31 December 2025	6,591	3,559	1,304	190	11,644

The Company

	Lease liabilities	Provision for refund liabilities	Impairment of trade receivables	Impairment provision of inventories	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023	4,677	8,272	7,522	372	20,843
(Charged)/credited to profit or loss	(1,483)	(6,795)	(940)	13	(9,205)
As at 31 December 2023 and 1 January 2024	3,194	1,477	6,582	385	11,638
(Charged)/credited to profit or loss	(948)	1,310	(2,218)	71	(1,785)
As at 31 December 2024 and 1 January 2025	2,246	2,787	4,364	456	9,853
Credited/(charged) to profit or loss	903	(1,711)	(3,058)	(266)	(4,132)
As at 31 December 2025	3,149	1,076	1,306	190	5,721

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

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	7,265	5,411	1,787

The Company

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	7,265	5,411	1,787

Deferred tax assets have not been recognised in respect of the following items:

The Group

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Tax losses	8,110	19,159	31,877
Deductible temporary differences	291	4,482	11,260
	8,401	23,641	43,137

27. SHARE CAPITAL

The Group and the Company

	As at 31 December		
	2023	2024	2025
	Number of shares	*Number of shares*	*Number of shares*
Ordinary shares of RMB1 each	10,283,246	10,532,417	10,532,417

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

	Number of shares in issue	Share capital
	(in thousand)	*RMB'000*
At 1 January 2023, 31 December 2023 and 1 January 2024.	10,283	10,283
Issue of shares	249	249
At 31 December 2024, 1 January 2025 and 31 December 2025 . .	10,532	10,532

In May 2024, the Company entered into share subscription agreements with certain independent investors, pursuant to which, the Company issued 249,171 shares to the investors at a price of RMB252.84 per share for a total cash consideration of RMB62,059,000, which resulted in the increase of RMB249,000 and RMB61,810,000 to the Company's share capital and capital reserve, respectively.

28. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

Capital reserve

The capital reserve account represents the amount paid by shareholders for capital injection in excess of the par value of the ordinary shares subscribed and the capital contribution from controlling shareholders.

Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are established in the PRC is required to appropriate 10% of its net profits after tax, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of certain subsidiaries of the Group the statutory surplus reserve may be used either to offset losses, or to be converted to increase the share capital of the Company and subsidiaries provided that the reserve balance after such conversion is not less than 25% of the registered capital of the Company and subsidiaries. The statutory surplus reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

No statutory surplus reserve was appropriated after the year ended 31 December 2024 as the Company's statutory surplus reserve has accumulated to 50% of its registered capital.

The amounts of the Group's capital reserve and other reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

The Company

The amounts of the Company's reserves and the movements therein for the Relevant Periods are presented as follows:

	Capital reserves	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	354,768	2,240	(80,581)	276,427
Profit for the year	—	—	44,995	44,995
Appropriation to statutory surplus reserve	—	2,902	(2,902)	—
At 31 December 2023 and 1 January 2024	354,768	5,142	(38,488)	321,422
Profit for the year	—	—	18,613	18,613
Issue of shares	61,810	—	—	61,810
Appropriation to statutory surplus reserve	—	125	(125)	—
At 31 December 2024 and 1 January 2025	416,578	5,267	(20,000)	401,845
Profit for the year	—	—	52,506	52,506
At 31 December 2025	416,578	5,267	32,506	454,351

29. BUSINESS COMBINATIONS

(a) Acquisition during the year ended 31 December 2024

On 29 February 2024, the Group entered into a share purchase agreement with shareholder of Rong Tai Pharmaceutical (Shenyang) Co., Ltd. (融泰醫藥(瀋陽)有限公司) (formerly known as Shenyang Haotian Pharmaceutical Co., Ltd. (瀋陽浩天醫藥有限責任公司), "**Rong Tai Shenyang**"), to acquire 51% equity interests in Rong Tai Shenyang by way of capital contribution of RMB10,408,000. Upon the completion of the transaction on 2 April 2024, the Group was able to exercise control over Rong Tai Shenyang.

The acquisition was made as part of the Group's strategy to develop its direct distribution to downstream buyers across Northeastern China market.

The fair values of the identifiable assets and liabilities of Rong Tai Shenyang as at the date of acquisition were as follows:

	Notes	**Rong Tai Shenyang**
		RMB'000
Cash and cash equivalents		6,080
Trade receivables		19,030
Prepayments, other receivables and other assets		8,956
Inventories		6,828
Property, plant and equipment	*15*	580
Right-of-use assets	*16*	450
Trade payables		(1,892)
Other payables and accruals		(10,233)
Interest-bearing bank borrowings		(9,000)
Lease liabilities	*16*	(391)
Total identifiable net assets at fair value		20,408
Less: non-controlling interests		10,000
Goodwill on acquisition		—
Satisfied by:		
Cash consideration		10,408

The fair values and gross contractual amounts of the trade receivables and other receivables as at the dates of acquisition amounted to RMB19,030,000 and RMB6,017,000, respectively.

Since the acquisition, Rong Tai Shenyang contributed revenue of RMB79,913,000 and net loss of RMB766,000 to the Group for the year ended 31 December 2024.

Had the combination taken place at the beginning of the year ended 31 December 2024, the revenue and the consolidated profit of the Group for the year would have been RMB2,890,154,000 and RMB2,076,000, respectively.

An analysis of the cash flows in respect of the above acquisition is as follows:

	Rong Tai Shenyang
	RMB'000
Capital injection to Rong Tai Shenyang prior to acquisition date*	(4,000)
Cash and cash equivalents acquired	6,080
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,080

* Of the total capital contribution, RMB4,000,000 and RMB6,408,000 were paid into Rong Tai Shenyang on 29 March 2024 and 24 May 2024 respectively.

(b) Acquisition during the year ended 31 December 2025

On 29 May 2025, the Group entered into a share purchase agreement with Kangenqi Pharmaceutical (Jiangmen) Co., Ltd. (康恩奇藥業(江門)有限公司) and Zhao Jincheng, independent third parties of the Group, pursuant to which the Group agreed to acquire 100% equity interests in Rong Tai Pharmaceutical (Hubei) Co., Ltd. (融泰醫藥(湖北)有限公司) (formerly known as Hubei Kangenqi Pharmaceutical Co., Ltd., "**Rong Tai Hubei**") for a total cash consideration of RMB4,600,000. Upon the completion of the transaction on 29 May 2025, the Group was able to exercise control over Rong Tai Hubei.

The acquisition was made as part of the Group's strategy to develop its direct distribution to downstream buyers across Central China market.

The fair values of the identifiable assets and liabilities of Rong Tai Hubei as at the date of acquisition were as follows:

	Notes	**Rong Tai Hubei**
		RMB'000
Cash and cash equivalents		3,747
Trade receivables		11,354
Prepayments, other receivables and other assets		687
Inventories		13,993
Property, plant and equipment	*15*	1,063
Right-of-use assets	*16*	2,099
Other intangible assets	*17*	3,919
Trade payables		(5,079)
Other payables and accruals		(24,553)
Contract liabilities		(557)
Lease liabilities	*16*	(2,073)
Total identifiable assets acquired and liabilities assumed at fair value		4,600
Goodwill on acquisition		—
Satisfied by:		
Cash consideration		4,600
Consideration payable included in other payables and accruals as 31 December 2025		—

The fair values and gross contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to RMB11,354,000 and RMB687,000, respectively.

Since the acquisition, Rong Tai Hubei contributed revenue of RMB106,530,000 and net loss of RMB895,000 to the Group for the year ended 31 December 2025.

Had the combination taken place at the beginning of the year ended 31 December 2025, the revenue and the consolidated profit of the Group for the period would have been RMB3,411,457,000 and RMB35,133,000, respectively.

An analysis of the cash flows in respect of the above acquisition is as follows:

	Rong Tai Hubei
	RMB'000
Cash consideration paid during the year ended 31 December 2024	(1,500)
Cash consideration paid during the year ended 31 December 2025	(3,100)
Cash and cash equivalents acquired	3,747
Net inflow of cash and cash equivalents included in cash flows from investing activities	(853)

30. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

(a) Year ended 31 December 2023

During the year ended 31 December 2023, the Group entered into a share purchase agreement with Anhui Xinshiji Pharmaceutical Co., Ltd. (安徽新世紀藥業有限公司), an independent third party of the Group, pursuant to which the Group agreed to acquire 96% equity interests in Rong Tai Pharmaceutical (Anhui) Co., Ltd. (融泰醫藥(安徽)有限公司), formerly known as Anhui Jiucheng Pharmaceutical Co., Ltd., "**Rong Tai Anhui**") for a consideration of RMB8,187,000. The acquisition was made as part of the Group's strategy to develop its direct distribution to downstream buyers across Eastern China market.

The acquisitions of Rong Tai Anhui were accounted for as asset acquisition because Rong Tai Anhui failed to constitute a business under IFRS 3.

The net assets acquired are as follows:

	Note	Rong Tai Anhui
		RMB'000
Cash and cash equivalents		2,087
Prepayments, other receivables and other assets		4,923
Intangible assets	*17*	3,552
Other payables and accruals		(1,939)
Income tax payable		(95)
Total identifiable assets acquired and liabilities		8,528
Less: non-controlling interests		341
Satisfied by:		
Cash consideration		8,187

An analysis of the cash flows in respect of the above acquisition is as follows:

	Rong Tai Anhui
	RMB'000
Cash consideration paid during the year ended 31 December 2023	(8,187)
Cash and cash equivalents acquired	2,087
Net outflow of cash and cash equivalents included in cash flows from investing activities	(6,100)

(b) Year ended 31 December 2024

During the year ended 31 December 2024, the Group entered into a share purchase agreement with five independent third parties of the Group, pursuant to which the Group agreed to acquire 100% equity interests in Rong Tai Pharmaceutical (Chongqing) Co., Ltd. (融泰醫藥(重慶)有限公司) (formerly known as Chongqing Xinqidian Pharmaceutical Co., Ltd. (重慶新起點醫藥有限公司), "**Rong Tai Chongqing**"). The acquisition was made as part of the Group's strategy to develop its direct distribution to downstream buyers across Southwestern China market.

The acquisition of Rong Tai Chongqing was accounted for as asset acquisition because Rong Tai Chongqing failed to constitute a business under IFRS 3.

The net assets acquired are as follows:

	Note	**Rong Tai Chongqing**
		RMB'000
Intangible assets	*17*	196
Other payables and accruals		(51)
Total identifiable assets acquired and liabilities		145
Satisfied by:		
Cash consideration		145

An analysis of the cash flows in respect of the above acquisition is as follows:

	Rong Tai Chongqing
	RMB'000
Cash consideration paid during the year ended 31 December 2024	(145)
Cash and cash equivalents acquired	—
Net outflow of cash and cash equivalents included in cash flows from investing activities	(145)

(c) Year ended 31 December 2025

During the year ended 31 December 2025, the Group entered into a share purchase agreement with five independent third parties of the Group, pursuant to which the Group agreed to acquire 100% equity interests in Hainan Kangruihe Biomedical Technology Co., Ltd. (海南康瑞和生物醫藥科技有限公司), "**Kangruihe**"). The acquisition was made as part of the Group's strategy to develop its direct distribution to downstream buyers across Central China market.

The acquisition of Kangruihe was accounted for as asset acquisition because Kangruihe failed to constitute a business under IFRS 3.

The net assets acquired are as follows:

	Note	Kangruihe
		RMB'000
Cash and cash equivalents		568
Prepayments, other receivables and other assets		39
Inventories		137
Property, plant and equipment	*15*	5
Other intangible assets	*17*	4,316
Other payables and accruals		(65)
Total identifiable assets acquired and liabilities		5,000
Satisfied by:		
Cash consideration		5,000

An analysis of the cash flows in respect of the above acquisition is as follows:

	Kangruihe
	RMB'000
Cash consideration paid during the year ended 31 December 2025	(5,000)
Cash and cash equivalents acquired	568
Net outflow of cash and cash equivalents included in cash flows from investing activities	(4,432)

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Additions of right-of-use assets	253	11,228	7,348
Reassessment of a lease term arising from a change in rent	(283)	(294)	8,214
Trade payables settled by endorsement of bills receivable	133,504	86,768	235,127
Bank and other loans settled by bills receivables	18,945	52,314	4,907
Trade receivables settled by exchange of license and patents of certain drug products	—	—	39,811

(b) Changes in liabilities arising from financing activities

	Lease liabilities	Bank and other loans
	RMB'000	*RMB'000*
At 1 January 2023	22,703	201,676
Changes from financing cash flows	(6,873)	103,358
Changes from non-financing cash flow	—	(18,945)
New leases	253	—
Interest expense	795	7,612
Reassessment of a lease term arising from a change in rent	(283)	—
Termination of lease	(1,434)	—
At 31 December 2023 and 1 January 2024	15,161	293,701
Changes from financing cash flows	(7,312)	113,740
Changes from non-financing cash flow	—	(52,318)
Exchange realignment	1	—
New leases	11,228	—
Acquisition of a subsidiary	391	9,000
Interest expense	808	12,886
Reassessment of a lease term arising from a change in rent	(294)	—
At 31 December 2024 and 1 January 2025	19,983	377,009
Changes from financing cash flows	(11,942)	179,012
Changes from non-financing cash flow	—	(4,907)
Exchange realignment	(11)	—
New leases	7,348	—
Acquisition of a subsidiary *(note 29)*	2,073	—
Interest expense	915	18,085
Reassessment of a lease term arising from a change in rent	8,214	—
At 31 December 2025	26,580	569,199

(c) Total cash outflow for leases

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

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	211	315	163
Within financing activities	6,873	7,312	11,942
Total	7,084	7,627	12,105

32. PLEDGE OF ASSETS

Details of the Group's pledged assets are included in notes 19 and 21 to the Historical Financial Information.

33. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods.

	As at 31 December		
	2023	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Acquisition and business combinations	145	3,100	—

34. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following companies are related parties that have material transactions with the Group during the Relevant Periods.

(a) Name and relationships of the related parties:

Name	**Relationship**
Mr. Chen Changqing	Executive director, chairman and the largest shareholder
China Medical System Holdings Limited and its subsidiaries	Fellow subsidiary of A & B Assets Management, one of substantial shareholders of the Company under the Listing Rules

(b) As at the end of each of the Relevant Periods, Mr. Chen Changqing, a director of the Group, provided guarantees in connection with interest-bearing bank borrowings up to RMB170,182,000 and RMB285,414,000 and RMB394,065,000, respectively.

(c) During the Relevant Periods, the Group purchased pharmaceuticals and related products amounted to RMB364,488,000 RMB235,060,000 and RMB504,988,000, respectively from China Medical System Holdings Limited and its subsidiaries (inclusive of tax).

(d) As the end of each of the Relevant Periods, the Group had outstanding trade payables balance due to China Medical System Holdings Limited and its subsidiaries of RMB104,651,000, RMB40,576,000 and RMB131,563,000.

(e) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Fees	360	360	370
Other emoluments:			
Salaries, allowances and benefits in kind	3,261	4,003	2,910
Pension scheme contributions	79	81	62
Total	3,700	4,444	3,342

Further details of directors' and supervisors' remuneration are included in note 10 to the Historical Financial Information.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

Financial assets

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at fair value through profit and loss			
Wealth management products	—	—	100
Financial assets at fair value through other comprehensive income			
Bills receivable	—	37,438	32,263
Financial assets at amortised cost			
Trade and bills receivables	454,724	459,940	506,279
Financial assets included in prepayments, deposits and other receivables	8,911	19,386	18,315
Cash and cash equivalents and restricted cash	111,676	140,346	141,399
Total	575,311	657,110	698,356

Financial liabilities

	As at 31 December		
	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities at amortised cost			
Trade and bills payables	330,385	284,073	576,781
Interest-bearing bank and other borrowings	293,701	377,009	569,199
Financial liabilities included in other payables and accruals	19,650	31,651	40,500
Total	643,736	692,733	1,186,480

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables at amortised cost, financial assets included in prepayments and other receivables, financial liabilities included in trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments. The fair values of the other non-current financial assets and financial liabilities have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The fair value of bills receivable at fair value through other comprehensive income has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable at FVOCI	—	37,438	—	37,438

As at 31 December 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products at FVTPL.	—	100	—	100
Bills receivable at FVOCI	—	32,263	—	32,263
Total	—	32,363	—	32,363

The Group did not have any financial liabilities measured at fair value as at the end of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and interest-bearing bank borrowings. The Group does not have any significant exposure to risk of changes in market interest rates. The Group currently does not have a specific policy to manage its interest rate risk and has not entered into any interest rate swaps.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Relevant Periods.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	61,100	—	—	420,062	481,162
Financial assets included in prepayments, deposits and other receivables					
— Normal**	8,911	—	—	—	8,911
Restricted bank deposits	50,109	—	—	—	50,109
Cash and cash equivalents	61,567	—	—	—	61,567
Total	181,687	—	—	420,062	601,749

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	49,039	—	—	469,365	518,404
Financial assets included in prepayments, deposits and other receivables					
— Normal**	19,386	—	—	—	19,386
Restricted bank deposits	30,162	—	—	—	30,162
Cash and cash equivalents	110,184	—	—	—	110,184
Total	208,771	—	—	469,365	678,136

As at 31 December 2025

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	62,595	—	—	491,216	553,811
Financial assets included in prepayments, deposits and other receivables					
— Normal**	18,315	—	—	—	18,315
Restricted bank deposits	35,406	—	—	—	35,406
Cash and cash equivalents	105,993	—	—	—	105,993
Total	222,309	—	—	491,216	713,525

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the Historical Financial Information.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. As at 31 December 2023, 2024 and 2025, the Group had certain concentrations of credit risk as 29.1%, 22.7% and 26.7% of the Group's trade receivables were due from the Group's largest customer, respectively, and 74.8%, 68.5% and 63.2% of the Group's trade receivables were due from the five largest customers, respectively.

Liquidity risk

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

The maturity profile of the Group's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2023			
	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	330,385	—	—	330,385
Financial liabilities included in other payables and accruals	19,650	—	—	19,650
Interest-bearing bank and other borrowings	297,081	—	—	297,081
Lease liabilities	5,530	10,560	—	16,090
Total	652,646	10,560	—	663,206

	As at 31 December 2024			
	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	284,073	—	—	284,073
Financial liabilities included in other payables and accruals	31,651	—	—	31,651
Interest-bearing bank and other borrowings	382,958	—	—	382,958
Lease liabilities	10,025	11,113	—	21,138
Total	708,707	11,113	—	719,820

	As at 31 December 2025			
	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	576,781	—	—	576,781
Financial liabilities included in other payables and accruals	40,500	—	—	40,500
Interest-bearing bank and other borrowings	555,804	—	—	555,804
Lease liabilities	11,004	17,208	—	28,212
Total	1,184,089	17,208	—	1,201,297

Foreign currency risk

The management believe the exchange risk of foreign currency is not significant as the majority of business transactions occur in Chinese mainland and all domestic transactions are denominated in RMB.

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

38. EVENT AFTER THE RELEVANT PERIODS

There was no significant event after the end of the Relevant Periods that require additional disclosure or adjustments.

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2025.