

The following is the text of a report received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this Prospectus.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF NANJING LEADS BIOLABS CO., LTD., MORGAN STANLEY ASIA LIMITED AND CITIC SECURITIES (HONG KONG) LIMITED

INTRODUCTION

We report on the historical financial information of Nanjing Leads Biolabs Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows of the Group for each of the years ended 31 December 2023 and 2024, and the three months ended 31 March 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 and 2024 and 31 March 2025 and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-70 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 17 July 2025 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (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 and 2024 and the three months ended 31 March 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2024 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, 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-5 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

A handwritten signature in black ink that reads "Ernst & Young".

Certified Public Accountants
Hong Kong
17 July 2025

I. **HISTORICAL FINANCIAL INFORMATION**

Preparation of Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		Three months ended 31	
		2023	2024	2024	March
		RMB'000	RMB'000	RMB'000	2025
				RMB'000	
				(unaudited)	
REVENUE	5	8,865	-	-	-
Cost of sales		<u>(3,185)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gross profit		5,680	-	-	-
Other income and gains	6	13,472	18,309	2,237	3,224
Other expenses	8	-	(20)	-	(428)
Research and development costs		(230,858)	(185,683)	(43,273)	(57,751)
Administrative expenses		(38,047)	(87,692)	(13,878)	(18,876)
Fair value gains on financial assets at fair value through profit or loss ("FVTPL")	7	6,436	1,718	434	368
Changes in fair value of convertible bonds	27	(199)	-	-	-
Finance costs	9	(1,400)	(5,764)	(744)	(1,904)
Change in fair value of redemption liabilities on equity shares	26	<u>(117,333)</u>	<u>(42,084)</u>	<u>(31,345)</u>	<u>-</u>
LOSS BEFORE TAX	10	(362,249)	(301,216)	(86,569)	(75,367)
Income tax expense	13	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR/PERIOD		<u>(362,249)</u>	<u>(301,216)</u>	<u>(86,569)</u>	<u>(75,367)</u>
Attributable to:					
Owners of the parent		<u>(362,249)</u>	<u>(301,216)</u>	<u>(86,569)</u>	<u>(75,367)</u>
OTHER COMPREHENSIVE (INCOME)/EXPENSE					
Other comprehensive (income)/expense that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations		<u>(71)</u>	<u>76</u>	<u>2</u>	<u>222</u>
OTHER COMPREHENSIVE (INCOME)/EXPENSE FOR THE YEAR/PERIOD		<u>(71)</u>	<u>76</u>	<u>2</u>	<u>222</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD		<u>(362,320)</u>	<u>(301,140)</u>	<u>(86,567)</u>	<u>(75,145)</u>
Attributable to:					
Owners of the Company		<u>(362,320)</u>	<u>(301,140)</u>	<u>(86,567)</u>	<u>(75,145)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY (expressed in RMB)					
Basic and diluted	15	<u>(2.50)</u>	<u>(2.01)</u>	<u>(0.59)</u>	<u>(0.48)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	16	54,282	36,378	32,311
Right-of-use assets	17	6,812	11,189	20,523
Other intangible assets	20	-	-	600
Prepayments, deposits and other receivables	19	19,267	25,569	29,191
Total non-current assets		<u>80,361</u>	<u>73,136</u>	<u>82,625</u>
CURRENT ASSETS				
Prepayments, deposits and other receivables	19	19,468	57,590	61,259
Financial assets at fair value through profit and loss ("FVTPL")	21	100,130	166,175	75,083
Inventories	22	-	-	18,488
Cash and cash equivalents	23	247,523	372,542	431,376
Total current assets		<u>367,121</u>	<u>596,307</u>	<u>586,206</u>
CURRENT LIABILITIES				
Trade and other payables	24	25,695	53,188	60,901
Interest-bearing bank borrowings	25	61,000	255,212	255,221
Contract liabilities	5	-	84,220	139,127
Redemption liabilities on equity shares	26	1,303,504	-	-
Lease liabilities	17	4,311	5,716	6,416
Total current liabilities		<u>1,394,510</u>	<u>398,336</u>	<u>461,665</u>
NET CURRENT (LIABILITIES) /ASSETS		<u>(1,027,389)</u>	<u>197,971</u>	<u>124,541</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(947,028)</u>	<u>271,107</u>	<u>207,166</u>
NON-CURRENT LIABILITIES				
Other payables	24	-	-	218
Lease liabilities	17	1,777	5,547	14,283
Total non-current liabilities		<u>1,777</u>	<u>5,547</u>	<u>14,501</u>
Net (liabilities) /assets		<u>(948,805)</u>	<u>265,560</u>	<u>192,665</u>
(DEFICITS)/EQUITY				
(Deficits)/Equity attributable to owners of the Company				
Paid-in capital/Share Capital	29	17,018	156,500	156,500
Reserves	30	(965,823)	109,060	36,165
Controlling interests		<u>(948,805)</u>	<u>265,560</u>	<u>192,665</u>
Total (deficits)/equity		<u>(948,805)</u>	<u>265,560</u>	<u>192,665</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Paid-in capital RMB'000	Capital reserves RMB'000	Share-based payment reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total deficits RMB'000
At 1 January 2023	16,785	939,497	11,817	(954,000)	-	(620,507)	(606,408)
Loss for the year	-	-	-	-	-	(362,249)	(362,249)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	-	(71)	-	(71)
Total comprehensive loss for the year	-	-	-	-	(71)	(362,249)	(362,320)
Conversion of convertible bonds (Notes 27)	233	31,853	-	-	-	-	32,086
Recognition of redemption liabilities (Notes 26)	-	-	-	(30,000)	-	-	(30,000)
Share-based payment compensation (Note 31)	-	-	17,837	-	-	-	17,837
At 31 December 2023	<u>17,018</u>	<u>971,350</u>	<u>29,654</u>	<u>(984,000)</u>	<u>(71)</u>	<u>(982,756)</u>	<u>(948,805)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Year ended 31 December 2024

	Paid-in capital/Share capital RMB'000	Capital reserves RMB'000	Share-based payment reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total (deficits)/equity RMB'000
At 1 January 2024	17,018	971,350	29,654	(984,000)	(71)	(982,756)	(948,805)
Loss for the year	-	-	-	-	-	(301,216)	(301,216)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	-	-	-	-	76	-	76
Total comprehensive loss for the year	-	-	-	-	76	(301,216)	(301,140)
Capital contribution from employee incentive platforms	505	-	-	-	-	-	505
Share-based payment compensation (Note 31)	-	-	41,940	-	-	-	41,940
Termination of redemption liabilities (Note 26)	-	361,588	-	984,000	-	-	1,345,588
Conversion into a joint stock company ("Capitalisation Issue")	132,477	(1,220,889)	-	-	-	1,088,412	-
Issue of Series C+ Shares	6,500	120,972	-	-	-	-	127,472
At 31 December 2024	<u>156,500</u>	<u>233,021</u>	<u>71,594</u>	<u>-</u>	<u>5</u>	<u>(195,560)</u>	<u>265,560</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Three months ended 31 March 2025

	Paid-in capital RMB'000	Capital reserves RMB'000	Share-based payment reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total deficits/total equity RMB'000
At 1 January 2025	156,500	233,021	71,594	-	5	(195,560)	265,560
Loss for the period	-	-	-	-	-	(75,367)	(75,367)
Other comprehensive income for the year:							-
Exchange translation differences	-	-	-	-	222	-	222
Total comprehensive loss for the period	-	-	-	-	222	(75,367)	(75,145)
Share-based payment compensation (Note 31)	-	-	2,250	-	-	-	2,250
At 31 March 2025	<u>156,500</u>	<u>233,021</u>	<u>73,844</u>	<u>-</u>	<u>227</u>	<u>(270,927)</u>	<u>192,665</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

Three months ended 31 March 2024

	Paid-in capital RMB'000	Capital reserves RMB'000	Share-based payment reserve RMB'000	Other reserves RMB'000	Foreign currency translation reserve RMB'000	Accumulated losses RMB'000	Total deficits RMB'000
At 1 January 2024	17,018	971,350	29,654	(984,000)	(71)	(982,756)	(948,805)
Loss for the period (unaudited)	-	-	-	-	-	(86,569)	(86,569)
Other comprehensive income for the year:							-
Exchange translation differences (unaudited)	-	-	-	-	2	-	2
Total comprehensive loss for the period (unaudited)	-	-	-	-	2	(86,569)	(86,567)
Share-based payment compensation (Note 31) (unaudited)	-	-	3,118	-	-	-	3,118
At 31 March 2024 (unaudited)	<u>17,018</u>	<u>971,350</u>	<u>32,772</u>	<u>(984,000)</u>	<u>(69)</u>	<u>(1,069,325)</u>	<u>(1,032,254)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		Three months ended 31 March	
		2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(362,249)	(301,216)	(86,569)	(75,367)
Adjustments for:					
Finance costs	9	1,400	5,764	744	1,904
Charge of share-based payment compensation expenses	10	17,837	41,940	3,118	2,250
Depreciation of property, plant and equipment	10	19,740	20,242	5,372	4,285
Depreciation of right-of-use assets	10	4,169	5,800	1,273	1,491
Amortisation of other intangible assets	20	-	-	-	55
Change in fair value of redemption liabilities on equity shares	26	117,333	42,084	31,345	-
Fair value gains on financial assets at FVTPL	7	(6,436)	(1,718)	(434)	(368)
Changes in fair value of convertible bonds	27	199	-	-	-
Gain on termination of a lease contract	10	(2)	-	-	-
Loss on the disposal of property, plant and equipment		-	-	-	3
Foreign exchange gains, net		(2,769)	(2,042)	(262)	426
Decrease/(increase) in inventories	22	2,038	-	-	(18,488)
Decrease/(increase) in prepayments and other current assets		17,608	(38,939)	3,587	(5,274)
Increase in contract liabilities		-	84,220	-	54,907
(Decrease)/increase in trade and other payables		(1,553)	25,049	4,954	7,811
Net cash flows used in operating activities		<u>(192,685)</u>	<u>(118,816)</u>	<u>(36,872)</u>	<u>(26,365)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(11,728)	(2,975)	(1,296)	(384)
Disposal/(purchases) of financial assets at FVTPL, net		147,220	(64,327)	50,564	91,460
Net cash flows from/(used in) investing activities		<u>135,492</u>	<u>(67,302)</u>	<u>49,268</u>	<u>91,076</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
New borrowings raised		61,000	274,980	65,000	89,000
Repayment of bank borrowings		-	(80,980)	(20,000)	(89,000)
Interest paid of convertible bonds		(5,821)	-	-	-
Interest paid of bank borrowings		(1,052)	(5,192)	(649)	(1,673)
Lease payments, including related interest		(4,635)	(5,362)	(1,248)	(1,611)
Capital contribution from employee incentive platforms		-	505	-	-
Proceeds on issue of Series C+ Shares		-	130,000	-	-
Issued costs paid		-	(2,680)	-	-
Payments of listing expenses		-	(2,252)	-	(2,389)
Net cash flows from/(used in) financing activities		<u>49,492</u>	<u>309,019</u>	<u>43,103</u>	<u>(5,673)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS					
		(7,701)	122,901	55,499	59,038
Cash and cash equivalents at beginning of year		252,526	247,523	247,523	372,542
Effect of foreign exchange rate changes, net		2,698	2,118	264	(204)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<u>247,523</u>	<u>372,542</u>	<u>303,286</u>	<u>431,376</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	16	54,282	36,378	32,311
Right-of-use assets	17	6,812	11,189	20,523
Investments in subsidiaries	18	4,661	14,607	16,045
Other intangible assets	20	-	-	600
Prepayments, deposits and other receivables	19	19,267	25,569	29,191
Total non-current assets		<u>85,022</u>	<u>87,743</u>	<u>98,670</u>
CURRENT ASSETS				
Due from a subsidiary	34	-	106,417	106,266
Prepayments, deposits and other receivables	19	18,932	57,046	60,715
Inventories	22	-	-	609
Financial assets at FVTPL	21	100,130	166,175	75,083
Cash and cash equivalents	23	245,694	338,237	347,757
Total current assets		<u>364,756</u>	<u>667,875</u>	<u>590,430</u>
CURRENT LIABILITIES				
Interest-bearing bank borrowings	25	61,000	255,212	255,221
Trade and other payables	24	25,327	50,430	44,927
Redemption liabilities on equity shares	26	1,303,504	-	-
Lease liabilities	17	4,311	5,716	6,416
Total current liabilities		<u>1,394,142</u>	<u>311,358</u>	<u>306,564</u>
NET CURRENT (LIABILITIES) /ASSETS		<u>(1,029,386)</u>	<u>356,517</u>	<u>283,866</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(944,364)</u>	<u>444,260</u>	<u>382,536</u>
NON-CURRENT LIABILITIES				
Other payables	24	-	-	218
Lease liabilities	17	1,777	5,547	14,283
Total non-current liabilities		<u>1,777</u>	<u>5,547</u>	<u>14,501</u>
Net (liabilities)/assets		<u>(946,141)</u>	<u>438,713</u>	<u>368,035</u>
(DEFICITS)/EQUITY				
Paid-in capital/Share Capital	29	17,018	156,500	156,500
Reserves	30	(963,159)	282,213	211,535
Total (deficits)/equity		<u>(946,141)</u>	<u>438,713</u>	<u>368,035</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Nanjing Leads Biolabs Co., Ltd. (the “Company”) was incorporated as a limited liability company in Chinese Mainland on 27 November 2012, On 14 August 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The registered office address of the Company is, Room 802, 8th Floor, Building 03, No. 18 Jialing Jiangdong Street, Jianye District, Nanjing City, Jiangsu Province, the People’s Republic of China (the “PRC”).

The Company and its subsidiaries (the “Group”) are principally engaged in the research, development and commercialisation of novel antibody drugs.

As at the date of this report, the Company had direct interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Issued ordinary share/registered capital		Principal activities
			Direct	Indirect	
Nanjing Lizhi Biopharmaceutical Co., Ltd* (南京禮至生物醫藥有限公司) (Note a)	The PRC/Chinese Mainland, 12 July 2018	RMB1,000,000	100%	-	Research and development
LEADS BIOLABS INC. (Note b)	United States of America (“USA”), 23 June 2022	USD5,000	100%	-	Research and development
LEADS BIOLABS HONG KONG LIMITED (香港禮至生物醫藥有限公司) (Note b)	Hong Kong China, 15 March 2024	HKD100,000	100%	-	Research and development
WUHU LEADS BIOLABS BIOPHARMACEUTICAL Co., Ltd* (蕪湖維立誌博生物製藥有限公司) (Note b)	The PRC/Chinese Mainland, 8 May 2024	RMB20,000,000	100%	-	Research and development

* These entities are limited liability enterprise established under the PRC law. Their English name of represent the best effort made by the directors of the Company (the “Directors”), as they had not been registered with official English names.

Notes:

- The statutory financial statements of this entity for the year ended 31 December 2023 prepared in accordance with PRC Generally Accepted Accounting Principles was audited by Nanjing HuaSheng Certified Public Accountants LLP.
- No audited financial statements have been prepared for this company since its incorporation/registration, as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise all applicable IFRS Accounting Standards issued by the International Accounting Standards Board (the “IASB”). All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for convertible bonds, redemption liabilities on equity shares, structured deposits and wealth management products which have been measured at fair value.

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 Relevant Periods as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, 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 retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture¹</i>
Amendments to IFRS 7 and IFRS 9	<i>Amendments to the Classification and Measurement of Financial Instruments²</i>
Amendments to IFRS 7 and IFRS 9	<i>Contracts Referencing Nature-dependent Electricity²</i>
IFRS 18	<i>Presentation and Disclosure in Financial Statements³</i>
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures³</i>
<i>Annual Improvements to IFRS Accounting Standards – Volume 11</i>	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7 ²

¹ No mandatory effective date yet determined but available for adoption

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

The Group is in the process of making an assessment of the impact of these revised IFRSs upon initial application. So far, the Group considers that these revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.3 MATERIAL ACCOUNTING POLICY INFORMATION

Fair value measurement

The Group measures its structured deposits and wealth management products and redemption liabilities on equity shares at fair value through profit or loss at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

For assets and liabilities that are recognised in the financial statement 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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:

Furniture and equipment	19% to 32%
Leasehold improvements	Shorter of remaining lease terms and estimated useful lives

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

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.

Research and development costs

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases

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

Group as a lessee

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

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less 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:

Offices and laboratory	2 to 4 years
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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 on the consolidated statements of financial position.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

(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.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Investments and other financial assets (continued)

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 profit or loss

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

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

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

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

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been an 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.

- 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.

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 borrowings, convertible bonds and redemption liabilities on equity shares.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial liabilities (continued)

Subsequent measurement

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

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

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in 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.

Financial liabilities measured at FVTPL

Financial liabilities measured at FVTPL include convertible bonds and redemption liabilities on equity shares.

Convertible bonds

Convertible bonds designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these financial liabilities.

Redemption liabilities on equity shares

The redemption liabilities are initially measured at the higher value of present value of the redemption amount and the net assets of the Company held by the investors at the proportion of the equity interest held by the investors. Subsequently, any changes in the carrying amount of the redemption liabilities are recorded in "change in fair value of redemption liabilities on equity shares" in profit or loss.

The Group derecognises the redemption liabilities when, and only when, the Group's redemption obligations are discharged, cancelled, or have expired. When the redemption liabilities expire without exercise, the carrying amount of the redemption liabilities are reclassified to equity.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

Cash and cash equivalents in the 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, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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 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 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Income tax (continued)

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 the 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.

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

The Group's revenue is generated from the collaboration agreement with BeiGene, Ltd. which generally contains multiple performance obligations including (1) grants of licenses to intellectual property rights and (2) the research and development services.

Collaboration revenue

At contract inception, the Group analyses the collaboration arrangements to assess whether they are within the scope of IFRS 11 *Joint Arrangements* to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and are exposed to significant risks and rewards dependent on the commercial success of such activities.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition (continued)

Collaboration revenue (continued)

In determining the appropriate amount of revenue to be recognised as the Group fulfils its obligations under each of the collaboration agreements, the management of the Company perform the five-step model under IFRS 15. The collaboration arrangements may contain more than one unit of account or performance obligation, including grants of licenses to intellectual property rights (the "Licenses"), agreements to provide research and development services and other deliverables. The collaborative arrangements typically do not include a right of return for any deliverable. In general, the consideration allocated to each performance obligation is recognised when the obligation is satisfied either by delivering a good or rendering a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

Licenses of intellectual property

Upfront non-refundable payments for Licenses are evaluated to determine if they are distinct from the other performance obligations identified in the arrangements. For the Licenses determined to be distinct, the Group recognises revenues from non-refundable up-front fees allocated to the licenses at a point in time, when the Licenses are transferred to the licensee and the licensee is able to use and benefit from the Licenses.

Research and development services

The portion of the transaction price allocated to research and development service performance obligations is deferred and recognised as collaboration revenue at the point in time when the research and development services are rendered to customers.

Milestone payments

At the inception of each arrangement that includes development milestone payments, the management of the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The management of the Company assesses whether the variable consideration is fully constrained for each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to constraint associated with the developmental milestones, variable consideration is included in the transaction price when a significant reversal of revenue recognised is not expected to occur and allocated to the separate performance obligations. Due to the inherent uncertainty with the approval process, regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved. Regulatory milestones are included in the transaction price in the period regulatory approval is obtained.

Royalties

For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the Licenses that are deemed to be the predominant items to which the royalties relate, the Group recognises revenue at the later of (i) when the related sales occur, and (ii) when the performance obligation to which some or all of the royalties have been allocated is satisfied (or partially satisfied).

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

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 services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Share-based payments

The Group operates stock options schemes and restricted share units schemes. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in Note 31 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of restricted shares unless there are also service and/or performance conditions.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Share-based payments (continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

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

Other 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 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.

Housing fund – Chinese Mainland

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

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

Proposed final dividends are disclosed in the Note 14 to the Historical Financial Information..

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

2.3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Foreign currencies

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

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

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the Relevant Periods are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

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:

Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- (a) Identifying performance obligation under contracts which have bundled sales of the Licenses and research and development services

The Group have a contract which provides the Licenses together with pre-clinical research and development services to a customer. The Group determined that both the Licenses and research and development services are not distinct. The Group is providing a significant integration service because the presence of the Licenses and research and development services together in the contract result in a combined functionality. In addition, the Licenses and research and development services are highly interdependent or highly interrelated, because the Group would not be able to transfer the Licenses if the research and development services were not completed. Consequently, the Group has combined the sales of the Licenses and research and development services as a single performance obligation.

- (b) Determining the timing of satisfaction of the Licenses and research and development services

For the Licenses which the customer gets a right to use, revenue for the Licenses and research and development services is recognised at the point of time when the control of the Licenses is transferred to the customer and the customer is able to consume and benefit from the Licenses.

Research and development expenses

All research expenses are charged to profit or loss as incurred. Expenses incurred on each pipeline to develop new products are only capitalised and deferred in accordance with the accounting policy for research and development expenses in Note 2.3 to the Historical Financial Information. Determining the amounts to be capitalised requires management to make judgements on the technical feasibility of existing pipelines to be successfully commercialised and bring economic benefits to the Company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

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 (other than goodwill)

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.

Fair value of financial instruments

The redemption liabilities on equity shares issued by the Group are not traded in an active market and the respective fair values are calculated as the higher of (i) the original investment principal from investors, plus an annual simple rate of 10% of the original investment principal for a period of time commencing from the delivery date to the actual payments date of the settlement (referred as “P+I”); (ii) the net assets of the Company at the time of transfer attributable to the shareholders at the proportion of the equity interest held by the investors.

The fair values of redemption liabilities on equity shares of the Group as at 31 December 2023 and 2024 and the three months ended 31 March 2025 were RMB1,303,504,000, nil and nil, respectively. Further details are set out in Note 26 to the Historical Financial Information.

Recognition of income taxes and deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 13 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION

Operating segment information

For management purposes, the Group has only one reportable operating segment, which is developing and commercialising pharmaceutical products. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Since all of the Group's non-current assets were located in Chinese Mainland, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue of approximately RMB8,865,000 was derived from sales by a single customer for the year ended 31 December 2023.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		Three months ended 31	
	2023	2024	2024	March
	RMB'000	RMB'000	RMB'000	RMB'000
Type of services			(unaudited)	
Revenue related to bridging clinical study services	<u>8,865</u>	<u>-</u>	<u>-</u>	<u>-</u>
Timing of revenue recognition				
Transferred at a point in time	<u>8,865</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Performance obligations

License-out of LBL-007

In December 2021, the Company entered into a license and collaboration agreement with BeiGene, Ltd. ("BeiGene") for worldwide research, development and manufacturing rights and exclusive commercialization rights outside of China to LBL-007, a novel investigational antibody targeting the LAG-3 pathway. Under the terms of the agreement, the Company is eligible to receive a one-time, non-refundable, non-creditable upfront payment of US\$30,000,000 and up to US\$742,000,000 in clinical development, regulatory approval and sales milestones. The Company is also eligible to receive tiered royalties on future sales in the licensed territory. To support BeiGene's development of LBL-007 in the licensed territory, the Company is obligated to provide bridging clinical study services and entitled to receive service fees from BeiGene.

The Company recorded collaboration revenue of USD30,000,000 (equivalent to RMB191,997,000) in 2021 upon granting the license and know-how of LBL-007 to BeiGene and received the payment in January 2022. The Company recorded no collaboration revenue during the Relevant Periods as none further clinical development and milestone events had been achieved yet.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(b) Performance obligations (continued)

The Company received USD1,260,000 (equivalent to RMB8,865,000) from February 2023 to December 2023 for provision of bridging clinical study services to BeiGene and recognised revenue of USD1,260,000 (equivalent to RMB8,865,000) related to bridging clinical study services during the year ended 31 December 2023.

The agreement with BeiGene was subsequently terminated on 18 May 2025. The company regained full global rights to develop manufacture and commercialize LBL-007 and had no obligation to return any payments received by then.

License-out of LBL-051

In November 2024, the Group entered into a collaboration, exclusive option and license agreement (the "Oblenio Agreement") with Oblenio Bio, Inc. ("New Co"), a U.S. company newly formed by Aditum Bio Fund 3, L.P.. Under the Oblenio Agreement, the Group grant New Co an exclusive, worldwide license to develop, manufacture, commercialize and otherwise exploit LBL-051 for all uses, subject to New Co's election to exercise its option to retain such license after the applicable option period. The Group received upfront payments of USD7,500,000 (equivalent to RMB53,913,000) and USD7,500,000 (equivalent to RMB53,774,000) in December 2024 and January 2025 respectively as consideration for the option of LBL-051. The Group also received USD4,382,000 (equivalent to RMB31,499,000) for the Research and development services provided to New Co. As of 31 March 2025, New Co had not exercised the option of LBL-051 and the Research and development services had not been completed. Therefore the upfront payments and payments for Research and development services totaling RMB84,220,000 and RMB139,127,000 received from New Co was presented as contract liabilities as of 31 December 2024 and 31 March 2025 respectively.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000 (unaudited)
Other income				
Government grants related to income*	4,139	7,982	203	164
Bank interest income	6,547	8,285	1,772	3,060
Other gains				
Foreign exchange gains, net	2,769	2,042	262	-
Others	17	-	-	-
Total	13,472	18,309	2,237	3,224

* The Group received certain government grants related to income to compensate for the Group's costs already incurred in past. There are no unfulfilled conditions or contingencies relating to these government grants. These grants were recognised in profit or loss upon receipt.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

7. FAIR VALUE GAINS ON FINANCIAL ASSETS AT FVTPL

An analysis of fair value gains on financial assets at FVTPL is as follows:

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Structured deposits and wealth management products	6,436	1,718	434	368

These structured deposits and wealth management products are principal guaranteed and purchased from reputable banks in Chinese Mainland with expected return by reference to the performance of (i) the underlying instruments in the currency market, the interbank market, the bond market, and the security and equity market and (ii) the derivative financial assets. The yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. After making an investment, the Group closely monitor the performance and fair value of these investments on a regular basis.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarch.

8. OTHER EXPENSES

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Non-operating expenses	-	20	-	2
Foreign exchange losses, net	-	-	-	426
Total	-	20	-	428

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Interests on bank borrowings	1,052	5,404	649	1,682
Interests on lease liabilities	348	360	95	222
Total	1,400	5,764	744	1,904

10. LOSS BEFORE TAX

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

	Notes	Year ended 31 December		Three months ended 31 March	
		2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Cost of services provided		3,185	-	-	-
Depreciation of property, plant and equipment*	15	19,740	20,242	5,372	4,285
Depreciation of right-of-use assets**	16	4,169	5,800	1,273	1,491
Amortisation of other intangible assets	20	-	-	-	55
Research and development costs		230,858	185,683	43,273	57,751
Gain on termination of a lease contract		(2)	-	-	-
Auditor's remuneration		12	2,200	1,000	500
Expenses relating to short-term leases	16	424	367	19	119
Expenses relating to low-value leases	16	81	248	99	37
Listing expenses		-	14,531	4,427	6,595
Staff costs (including directors' emoluments):					
- Salaries, discretionary bonuses, allowances and benefits in kind		71,231	81,513	20,065	19,818
- Pension scheme contributions		5,369	6,250	1,540	1,596
- Share-based payment compensation		17,837	41,940	3,118	2,250
Total		94,437	129,703	24,723	23,664

* The depreciation of property, plant and equipment for the Relevant Periods is included in "Research and development costs" and "Administrative expenses" in profit or loss.

** The depreciation of right-of-use assets for the Relevant Periods is included in "Research and development costs" and "Administrative expenses" in profit or loss.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Fees	-	-	-	-
Other emoluments:				
Salaries, allowances and benefits in kind	4,850	4,544	469	1,185
Pension scheme contributions	-	61	-	17
Housing funds, medical insurance and other social insurance	-	59	-	15
Share-based payment compensation	<u>12,365</u>	<u>37,482</u>	<u>2,293</u>	<u>1,764</u>
Total fees and other emoluments	<u>17,215</u>	<u>42,146</u>	<u>2,762</u>	<u>2,981</u>

During the Relevant Periods, 3 directors (including chief executive) were granted with share options and restricted share units, in respect of their services to the Group, under the equity incentive plan of the Company, further details of which are set out in Note 31 to the Historical Financial Information. The fair value of such restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the related expenses included in the Historical Financial Information for the Relevant Periods have been included in the above directors' and chief executive's remuneration disclosures. As the vesting condition of share awards granted to chief executive includes completion of IPO, the estimated vesting date had been adjusted to reflect the management's best estimation on the date of the completion of IPO as at 31 December 2024 and 31 March 2025.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

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

(a) Executive directors, non-executive directors, supervisors and the chief executive

	Salaries, allowances and benefits in kind <u>RMB'000</u>	Housing funds, medical insurance and other social insurance <u>RMB'000</u>	Pension scheme contributions <u>RMB'000</u>	Share-based payment compensation <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
Year ended 31					
December 2023					
Chief executive and executive director:					
Dr. Kang Xiaoqiang (Note (a))	2,905	-	-	7,419	10,324
Dr. Lai Shoupeng (Note (b))	<u>1,945</u>	<u>-</u>	<u>-</u>	<u>4,946</u>	<u>6,891</u>
Non-executive Director:					
Mr. Zhang Yincheng (Note (d))	-	-	-	-	-
Mr. Chen Renhai (Note (c))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supervisors:					
Mr. Jin Hui (Note (e))	-	-	-	-	-
Mr. Wang Zhou (Note (f))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>4,850</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>12,365</u></u>	<u><u>17,215</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

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

(a) Executive directors, non-executive directors, supervisors and the chief executive (continued)

	Salaries, allowances and benefits in kind <u>RMB'000</u>	Housing funds, medical insurance and other social insurance <u>RMB'000</u>	Pension scheme contributions <u>RMB'000</u>	Share-based payment compensation <u>RMB'000</u>	<u>Total</u> <u>RMB'000</u>
Year ended 31					
December 2024					
Chief executive and executive director:					
Dr. Kang Xiaoqiang (Note (a))	900	-	-	22,450	23,350
Dr. Lai Shoupeng (Note (b))	975	-	-	5,414	6,389
Mr. Zuo Honggang (Note (g))	<u>2,080</u>	<u>7</u>	<u>11</u>	<u>9,613</u>	<u>11,711</u>
Non-executive Director:					
Mr. Zhang Yincheng (Note (d))	-	-	-	-	-
Mr. Chen Renhai (Note (c))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supervisors:					
Mr. Jin Hui (Note (e))	-	-	-	-	-
Mr. Wang Zhou (Note (f))	-	-	-	-	-
Ms. Li Mengwei (Note (h))	<u>589</u>	<u>54</u>	<u>48</u>	<u>5</u>	<u>696</u>
Total	<u>4,544</u>	<u>61</u>	<u>59</u>	<u>37,482</u>	<u>42,146</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

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

(a) Executive directors, non-executive directors, supervisors and the chief executive (continued)

	Salaries, allowances and benefits in kind	Housing funds, medical insurance and other social insurance	Pension scheme contributions	Share-based payment compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2024 (unaudited)					
Chief executive and executive director:					
Dr. Kang Xiaoqiang (Note (a))	225	-	-	1,376	1,601
Dr. Lai Shoupeng (Note (b))	<u>244</u>	<u>-</u>	<u>-</u>	<u>917</u>	<u>1,161</u>
Non-executive Director:					
Mr. Zhang Yincheng (Note (d))	-	-	-	-	-
Mr. Chen Renhai (Note (c))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supervisors:					
Mr. Jin Hui (Note (e))	-	-	-	-	-
Mr. Wang Zhou (Note (f))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>469</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>2,293</u></u>	<u><u>2,762</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

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

(a) Executive directors, non-executive directors, supervisors and the chief executive (continued)

	Salaries, allowances and benefits in kind	Housing funds, medical insurance and other social insurance	Pension scheme contributions	Share-based payment compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2025					
Chief executive and executive director:					
Dr. Kang Xiaoqiang (Note (a))	225	-	-	-	225
Dr. Lai Shoupeng (Note (b))	244	-	-	-	244
Mr. Zuo Honggang (Note (g))	<u>544</u>	<u>-</u>	<u>5</u>	<u>1,763</u>	<u>2,312</u>
Non-executive Director:					
Mr. Zhang Yincheng (Note (d))	-	-	-	-	-
Mr. Chen Renhai (Note (c))	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Supervisors:					
Mr. Jin Hui (Note (e))	-	-	-	-	-
Mr. Wang Zhou (Note (f))	-	-	-	-	-
Ms. Li Mengwei (Note (h))	<u>172</u>	<u>15</u>	<u>12</u>	<u>1</u>	<u>200</u>
Total	<u>1,185</u>	<u>15</u>	<u>17</u>	<u>1,764</u>	<u>2,981</u>

Notes:

- (a) Dr. Kang Xiaoqiang was appointed as an executive director and the chief executive director of the Company with effect from November 2012.
- (b) Dr. Lai Shoupeng was appointed as an executive director with effect from March 2014.
- (c) Mr. Chen Renhai was appointed as a non-executive director with effect from July 2017.
- (d) Mr. Zhang Yincheng was appointed as a non-executive director with effect from May 2023.
- (e) Mr. Jin Hui was appointed as a supervisor with effect from September 2020.
- (f) Mr. Wang Zhou was appointed as a supervisor with effect from May 2023.
- (g) Mr. Zuo Honggang was appointed as an executive director with effect from October 2024.
- (h) Ms. Li Mengwei was appointed as a supervisor with effect from July 2024.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2023 and 2024, the three months ended 31 March 2025 and the three months ended 2024 included two, three, one and two directors (including the chief executive) respectively, details of whose remuneration are set out in Note 11 above. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Salaries, allowances and benefits in kind	11,340	8,596	2,462	3,601
Pension scheme contributions	4	36	-	12
Housing funds, medical insurance and other social insurance	84	33	25	124
Share-based payment compensation	4,235	2,196	432	381
Total	15,663	10,861	2,919	4,118

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		Three months ended 31 March	
	2023 Number of employees	2024 Number of employees	2024 Number of employees (unaudited)	2025 Number of employees
Nil to HKD1,000,000	-	-	2	2
HKD1,000,001 to HKD1,500,000	-	-	-	1
HKD1,500,001 to HKD2,000,000	-	-	1	1
HKD2,000,001 to HKD2,500,000	1	-	-	-
HKD2,500,001 to HKD3,500,000	-	1	-	-
HKD3,500,001 to HKD4,500,000	1	-	-	-
HKD4,500,001 to HKD5,500,000	-	-	-	-
HKD5,500,001 to HKD6,500,000	-	-	-	-
HKD7,500,001 to HKD8,500,000	-	-	-	-
HKD8,500,001 to HKD9,500,000	-	1	-	-
HKD13,500,001 to HKD14,500,000	1	-	-	-
Total	3	2	3	4

During the Relevant Periods, share options and restricted shares were granted to the non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in Note 31 to the Historical Financial Information. The fair value of such restricted share units, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

13. 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 Company which was subject to tax concession set out below.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. 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.

USA

The Company's subsidiary incorporated and operated in USA are subject to the federal corporate income tax rate at 21% during the Relevant Periods.

	Year ended 31 December		Three months ended 31	
	2023	2024	2024	March
	RMB'000	RMB'000	RMB'000	2025
			(unaudited)	RMB'000
Loss before tax	<u>(362,249)</u>	<u>(301,216)</u>	<u>(86,569)</u>	<u>(75,367)</u>
Tax at the statutory tax rate (25%)	(90,562)	(75,304)	(21,642)	(18,842)
Effect of different tax rates enacted by local authorities	104	6,955	61	134
Additional deductible allowance for research and development expenses	(49,385)	(39,938)	(7,570)	(13,721)
Deductible temporary difference and tax losses not recognised	110,413	97,588	21,290	32,395
Expenses not deductible for tax	<u>29,430</u>	<u>10,699</u>	<u>7,861</u>	<u>34</u>
Tax charge at the Group's effective rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group had tax losses in Chinese Mainland of RMB1,106,530,000, RMB1,266,705,000 and RMB1,391,345,000 in aggregate as at 31 December 2023 and 2024 and 31 March 2025, respectively, that will expire in one to five years for offsetting against future taxable profits of the company in which the losses arose.

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.

According to the EIT Law, an additional 100% of qualified research and development expenses incurred is allowed to be deducted from taxable income effective from 1 October 2022.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

14. DIVIDENDS

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

15. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

On 14 August 2024, the Company was converted to a joint stock limited liability company. A total of 150,000,000 shares of par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion of paid-in capital to share capital with par value of RMB1.00 each is applied retrospectively for the Relevant Periods for the purpose of computation of basic earnings per share.

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

Because the diluted loss per share amount is decreased when taking convertible bonds and share-based payments into account, the convertible bonds and share-based payments had an anti-dilutive effect on the basic loss per share amounts presented and were ignored in the calculation of diluted loss per share during the Relevant Period and three months ended 31 March 2024. Therefore, no adjustment has been made on the basic loss per share amounts presented for the Relevant Periods for the purpose of computation of diluted earnings per share.

The calculation of basic and loss per share is based on:

	Year ended 31 December		Three months ended 31	
	2023	2024	2024	March
	RMB'000	RMB'000	RMB'000	2025
			(unaudited)	RMB'000
Loss				
Loss attributable to ordinary equity holders of the parent	(362,249)	(301,216)	(86,569)	(75,367)
Shares				
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>144,853,280</u>	<u>150,004,808</u>	<u>145,679,997</u>	<u>156,500,000</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Express in RMB)				
– Basic and Diluted	<u>(2.50)</u>	<u>(2.01)</u>	<u>(0.59)</u>	<u>(0.48)</u>

The weighted average number of shares for the purpose of basic loss per share for the Relevant Periods is calculated based on the assumption that the Company's conversion into joint stock limited company as set out in Note 29 to the Historical Financial Information have been adjusted retrospectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. PROPERTY, PLANT AND EQUIPMENT

The Group and the Company

	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023				
At 1 January 2023:				
Cost	59,129	21,811	955	81,895
Accumulated depreciation	<u>(18,303)</u>	<u>(6,874)</u>	<u>-</u>	<u>(25,177)</u>
Net carrying amount	<u>40,826</u>	<u>14,937</u>	<u>955</u>	<u>56,718</u>
At 1 January 2023, net of accumulated depreciation	40,826	14,937	955	56,718
Additions	14,841	182	2,281	17,304
Transfer	244	2,637	(2,881)	-
Depreciation provided during the year	<u>(12,367)</u>	<u>(7,373)</u>	<u>-</u>	<u>(19,740)</u>
At 31 December 2023, net of accumulated depreciation	<u>43,544</u>	<u>10,383</u>	<u>355</u>	<u>54,282</u>
At 31 December 2023:				
Cost	74,214	24,630	355	99,199
Accumulated depreciation	<u>(30,670)</u>	<u>(14,247)</u>	<u>-</u>	<u>(44,917)</u>
Net carrying amount	<u>43,544</u>	<u>10,383</u>	<u>355</u>	<u>54,282</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group and the Company (continued)

	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024				
At 1 January 2024:				
Cost	74,214	24,630	355	99,199
Accumulated depreciation	<u>(30,670)</u>	<u>(14,247)</u>	<u>-</u>	<u>(44,917)</u>
Net carrying amount	<u>43,544</u>	<u>10,383</u>	<u>355</u>	<u>54,282</u>
At 1 January 2024, net of accumulated depreciation	43,544	10,383	355	54,282
Additions	1,489	545	316	2,350
Disposal	(12)	-	-	(12)
Transfer	-	671	(671)	-
Depreciation provided during the year	<u>(12,855)</u>	<u>(7,387)</u>	<u>-</u>	<u>(20,242)</u>
At 31 December 2024, net of accumulated depreciation	<u>32,166</u>	<u>4,212</u>	<u>-</u>	<u>36,378</u>
At 31 December 2024:				
Cost	75,612	25,846	-	101,458
Accumulated depreciation	<u>(43,446)</u>	<u>(21,634)</u>	<u>-</u>	<u>(65,080)</u>
Net carrying amount	<u>32,166</u>	<u>4,212</u>	<u>-</u>	<u>36,378</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group and the Company (continued)

	Furniture and equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 March 2025			
At 1 January 2025:			
Cost	75,612	25,846	101,458
Accumulated depreciation	<u>(43,446)</u>	<u>(21,634)</u>	<u>(65,080)</u>
Net carrying amount	<u>32,166</u>	<u>4,212</u>	<u>36,378</u>
At 1 January 2025, net of accumulated depreciation	32,166	4,212	36,378
Additions	221	-	221
Disposal	(3)	-	(3)
Depreciation provided during the period	<u>(2,993)</u>	<u>(1,292)</u>	<u>(4,285)</u>
At 31 March 2025, net of accumulated depreciation	<u>29,391</u>	<u>2,920</u>	<u>32,311</u>
At 31 March 2025:			
Cost	75,770	25,846	101,616
Accumulated depreciation	<u>(46,379)</u>	<u>(22,926)</u>	<u>(69,305)</u>
Net carrying amount	<u>29,391</u>	<u>2,920</u>	<u>32,311</u>

As at 31 December 2023, 31 December 2024 and 31 March 2025, there were no pledged property, plant and equipment.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. LEASES

The Group and the Company as a lessee

The Group has lease contracts for various items of office premises and laboratory used in its operations. Leases of office premises and laboratory generally have lease terms between 2 and 3 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:

	Office premises and laboratory RMB'000
As at 1 January 2023	9,214
Addition	1,843
Depreciation charge	(4,169)
Lease termination	(76)
	<hr/>
As at 31 December 2023 and 1 January 2024	6,812
Addition	10,177
Depreciation charge	(5,800)
	<hr/>
As at 31 December 2024 and 1 January 2025	11,189
Addition	-
Depreciation charge	(1,491)
Lease modification	10,825
	<hr/>
As at 31 March 2025	<u>20,523</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

17. LEASES (continued)

(b) Lease liabilities

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

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Carrying amount at 1 January	8,610	6,088	11,263
New leases	1,843	10,177	-
Accretion of interest recognised during the year	348	360	222
Lease modification	-	-	10,825
Lease termination	(78)	-	-
Payments	<u>(4,635)</u>	<u>(5,362)</u>	<u>(1,611)</u>
Carrying amount	<u>6,088</u>	<u>11,263</u>	<u>20,699</u>
Analysed into:			
Current portion	4,311	5,716	6,416
Non-current portion	<u>1,777</u>	<u>5,547</u>	<u>14,283</u>

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:

	Year ended 31 December		Six months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000 (unaudited)	2025 RMB'000
Depreciation of right-of-use assets	4,169	5,800	1,273	1,491
Interest on lease liabilities	348	360	95	222
Gain on a lease termination	(2)	-	-	-
Expenses relating to short-term leases	424	367	19	119
Expenses relating to low-value leases	<u>81</u>	<u>248</u>	<u>99</u>	<u>37</u>
Total amount recognised in profit or loss	<u>5,020</u>	<u>6,775</u>	<u>1,486</u>	<u>1,869</u>

(d) The total cash outflow for leases is disclosed in Note 32 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

18. INVESTMENT IN SUBSIDIARIES

The Company

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Investment cost	4,661	14,607	16,045

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Non-current:			
Value-added tax recoverable	17,717	24,165	26,806
Rental deposits	1,376	1,404	1,256
Prepayments for long-term assets	174	-	1,129
Total	19,267	25,569	29,191
Current:			
Prepayments for research and development services	17,570	50,273	51,523
Deferred listing expense	-	5,093	7,081
Prepayments for other expenses	708	1,360	1,661
Rental and other deposit	1,068	673	742
Others	122	191	252
Total	19,468	57,590	61,259

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The Company

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Non-current:			
Value-added tax recoverable	17,717	24,165	26,806
Rental deposits	1,376	1,404	1,256
Prepayments for long-term assets	174	-	1,129
Total	19,267	25,569	29,191
Current:			
Prepayments for research and development services	17,570	50,273	51,523
Deferred listing expense	-	5,093	7,081
Prepayments for other expenses	708	1,360	1,661
Rental and other deposit	532	129	198
Others	122	191	252
Total	18,932	57,046	60,715

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 is 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.

20. OTHER INTANGIBLE ASSETS

The Group and the Company

	Software RMB'000
31 March 2025	
At 1 January 2025:	
Cost	-
Accumulated depreciation	-
Net carrying amount	-
At 1 January 2025, net of accumulated depreciation	-
Additions	655
Amortisation provided during the period	(55)
At 31 March 2025, net of accumulated amortisation	600
At 31 March 2025:	
Cost	655
Accumulated amortisation	(55)
Net carrying amount	600

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

21. FINANCIAL ASSETS AT FVTPL

The Group and the Company

	<u>As at 31 December</u> 2023 RMB'000	<u>As at 31 December</u> 2024 RMB'000	<u>As at 31 March</u> 2025 RMB'000
Structured deposits and wealth management products	<u>100,130</u>	<u>166,175</u>	<u>75,083</u>

These structured deposits and wealth management products are principal guaranteed and purchased from reputable banks in Chinese Mainland with expected return by reference to the performance of (i) the underlying instruments in the currency market, the interbank market, the bond market, and the security and equity market and (ii) the derivative financial assets. The yields on all of these wealth management products are not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. After making an investment, the Group closely monitor the performance and fair value of these investments on a regular basis.

The fair values are based on cash flows discounted using the expected yield rate and are within Level 2 of the fair value hierarchy.

22. INVENTORIES

The Group

	<u>As at 31 December</u> 2023 RMB'000	<u>As at 31 December</u> 2024 RMB'000	<u>As at 31 March</u> 2025 RMB'000
Contract costs	<u>-</u>	<u>-</u>	<u>18,488</u>

The Company

	<u>As at 31 December</u> 2023 RMB'000	<u>As at 31 December</u> 2024 RMB'000	<u>As at 31 March</u> 2025 RMB'000
Contract costs	<u>-</u>	<u>-</u>	<u>609</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

23. CASH AND CASH EQUIVALENTS

The Group

	<u>As at 31</u> <u>December</u> 2023 RMB'000	<u>As at 31</u> <u>December</u> 2024 RMB'000	<u>As at 31</u> <u>March</u> 2025 RMB'000
Cash and bank balances	<u>247,523</u>	<u>372,542</u>	<u>431,376</u>
Denominated in			
RMB	96,029	147,821	167,770
USD	<u>151,494</u>	<u>224,721</u>	<u>263,606</u>

The Company

	<u>As at 31</u> <u>December</u> 2023 RMB'000	<u>As at 31</u> <u>December</u> 2024 RMB'000	<u>As at 31</u> <u>March</u> 2025 RMB'000
Cash and bank balances	<u>245,694</u>	<u>338,237</u>	<u>347,757</u>
Denominated in			
RMB	96,029	147,821	167,770
USD	<u>149,665</u>	<u>190,416</u>	<u>179,987</u>

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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. TRADE AND OTHER PAYABLES

The Group

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Non-current:			
Other payables for long-term assets	-	-	218
Current:			
Trade payables	215	3,524	2,944
Payroll payables	8,938	11,888	6,310
Accrued expenses for research and development services	14,396	22,373	40,837
Listing expenses	-	10,957	9,380
Other taxes payables	899	778	419
Other payables:			
- Payables for property, plant and equipment	575	178	44
- Others	672	3,490	967
Total	25,695	53,188	61,119

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

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Within 3 months	<u>215</u>	<u>3,524</u>	<u>2,944</u>

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

24. TRADE AND OTHER PAYABLES (continued)

The Company

	As at 31 <u>December</u> 2023 RMB'000	As at 31 <u>December</u> 2024 RMB'000	As at 31 <u>March</u> 2025 RMB'000
Non-current:			
Other payables for long-term assets	-	-	218
Current:			
Trade payables	215	3,524	2,940
Payroll payables	8,570	10,329	5,607
Accrued expenses for research and development services	14,396	22,373	25,571
Listing expenses	-	10,957	9,380
Other taxes payables	899	778	419
Other payables			
- Payables for property, plant and equipment	575	178	44
- Others	672	2,291	966
Total	<u>25,327</u>	<u>50,430</u>	<u>45,145</u>

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

	As at 31 <u>December</u> 2023 RMB'000	As at 31 <u>December</u> 2024 RMB'000	As at 31 <u>March</u> 2025 RMB'000
Within 3 months	<u>215</u>	<u>3,524</u>	<u>2,940</u>

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

25. INTEREST-BEARING BANK BORROWINGS

The Group and the Company

As at 31 December 2023			
	Effective interest rate per annum %	Maturity	RMB'000
<i>Current – repayable within one year</i>			
Bank loans - unsecured	3.30%	2024/01/09- 2024/12/06	61,000
As at 31 December 2024			
	Effective interest rate per annum %	Maturity	RMB'000
<i>Current – repayable within one year</i>			
Bank loans - unsecured	2.80%-3.45%	2025/01/02- 2025/12/17	255,212
As at 31 March 2025			
	Effective interest rate per annum %	Maturity	RMB'000
<i>Current – repayable within one year</i>			
Bank loans - unsecured	2.70%-3.10%	2025/04/19- 2026/03/19	255,221

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

26. REDEMPTION LIABILITIES ON EQUITY SHARES

From July 2015 to May 2023, the Company had received several rounds of investments as follows:

In July 2015, the Company issued 333,334 angel round equity shares with a par value of RMB1.00 per share (“Angel Round Shares”) to several independent investors for a cash consideration of RMB10,000,000 or RMB30.00 per share.

In June 2017, the Company issued 1,671,429 series pre-A equity shares with a par value of RMB1.00 per share (“Series Pre-A Shares”) to several independent investors for a cash consideration of RMB27,000,000 or RMB16.15 per share.

In August 2018, the Company issued first tranche of 1,467,831 series A equity shares with a par value of RMB1.00 per share (“Series A Shares”) to several independent investors for a cash consideration of RMB55,000,000 or RMB37.47 per share.

In December 2018, the Company issued second tranche of 759,924 series A equity shares with a par value of RMB1.00 per share (“Series A Shares”) to several independent investors for a cash consideration of RMB30,000,000 or RMB39.48 per share.

In August 2019, the Company issued 329,305 series A+ equity shares with a par value of RMB1.00 per share (“Series A+ Shares”) to one independent investor for a cash consideration of RMB20,000,000 or RMB60.73 per share.

In May 2020, the Company issued 1,070,228 series B equity shares with a par value of RMB1.00 per share (“Series B Shares”) to several independent investors for a cash consideration of RMB75,000,000 or RMB70.08 per share.

In September 2020, the Company issued first tranche of 1,855,062 series B+ equity shares with a par value of RMB1.00 per share (“Series B+ Shares”) to several independent investors for a cash consideration of RMB130,000,000 or RMB70.08 per share.

In September 2021, the Company issued 4,723,427 series C equity shares with a par value of RMB1.00 per share (“Series C Shares”) to several independent investors for a cash consideration of RMB607,000,000 or RMB128.51 per share.

In May 2023, the Company issued additional 233,448 series C equity shares with a par value of RMB1.00 per share to one independent investor through conversion of convertible bonds as detailed in Note 27.

Angel Round Shares, Series Pre-A Shares, Series A Shares, Series B Shares and Series C Shares are collectively referred as Shares. The shareholders of the Shares are collectively referred as “Shareholders”.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. REDEMPTION LIABILITIES ON EQUITY SHARES (continued)

The key terms of the Shares are summarized as follows:

(1) Redemption features

Upon occurrence of the following events, the Shares shall be redeemable at the option of the Shareholders: (a) The Company did not obtain POC clinical efficacy data for LBL-007 candidate before 31 December 2021 subject to conditional six-month period of grace; (b) The Company is involved in intellectual property litigation related to macromolecular antibody drugs and is being sued (except in cases where the target company can provide evidence that it has not infringed and will not lose the litigation); (c) The Company fails to achieve a qualified IPO or qualified overall sale of the Company before 30 June 2024 ; (d) Any material breach of the investment agreement by the controlling shareholders or the Company, or any serious illegal actions that may cause significant loss to the interests of the investors; (e) The controlling shareholders, the Company, or its affiliated companies engage in significant acts of dishonesty that may cause significant loss to the interests of the investors ; (f) The Company or any affiliated company fails to obtain the necessary qualifications or licenses for business operations, or such qualifications or licenses are revoked, withdrawn, or refused renewal, resulting in the Company's main business being unable to continue; (g) within 2 years after the closing of the investment, the Company undergoes significant changes in its main business that may cause significant harm to the investor's interests; (h) The controlling shareholders misappropriates assets of the Company or any affiliated company; or (i) The controlling shareholder loses control of the Company or any affiliated company for any reason.

The redemption amount is calculated as the higher of (i) the original investment principal from investors with an annual compound interest rate of 10% of the original investment principal plus any dividends declared but unpaid for a period of time commencing from the actual investment payment date to the actual settlement of redemption amount date (referred as "P+I") and (ii) the net assets of the company at the time of transfer attributable to the shareholders according to share percentage.

2024 Amendment

During the year ended 31 December 2024, the Company entered into supplemental agreements with all Shareholders, pursuant to which, the holders of 13,031,488 number of shares, representing 100% of Shares, agreed to terminate the redemption feature in partial (the "2024 Amendment"). Pursuant to the 2024 Amendment, trigger events of (c), (h) and (i) were removed and thus the Company no longer had mandatory obligation to settle the redemption liabilities at these holders' option with such partial termination.

(2) Liquidation preferences

In the event of any liquidation or deemed liquidation event, holders of the Shares shall be entitled to be paid out of the funds and assets available for distribution to the members of the Company, an amount per share equal to the original issue price for each series equity share with an annual compound interest rate of 10% plus any dividends declared but unpaid thereon in the sequence as follows:

- (1) Series C Shares
- (2) Series B+ Shares
- (3) Series B Shares
- (4) Series A+ Shares
- (5) Series A Shares
- (6) Series Pre-A Shares
- (7) Angel Round Shares

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. REDEMPTION LIABILITIES ON EQUITY SHARES (continued)

The key terms of the Shares are summarized as follows: (continued)

(3) Anti-dilution right

If the Company increases its paid-in capital at a price lower than the price paid by the investors on a per paid-in capital basis, the investors have a right to require the Company to issue additional paid-in capital at the lowest issue price permitted by law to the investors or receive cash compensation from the Company, the investors also have a right to require the controlling shareholders transfer shares to the investors at the lowest issue price permitted by law or receive cash compensation from the controlling shareholders, so that the total amount paid by the investors divided by the total amount of paid-in capital obtained is equal to the price per paid-in capital in the new issuance.

Presentation and classification

The Group and the Company have recognised the Shares as redemption liabilities on equity shares. The change in fair value of the Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the Shares attributable to changes of own credit risk is not significant.

The Shares had been presented in current liabilities as at 31 December 2023 as the Company would be requested to redeem the Shares if the Company failed to consummate qualified IPO or qualified overall sale of the Company before 30 June 2024.

In 2024, all holders of Shares agreed to terminate redemption feature in partial as set out under the section headed "2024 Amendment", resulting in reclassification of 1,345,588,000 amount of redemption liabilities to equity, because the Company no longer had mandatory obligation to settle the redemption liabilities at these holders' option with such partial termination. The remaining redemption rights remain together with other special rights including, among others, redemption rights, pre-emptive and co-sale rights, anti-dilution rights, drag-along rights, liquidation rights, and information rights.

Pursuant to the investment agreements entered into by our Company and the relevant Shareholders on 13 September 2024 and 15 November 2024 respectively, the redemption rights were automatically terminated from the date preceding our Company's first submission of the listing application form to the Stock Exchange, and all other special rights available to holders of Shares will be terminated upon the listing.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

26. REDEMPTION LIABILITIES ON EQUITY SHARES (continued)

The movements in our redemption liabilities on equity shares are set out as follows:

The Group and the Company

	Angel Round Shares RMB'000	Series Pre-A Shares RMB'000	Series A Shares RMB'000	Series A+ Shares RMB'000	Series B Shares RMB'000	Series B+ Shares RMB'000	Series C Shares RMB'000	Total Shares RMB'000
As at 1 January 2023	<u>20,271</u>	<u>45,692</u>	<u>126,022</u>	<u>27,525</u>	<u>69,978</u>	<u>182,249</u>	<u>684,434</u>	<u>1,156,171</u>
Change in fair value	2,027	4,569	12,603	2,752	6,998	18,225	70,159	117,333
Conversion from convertible debts	-	-	-	-	-	-	30,000	30,000
As at 31 December 2023	<u>22,298</u>	<u>50,261</u>	<u>138,625</u>	<u>30,277</u>	<u>76,976</u>	<u>200,474</u>	<u>784,593</u>	<u>1,303,504</u>
Change in fair value	728	1,640	4,450	972	2,471	6,563	25,260	42,084
De-recognition of redemption liabilities	<u>(23,026)</u>	<u>(51,901)</u>	<u>(143,075)</u>	<u>(31,249)</u>	<u>(79,447)</u>	<u>(207,037)</u>	<u>(809,853)</u>	<u>(1,345,588)</u>
As at 31 December 2024 and 31 March 2025	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

27. CONVERTIBLE BONDS

The Group and the Company

	As at 31 <u>December</u> 2023 RMB'000	As at 31 <u>December</u> 2024 RMB'000	As at 31 <u>March</u> 2025 RMB'000
Convertible bonds	<u>-</u>	<u>-</u>	<u>-</u>

The movements in Convertible bonds during the year ended 31 December 2023 are set out below:

	Convertible bonds RMB'000
As at 1 January 2023	37,708
Changes in fair value	199
Interest paid	(5,821)
Conversion of convertible bonds	<u>(32,086)</u>
As at 31 December 2023, 31 December 2024 and 31 March 2025	<u>-</u>

In August 2019, the Company entered into a convertible bonds investment agreement (the “Convertible Bonds Agreement”) with Nanjing Jiangbei Medical Innovation Industry Fund(L.P.) (南京江北醫療創新產業基金 (有限合夥) (“Nanjing Jiangbei”)). Pursuant to the Convertible Bonds Agreement, the Company issued three-year 6.175% convertible bonds in an aggregate principal amount of RMB30,000,000. The conversion period is on or after the day the Company received the investments up to March 31, 2023 and the price of ordinary shares of the Company to be issued will be equal to the price per paid-in capital in the latest new issuance if the Company’s net profit meets the requirements stipulated in the Convertible Bonds Agreement.

On March 31, 2023 or three years after the Company received the investments, the Company would redeem all convertible bonds from Nanjing Jiangbei at the aggregate principal amount, together with accrued and unpaid interest thereon.

In May 2023, the Company entered into a supplemental investment agreement with Nanjing Jiangbei and all the then existing shareholders of the Company. Pursuant to which the supplemental investment agreement, the Company repaid all interest of RMB 5,821,000 to Nanjing Jiangbei in June 2023 and the principal amount of RMB30,000,000 were all converted into 233,448 Series C equity shares of the Company at the conversion price of RMB128.51 per share.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

28. DEFERRED TAX

Deferred tax liabilities

	Right-of-use assets	Total
	RMB'000	RMB'000
As at 1 January 2023	2,304	2,304
Charged to the consolidated statements of profit or loss and other comprehensive income	<u>(601)</u>	<u>(601)</u>
As at 31 December 2023	1,703	1,703
Credited to the consolidated statements of profit or loss and other comprehensive income	<u>1,094</u>	<u>1,094</u>
As at 31 December 2024	2,797	2,797
Credited to the consolidated statements of profit or loss and other comprehensive income	<u>2,334</u>	<u>2,334</u>
As at 31 March 2025	<u><u>5,131</u></u>	<u><u>5,131</u></u>

Deferred tax assets

	Tax Losses	Lease liabilities	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2023	151	2,153	2,304
Credited/(charged) to the consolidated statements of profit or loss and other comprehensive income	<u>30</u>	<u>(631)</u>	<u>(601)</u>
As at 31 December 2023	181	1,522	1,703
Credited to the consolidated statements of profit or loss and other comprehensive income	<u>-</u>	<u>1,094</u>	<u>1,094</u>
As at 31 December 2024	181	2,616	2,797
Credited to the consolidated statements of profit or loss and other comprehensive income	<u>(181)</u>	<u>2,515</u>	<u>2,334</u>
As at 31 March 2025	<u><u>-</u></u>	<u><u>5,131</u></u>	<u><u>5,131</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

28. DEFERRED TAX (continued)

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

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	-	-	-
Net deferred tax liabilities recognised in the consolidated statement of financial position	-	-	-
Net deferred tax liabilities in respect of continuing operations	-	-	-

29. PAID-IN CAPITAL/SHARE CAPITAL

The Company was incorporated on 27 November 2012 with initial authorised paid-in capital of RMB1,000,000 divided into 1,000,000 shares with par value of RMB1 each.

Paid-in capital/Share capital

	Paid-in capital/Share capital RMB'000
As at 1 January 2023	16,785
Conversion of convertible debts (Note 27)	233
As at 31 December 2023 and 1 January 2024	<u>17,018</u>
Capital contribution from employee incentive platforms (Note (a))	505
Capitalisation Issue (Note (b))	132,477
Issue of Series C+ Shares (Note (c))	6,500
As at 31 December 2024 and 31 March 2025	<u>156,500</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

29. PAID-IN CAPITAL/SHARE CAPITAL (continued)

Note:

- (a) In April 2024, a total number of 505,000 ordinary shares were issued to certain offshore special purpose vehicles in order to facilitate the administration of restricted shares granted to the employees as set out in Note 31 to the Historical Financial Information.
- (b) On 14 August 2024, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The net assets of the Company under PRC GAAP as of the conversion base date, including paid-in capital, share premium and accumulated losses, amounting to RMB163,102,656.54 were converted into 150,000,000 share capital at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium.
- (c) In November 2024, pursuant to series C+ ("Series C+") share purchase agreement, certain third party investors subscribed 6,500,000 ordinary shares of the Company at total consideration of RMB130,000,000, with RMB6,500,000 and RMB123,500,000 credited to the Company's share capital and share premium, respectively.

30. RESERVES

The Group

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

(a) Capital reserves

The share premium of the Group represents the difference between the par value of the shares issued and the consideration received.

(b) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards expenses as set out in Note 31 to the Historical Financial Information.

(c) Other reserves

Other reserves of the Group represent the carrying amount of the equity shares with redemption features as stipulated in Note 26 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

30. RESERVES (continued)

The Company

	Capital reserves RMB'000	Share-based payment reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	<u>939,497</u>	<u>11,817</u>	<u>(954,000)</u>	<u>(620,507)</u>	<u>(623,193)</u>
Conversion of convertible bonds	31,853	-	-	-	31,853
Recognition of redemption liabilities	-	-	(30,000)	-	(30,000)
Share-based payment compensation (Note 31)	-	17,837	-	-	17,837
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(359,656)</u>	<u>(359,656)</u>
At 31 December 2023 and 1 January 2024	<u>971,350</u>	<u>29,654</u>	<u>(984,000)</u>	<u>(980,163)</u>	<u>(963,159)</u>
Termination of redemption liabilities	361,588	-	984,000	-	1,345,588
Share-based payment compensation (Note 31)	-	41,940	-	-	41,940
Capitalisation Issue	(1,220,889)	-	-	1,088,412	(132,477)
Issue of Series C+ Shares	120,972	-	-	-	120,972
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(130,651)</u>	<u>(130,651)</u>
At 31 December 2024 and 1 January 2025	<u>233,021</u>	<u>71,594</u>	<u>-</u>	<u>(22,402)</u>	<u>282,213</u>
Termination of redemption liabilities	-	-	-	-	-
Share-based payment compensation (Note 31)	-	2,250	-	-	2,250
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(72,928)</u>	<u>(72,928)</u>
At 31 March 2025	<u>233,021</u>	<u>73,844</u>	<u>-</u>	<u>(95,330)</u>	<u>211,535</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. SHARE-BASED PAYMENTS

Share Option Plan

The Company adopted a share incentive plan (“Share Option Plan”) in 2016, as amended and restated in 2020, for the purpose of attracting and retaining the best talents who promote the success of the Group’s operations. Eligible participants of the Share Option Plan include the certain directors of the Company, employees and consultants of the Group.

From November 2016 to October 2022, the Company issued 8,405,618 shares of the Company after completion of the conversion into a joint company as set out in Note 28 at a grant price RMB59.26 per share. Except for 3,338,438 shares granted to the controlling shareholder in February 2017 with no vesting options, the rest shares of the options granted during the Relevant Periods are vesting in the parts of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date.

During the Relevant Periods, the details of specific categories of options are as follows:

Date of grant	Number of options granted	Exercise price per share
February 2023	3,724,251	RMB59.26
August 2023	1,929	RMB59.26
December 2023	38,670	RMB493.86
February 2024	75,708	RMB493.86

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. SHARE-BASED PAYMENTS (continued)

Share Option Plan (continued)

The following share options were outstanding under the share option plan during the Relevant Periods:

	As at 31 December 2023	As at 31 December 2024	As at 31 March 2025
At the beginning of the year	8,385,758	12,147,288	-
Granted during the year	3,764,850	75,708	-
Forfeited during the year	(3,320)	(203,445)	-
Conversion to 2024 RS Plan	-	(12,019,551)	-
At the end of the year	<u>12,147,288</u>	<u>-</u>	<u>-</u>

The fair value of the share options granted during the years ended 31 December 2023 and 2024 were RMB26,207,000 and RMB356,000, respectively.

During the years ended 31 December 2023, 2024 and the three months ended 31 March 2025, share-based payment compensation expenses of RMB17,837,000, RMB17,181,000 and nil were charged to profit or loss under the Share Option Plan.

The fair value of share-based payment compensations granted under the Share Option Plan during the Relevant Periods was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. All numbers of shares of the Company and subscription price per share in this note have been adjusted retrospectively as if the Company's conversion into joint stock limited company on 14 August 2024 as set out in Note 29 to the Historical Financial Information had been completed at the beginning of the Relevant Period. The following table lists the inputs to the model used:

	2023	2024
Expected volatility	43.47%-44.26%	44.42%
Risk-free interest rate	2.56%-2.9%	2.43%
Discount for lack of marketability	13%-17%	12%

Pre-IPO Share Incentive Plan

In May 2024, the board of directors of the Company passed a resolution to modify the Share Option Plan by converting the form of share award from share options to restricted share plan (the "Pre-IPO Share Incentive Plan") under three share incentive platforms, representing 12,019,551 shares of the Company (after completion of the conversion into a joint-stock company as set out in Note 29). Under the Pre-IPO Share Incentive Plan, the eligible recipients of share option scheme and the number of underlying shares of the Company awarded remain unchanged. But these eligible recipients will subscribe the shares of the Company through certain share incentive platforms at the subscription price equal to the original exercise price of the Share Option Plan and these restricted shares will unlock over the same period of time as the original vesting period under the Share Option Plan. No incremental fair value is expected to be recognised for the modification because the modification as assessed by the management of the Company will not cause the increase in the total fair value of the share-based payments as measured at the date of modification.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

31. SHARE-BASED PAYMENTS (continued)

During the year ended 31 December 2024, the details of specific categories of restricted shares granted are as follows:

Date of grant	Number of shares granted	Exercise price per share	Lock-up Schedule
May 2024	1,958,291	RMB59.26~RMB506.85	The restricted shares will unlock in the portions of 25%,25%, 25% and 25% on the first, second, third and fourth anniversaries of the original vesting commencement date
May 2024	<u>3,187,604</u>	RMB8.56~RMB383.41	No lock-up requirements
Total	<u>5,145,895</u>		

The following restricted shares were outstanding under the Pre-IPO Share Incentive Plan during the year ended 31 December 2024 and the three months ended 31 March 2025:

	Year ended 31 December <u>2024</u>	Three months ended 31 March <u>2025</u>
At the beginning of year/period	-	(6,252,304)
Conversion from Share Option Scheme (Note)	4,359,230	-
Granted during the year/period	5,145,895	-
Unlocked during the year/period	(15,737,000)	(96,999)
Forfeited during the year/period	<u>(20,429)</u>	<u>-</u>
At end of year/period	<u>(6,252,304)</u>	<u>(6,349,303)</u>

Note:

The Company converted 12,019,551 restricted shares of the Company to participants from Share Option Plan as mentioned in the paragraph headed "Share Option Plan" in this note, among them 7,660,321 restricted shares were vested and still 4,359,230 restricted shares were outstanding.

The fair value of the restricted shares granted under the Pre-IPO Share Incentive Plan during the year ended 31 December 2024 was RMB35,194,000.

During the period ended 31 December 2024 and 31 March 2025, share-based payment compensation expense of RMB24,759,000 and RMB2,250,000 was charged to profit or loss under the Pre-IPO Share Incentive Plan.

The fair value of share-based payment compensations granted under the Pre-IPO Share Incentive Plan during the year ended 31 December 2024 was estimated as at the date of grant using most recent transaction method and a binomial model, taking into account the terms and conditions upon which the restricted shares were granted. All numbers of shares of the Company and subscription price per share in this Note have been adjusted retrospectively as if the Company's conversion into joint stock limited company on 14 August 2024 as set out in Note 29 to the Historical Financial Information had been completed at the beginning of the Relevant Periods. The following table lists the inputs to the model used:

	At grant date
Most recent transaction methods	
Recent transaction price	RMB157.5
Binomial model	
Expected volatility	52.38%
Risk-free interest rate	1.42%

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Period and the three months ended 31 March 2024, the Group had non-cash additions to right-of-use assets of RMB1,843,000, RMB10,177,000, RMB10,825,000 and RMB4,352,000 (unaudited), and non-cash additions to lease liabilities of RMB1,843,000, RMB10,177,000, RMB10,825,000 and RMB4,352,000 (unaudited) respectively, in respect of lease arrangements for office premises.

(b) Changes in liabilities arising from financing activities

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Convertible bonds RMB'000	Redemption liabilities on equity shares RMB'000	Issue Cost RMB'000
At 1 January 2023	8,610	-	37,708	1,156,171	-
Additions	1,843	61,000	-	-	-
Lease termination	(78)	-	-	-	-
Changes in fair value of convertible bonds	-	-	199	-	-
Accretion of interest	348	1,052	-	-	-
Payment	(4,635)	-	-	-	-
Interest payment	-	(1,052)	(5,821)	-	-
Conversion of convertible debts	-	-	(32,086)	30,000	-
Change in fair value of redemption liabilities on equity shares	-	-	-	117,333	-
At 31 December 2023 and 1 January 2024	<u>6,088</u>	<u>61,000</u>	<u>-</u>	<u>1,303,504</u>	<u>-</u>
Additions	10,177	274,980	-	-	-
Accretion of interest	360	5,404	-	-	-
Listing expense	-	-	-	-	14,531
Prepaid listing expenses	-	-	-	-	5,093
Payment	-	-	-	-	-
-Financing cash flows	(5,362)	(80,980)	-	-	(2,252)
-Operating cash flows	-	-	-	-	(6,415)
Interest payment	-	(5,192)	-	-	-
Change in fair value of redemption liabilities on equity shares	-	-	-	42,084	-
Termination of redemption liabilities	-	-	-	(1,345,588)	-
At 31 December 2024 and 1 January 2025	<u>11,263</u>	<u>255,212</u>	<u>-</u>	<u>-</u>	<u>10,957</u>
Additions	-	89,000	-	-	-
Lease modification	10,825	-	-	-	-
Accretion of interest	222	1,682	-	-	-
Listing expense	-	-	-	-	6,595
Prepaid listing expenses	-	-	-	-	1,988
Payment	-	-	-	-	-
-Financing cash flows	(1,611)	(89,000)	-	-	(2,389)
-Operating cash flows	-	-	-	-	(7,771)
Interest payment	-	(1,673)	-	-	-
At 31 March 2025	<u>20,699</u>	<u>255,221</u>	<u>-</u>	<u>-</u>	<u>9,380</u>
At 31 December 2023 and 1 January 2024	<u>6,088</u>	<u>61,000</u>	<u>-</u>	<u>1,303,504</u>	<u>-</u>
Additions (unaudited)	-	65,000	-	-	-
Accretion of interest (unaudited)	-	649	-	-	-
Listing expense (unaudited)	-	-	-	-	4,427
Payment	-	-	-	-	-
-Financing cash flows (unaudited)	(1,248)	(20,000)	-	-	-
-Operating cash flows (unaudited)	-	-	-	-	(256)
Interest payment (unaudited)	-	(649)	-	-	-
At 31 March 2024 (unaudited)	<u>4,840</u>	<u>106,000</u>	<u>-</u>	<u>1,303,504</u>	<u>4,171</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(c) Total cash outflow for leases

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

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000	2025 RMB'000
Within operating activities	(505)	(616)	(118)	(156)
Within financing activities	<u>(4,635)</u>	<u>(5,362)</u>	<u>(1,248)</u>	<u>(1,611)</u>
Total	<u><u>(5,140)</u></u>	<u><u>(5,978)</u></u>	<u><u>(1,366)</u></u>	<u><u>(1,767)</u></u>

33. COMMITMENTS

The Group had the following contractual commitments at the end of the Relevant Periods:

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
	Property, plant and equipment	1,057	143
Other intangible assets	<u>-</u>	<u>-</u>	<u>826</u>
Total	<u><u>1,057</u></u>	<u><u>143</u></u>	<u><u>897</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

34. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with related parties:

The Company

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Due from a subsidiary-current (trading nature) LEADS BIOLABS INC.	-	106,417	106,266

Due from a subsidiary are unsecured and non-interest-bearing.

The company has assessed the expected loss rate for amounts due from the related parties by considering the financial position and credit history of the related party and assessed that the expected credit loss is minimal.

(b) Compensation of key management personnel of the Group

	Year ended 31 December		Three months ended 31 March	
	2023 RMB'000	2024 RMB'000	2024 RMB'000	2025 RMB'000
Salaries, allowances and benefits in kind	4,850	3,955	469	1,013
Share-based payment compensation	12,365	37,477	2,293	1,763
Pension scheme contributions	-	36	-	5
Housing funds, medical insurance and other social insurance	-	18	-	-
Total	17,215	41,486	2,762	2,781

Further details of directors', supervisors' and the chief executive's emoluments are included in Note 10 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

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:

The Group and the Company

Financial assets

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Financial assets at FVTPL			
Structured deposits and wealth management products	<u>100,130</u>	<u>166,175</u>	<u>75,083</u>
Financial assets at amortised cost			
Financial assets included in prepayments, deposits and other receivables	2,444 --	2,077-	1,998
Cash and cash equivalents	- 247,523 --	372,542--	431,376
Total	<u>249,967</u>	<u>374,619</u>	<u>433,374</u>

Financial liabilities

	As at 31 December 2023 RMB'000	As at 31 December 2024 RMB'000	As at 31 March 2025 RMB'000
Financial liabilities at FVTPL			
Redemption liabilities on equity shares	<u>1,303,504</u>	-	-
Total	<u>1,303,504</u>	<u>-</u>	<u>-</u>
Financial liabilities at amortised cost			
Interest-bearing bank borrowings	61,000 --	255,212--	255,221
Financial liabilities included in trade and other payables	<u>15,858</u>	<u>40,522</u>	<u>54,390</u>
Total	<u>76,858</u>	<u>295,734</u>	<u>309,611</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments and other receivables (in the current portion), 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 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.

The Group invests in financial assets at fair value through profit or loss, which represent structured deposits and wealth management products issued by banks. The Group has estimated the fair value of these unlisted investments by reference to the performance of (i) the underlying instruments in the currency market, the interbank market, the bond market, and the security and equity market and (ii) the derivative financial assets.

The fair values of the wealth management products which were all issued by reputable commercial banks have been estimated by using discounted cash flow valuation models with reference to observable inputs including fluctuations of gold price and foreign exchange rate.

The fair value of a redemption liability on equity shares is calculated as the higher of (i) P+I; and (ii) the net assets of the Company held by the investors at the proportion of the equity interest held by the investors.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

The Group

Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2023				
Structured deposits and wealth management products	-	100,130	-	100,130
As at 31 December 2024				
Structured deposits and wealth management products	-	166,175	-	166,175
As at 31 March 2025				
Structured deposits and wealth management products	-	75,083	-	75,083

Liabilities measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2023				
Redemption liabilities on equity shares	-	1,303,504	-	1,303,504
As at 31 December 2024				
Redemption liabilities on equity shares	-	-	-	-
As at 31 March 2025				
Redemption liabilities on equity shares	-	-	-	-

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.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

The Group's exposure to credit risk arising from cash and cash equivalents and financial assets at FVTPL is limited and remote because the counterparties are state-owned banks or reputable commercial banks for which the Group considers having immaterial credit risk.

The Group's credit risk is primarily attributable to other receivables. Management has assessed that during the Relevant Periods, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit loss approach that results from possible default events within 12 months of each reporting date is adopted by management.

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:

The Group

	As at 31 December 2023			Total RMB'000
	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in trade and other payables	15,858	-	-	15,858
Redemption liabilities on equity shares	1,303,504	-	-	1,303,504
Interest-bearing bank borrowings	62,981	-	-	62,981
Lease liabilities	4,497	1,828	-	6,325
Total	1,386,840	1,828	-	1,388,668
	As at 31 December 2024			Total RMB'000
	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in trade and other payables	39,330	-	-	39,330
Interest-bearing bank borrowings	283,905	-	-	283,905
Lease liabilities	5,935	5,746	-	11,681
Total	329,170	5,746	-	334,916

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (continued)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Group (continued)

	As at 31 March 2025			Total RMB'000
	Within 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in trade and other payables	54,172	218	-	54,390
Interest-bearing bank borrowings	258,579	-	-	258,579
Lease liabilities	6,416	14,283	-	20,699
Total	319,167	14,501	-	333,668

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. EVENTS AFTER 31 MARCH 2025

There were no significant events subsequent to 31 March 2025.

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 March 2025.