

**GUANGZHOU INNOGEN
PHARMACEUTICAL GROUP CO., LTD.**

CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2023 AND 2024 AND
FIVE MONTHS ENDED MAY 31, 2025



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Independent auditor's report

To the directors of Guangzhou Innogen Pharmaceutical Group Co., Ltd.

(Incorporated in People's Republic of China with limited liability)

Opinion

We have audited the financial statements of Guangzhou Innogen Pharmaceutical Group Co., Ltd. (the "Company") set out on pages 4 to 76, which comprise the statement of financial position as at December 31, 2023 and 2024 and the five months ended May 31, 2025, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the each of the years ended December 31, 2023 and 2024 and the five months ended May 31, 2025, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023 and 2024 and the five months ended May 31, 2025, and of its financial performance and its cash flows for the each of the years ended December 31, 2023 and 2024 and the five months ended May 31, 2025 in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

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

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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



Independent auditor's report (continued)

To the directors of Guangzhou Innogen Pharmaceutical Group Co., Ltd.

(Incorporated in People's Republic of China with limited liability)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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



Independent auditor's report (continued)

To the directors of Guangzhou Innogen Pharmaceutical Group Co., Ltd.

(Incorporated in the People's Republic of China with limited liability)

Restriction on distribution and use

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

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

Emel L. Yung

Certified Public Accountants

Hong Kong

August 7, 2025

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31		Five months ended May 31	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
REVENUE	5	-	-	-	38,144
Cost of sales		-	-	-	(4,072)
Gross profit		-	-	-	34,072
Other income and gains	5	16,849	20,055	5,645	4,217
Research and development expenses		(492,108)	(102,511)	(46,017)	(76,555)
Administrative expenses		(255,737)	(84,460)	(20,599)	(20,180)
Selling and distribution expenses		-	(2,386)	-	(37,538)
Other expenses	6	(62)	(4,515)	(52)	(1,511)
Finance costs	7	(2,318)	(873)	(870)	(380)
LOSS BEFORE TAX	8	(733,376)	(174,690)	(61,893)	(97,875)
Income tax expense	11	-	-	-	-
LOSS FOR THE YEAR/PERIOD		<u>(733,376)</u>	<u>(174,690)</u>	<u>(61,893)</u>	<u>(97,875)</u>
Attributable to:					
Owners of the parent		<u>(733,376)</u>	<u>(174,690)</u>	<u>(61,893)</u>	<u>(97,875)</u>
LOSS PER SHARE					
ATTRIBUTABLE TO					
ORDINARY EQUITY HOLDERS					
OF THE PARENT					
Basic and diluted (RMB)	13	<u>(1.92)</u>	<u>(0.42)</u>	<u>(0.15)</u>	<u>(0.23)</u>

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31		As at May 31
	Notes	2023	2024	2025
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	17,991	13,300	14,796
Intangible assets	15	35,868	24,094	24,110
Right-of-use assets	16	36,863	-	17,626
Prepayments, other receivables and other assets	18	57,167	58,191	24,608
Total non-current assets		147,889	95,585	81,140
CURRENT ASSETS				
Inventories	19	3,449	29,035	32,830
Trade receivables	20	-	-	14,135
Prepayments, other receivables and other assets	18	8,685	13,300	47,087
Financial assets at fair value through profit or loss ("FVTPL")	21	495,126	225,192	130,130
Bank deposits with initial term of over three months	32	42,545	45,147	45,675
Pledged bank deposits	22	250,030	30	30
Cash and cash equivalents	22	157,640	526,511	556,664
Total current assets		957,475	839,215	826,551
CURRENT LIABILITIES				
Trade payables	23	88,333	91,045	127,593
Other payables and accruals	24	265,247	37,312	43,116
Interest-bearing bank borrowings	25	1,000	9,900	14,657
Lease liabilities	16	4,824	-	2,106
Total current liabilities		359,404	138,257	187,472
NET CURRENT ASSETS		598,071	700,958	639,079
TOTAL ASSETS LESS CURRENT LIABILITIES		745,960	796,543	720,219
NON-CURRENT LIABILITIES				
Other payables and accruals	24	73	72	72
Lease liabilities	16	40,762	-	14,774
Total non-current liabilities		40,835	72	14,846
NET ASSETS		705,125	796,471	705,373

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

	Notes	As at December 31		As at May 31
		2023	2024	2025
		RMB'000	RMB'000	RMB'000
EQUITY				
Share capital	26	397,668	420,263	420,263
Reserves	27	307,457	376,208	285,110
Total equity		705,125	796,471	705,373

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended December 31, 2023

	Share capital RMB'000 (note 26)	Share premium* RMB'000 (note 27)	Share-based payment reserves* RMB'000 (note 28)	Accumulated losses* RMB'000	Total equity RMB'000
At January 1, 2023	327,732	748,277	54,335	(589,216)	541,128
Total comprehensive loss for the year	-	-	-	(733,376)	(733,376)
Shares issued (note 26)	69,936	297,878	-	-	367,814
Payment of financing advisory expense related to Series B Financing	-	(9,345)	-	-	(9,345)
Recognition of equity-settled share-based payments (note 28)	-	-	538,904	-	538,904
At December 31, 2023	<u>397,668</u>	<u>1,036,810</u>	<u>593,239</u>	<u>(1,322,592)</u>	<u>705,125</u>

Year ended December 31, 2024

	Share capital RMB'000 (note 26)	Share premium* RMB'000 (note 27)	Share-based payment reserves* RMB'000 (note 28)	Accumulated losses* RMB'000	Total equity RMB'000
At January 1, 2024	397,668	1,036,810	593,239	(1,322,592)	705,125
Total comprehensive loss for the year	-	-	-	(174,690)	(174,690)
Shares issued (note 26)	22,595	227,405	-	-	250,000
Recognition of equity-settled share-based payments (note 28)	-	-	16,036	-	16,036
At December 31, 2024	<u>420,263</u>	<u>1,264,215</u>	<u>609,275</u>	<u>(1,497,282)</u>	<u>796,471</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Five months ended May 31, 2025

	Share capital RMB'000 (note 26)	Share premium* RMB'000 (note 27)	Share-based payment reserves* RMB'000 (note 28)	Accumulated losses* RMB'000	Total equity RMB'000
At January 1, 2025	420,263	1,264,215	609,275	(1,497,282)	796,471
Total comprehensive loss for the year	-	-	-	(97,875)	(97,875)
Recognition of equity-settled share-based payments (note 28)	-	-	6,777	-	6,777
At May 31, 2025	<u>420,263</u>	<u>1,264,215</u>	<u>616,052</u>	<u>(1,595,157)</u>	<u>705,373</u>

Five months ended May 31, 2024 (unaudited)

	Share capital RMB'000 (note 26)	Share premium* RMB'000 (note 27)	Share-based payment reserves* RMB'000	Accumulated losses* RMB'000	Total equity RMB'000
At January 1, 2024	397,668	1,036,810	593,239	(1,322,592)	705,125
Total comprehensive loss for the year	-	-	-	(61,893)	(61,893)
Shares issued (note 26)	22,595	227,405	-	-	250,000
Recognition of equity-settled share-based payments	-	-	2,729	-	2,729
At May 31, 2024	<u>420,263</u>	<u>1,264,215</u>	<u>595,968</u>	<u>(1,384,485)</u>	<u>895,961</u>

* These reserve accounts represent the consolidated reserves of RMB307,457,000 , RMB376,208,000, and RMB285,110,000 in the consolidated statements of financial position at December 31, 2023 and 2024 and at May 31, 2025, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31		Five months ended May 31	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax	8	(733,376)	(174,690)	(61,893)	(97,875)
Adjustments for:					
Finance costs	7	2,318	873	870	380
Investment income on financial assets at FVTPL	5	(9,777)	(10,982)	(3,813)	(2,775)
Bank interest income	5	(4,191)	(3,822)	(1,240)	(1,171)
Fair value gain of financial assets at FVTPL	5	(1,126)	(192)	(330)	(130)
Gain on disposal of items of right-of-use assets	5	-	(4,152)	-	-
Loss on disposal of items of property, plant and equipment	6	-	4,451	-	-
Depreciation of items of property, plant and equipment	14	2,156	2,522	1,093	1,102
Amortisation of intangible assets	15	12,085	12,153	5,066	1,843
Depreciation of right-of-use assets	16	5,395	2,248	2,248	280
Equity-settled share-based payment	28	538,904	16,036	2,729	6,777
Foreign exchange (gain)/loss	5	(705)	(697)	(156)	23
		(188,317)	(156,252)	(55,426)	(91,546)
Increase in trade receivables		-	-	-	(14,135)
Decrease/(increase) in prepayments, other receivables and other assets		2,042	(1,588)	(432)	1,171
Decrease/(increase) in inventories		230	(25,586)	5	(3,795)
Increase/(decrease) in trade payables		15,637	2,712	(14,651)	36,548
Increase/(decrease) in other payables and accruals		1,881	16,050	(3,614)	6,351
Cash used in operations		(168,527)	(164,664)	(74,118)	(65,406)
Interest received		3,930	2,045	473	643
Net cash flows used in operating activities		(164,597)	(162,619)	(73,645)	(64,763)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended December 31		Five months ended May 31	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(12,045)	(3,950)	(326)	(2,598)
Purchase of intangible assets		(146)	(379)	-	(1,859)
Purchase of financial assets at fair value through profit or loss		(4,408,700)	(4,976,000)	(2,030,400)	(1,668,000)
Proceeds from disposal of financial assets at fair value through profit or loss		4,305,967	5,257,108	1,841,939	1,765,967
Proceeds from withdrawal of bank deposits with initial term of over three months		-	44,322	-	-
Increase in bank deposits with initial term of over three months		(42,284)	(45,147)	-	-
Net cash flows (used in)/from investing activities		(157,208)	275,954	(188,787)	93,510
CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES					
Net proceeds from issue of new shares		367,814	250,000	250,000	-
Payment of financing advisory expense related to Series B Financing		(9,345)	-	-	-
Payment of listing expense		-	(2,383)	-	(459)
New bank loans		1,000	9,900	-	14,657
Repayment of bank loans		(1,000)	(1,000)	-	(9,900)
Interest paid		(2,318)	(873)	(858)	(380)
Payment for deposits of lease		-	-	-	(1,463)
Principal portion of lease payments		(4,445)	(805)	(805)	(1,026)
Net cash flows (used in)/from financing activities		351,706	254,839	248,337	1,429
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
		29,901	368,174	(14,095)	30,176
Cash and cash equivalents at beginning of year		127,034	157,640	157,640	526,511
Effect of foreign exchange rate changes, net		705	697	156	(23)
CASH AND CASH EQUIVALENTS AT END OF YEAR		157,640	526,511	143,701	556,664
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS					
Cash and bank balances as stated in the consolidated statements of financial position	22	157,640	526,511	143,701	556,664

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31, 2023 RMB'000	2024 RMB'000	As at May 31, 2025 RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	382	372	313
Intangible assets	15	35,653	23,667	22,000
Investments in subsidiaries	17	1,224,527	1,241,564	1,329,341
Prepayments, other receivables and other assets	18	<u>18</u>	<u>261</u>	<u>18</u>
Total non-current assets		<u>1,260,580</u>	<u>1,265,864</u>	<u>1,351,672</u>
CURRENT ASSETS				
Prepayments, other receivables and other assets	18	914	3,690	4,986
Amounts due from subsidiaries	31	319,875	319,875	469,875
Financial assets at FVTPL	21	180,231	165,150	20,000
Bank deposits with initial term of over three months	32	42,545	45,147	45,675
Pledged bank deposits	22	250,030	30	30
Cash and cash equivalents	22	<u>128,776</u>	<u>378,839</u>	<u>274,148</u>
Total current assets		<u>922,371</u>	<u>912,731</u>	<u>814,714</u>
CURRENT LIABILITIES				
Trade payables	23	-	2,285	4,364
Other payables and accruals	24	253,402	13,883	6,140
Amounts due to subsidiaries	31	<u>11,523</u>	<u>11,523</u>	<u>21,642</u>
Total current liabilities		<u>264,925</u>	<u>27,691</u>	<u>32,146</u>
NET CURRENT ASSETS		<u>657,446</u>	<u>885,040</u>	<u>782,568</u>
TOTAL ASSETS LESS CURRENT ASSETS		<u>1,918,026</u>	<u>2,150,904</u>	<u>2,134,240</u>
NET ASSETS		<u>1,918,026</u>	<u>2,150,904</u>	<u>2,134,240</u>
EQUITY				
Share capital	26	397,668	420,263	420,263
Reserves	27	<u>1,520,358</u>	<u>1,730,641</u>	<u>1,713,977</u>
Total equity		<u>1,918,026</u>	<u>2,150,904</u>	<u>2,134,240</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Guangzhou Innogen Pharmaceutical Group Co., Ltd. (the “Company”) was established in Mainland China on December 5, 2014. The registered office address of the Company is Room 409, Building H, Self-numbered Creative Building, No. 2 Tengfei Second Street, China-Singapore Guangzhou Knowledge City, Huangpu District, Guangzhou, Guangdong Province, PRC..

The Company is an investing holding company. The Company and its subsidiaries (the “Group”) are principally engaged in the research, development and commercialisation of pharmaceutical products.

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

Name	Place and date of registration and place of operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shanghai Innogen Pharmaceutical Technology Co., Ltd. (上海銀諾醫藥技術有限公司) (“Innogen Technology”) (note (a))	Mainland China March 6, 2015	RMB265,000,000	100%	-	Pharmaceutical R&D and production
Shanghai Innogen Biomedical Engineering Co., Ltd. (上海銀諾生物醫藥工程有限公司) (“Innogen Engineering”) (note (a))	Mainland China December 22, 2020	RMB400,000,000	100%	-	Pharmaceutical R&D and production
Guangzhou Innogen Biopharmaceutical Manufacturing Co., Ltd. (廣州銀諾生物醫藥製造有限公司) (“Guangzhou Innogen Manufacturing”) (note (b))	Mainland China July 10, 2024	RMB1,000,000,000	100%	-	Pharmaceutical R&D and production
Haikou Innogen Pharmaceutical Technology Co., Ltd. (海口銀諾醫藥技術有限公司) (“Haikou Innogen”) (note (b))	Mainland China February 18, 2025	RMB300,000,000	100%	-	Pharmaceutical production and sales

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

1. CORPORATE INFORMATION (continued)

Notes:

- (a) The statutory financial statements for the year ended December 31, 2023 and 2024 prepared under PRC Generally Accepted Accounting Principles (“PRC GAAP”) were audited by Ernst & Young Hua Ming Shanghai Branch, certified public accountants registered in the PRC.
- (b) No audited financial statements of these subsidiaries have been prepared as at the end of each reporting periods as these subsidiaries were newly incorporated or not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong.

All HKFRS Accounting Standards effective for the accounting period commencing from January 1, 2025, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout each reporting periods and in the period covered by the Interim Comparative Financial Information.

This Historical Financial Information has been prepared under the historical cost convention, except for wealth management products and equity instruments which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

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

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1 BASIS OF PREPARATION (continued)

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.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

HKFRS 18	<i>Presentation and Disclosure in Financial Statements²</i>
HKFRS 19	<i>Subsidiaries without Public Accountability: Disclosure²</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments¹</i>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity¹</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	<i>Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS⁷¹</i>

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

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

³ No mandatory effective date yet determined but available for adoption

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES

Fair value measurement

The Group measures its certain financial instruments at fair value at the end of each reporting 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.

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 statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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 reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (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 and residual value rates used for this purpose are as follows:

	Residual value rate	Principal annual rates
Office and electronic equipment	0-5%	19%-25%
Lab equipment	0%	10%-20%
Transportation equipment	0%	17%

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 reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

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

Intangible assets are amortised on the straight-line basis over the following estimated useful lives:

Intellectual property	10 years
Software	2 to 5 years

Intellectual property is recognised as intangible assets at historical cost and amortised using the straight-line method over its estimated useful life of 10 years, which is determined by reference to the authorised useful life and the management's estimation. The estimation is made considering the useful period of the intellectual property. It is subsequently carried at cost less accumulated amortisation and impairment losses.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee

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

(a) Right-of-use assets

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

Office and laboratory premises

10 years

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

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (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 (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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (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 statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

At the end of each reporting periods, 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 90 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings, and amounts due to related parties.

Subsequent measurement

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

Financial liabilities at amortised cost

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

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

Derecognition of financial liabilities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits 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 statement 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 reporting periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, 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 carryforward 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 carryforward 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, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting 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 reporting 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 reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Government grants

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

Revenue recognition

Revenue from contracts with customers

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

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 good 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 is mainly engaged in the business of sales of pharmaceutical products.

Sales of pharmaceutical products

The Group sells pharmaceutical products to third-party contract sales organisations. Revenue from the sales of goods is recognised at the point when control of the products is transferred to the third-party contract sales organisations, generally on receipt of the goods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Share-based payments

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

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer, further details of which are given in note 28 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 MATERIAL ACCOUNTING POLICIES (continued)

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries 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—Mainland China

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.

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 notes to the financial information.

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 reporting 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (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:

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 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting 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.

Impairment of property, plant and equipment, intangible assets and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, intangible assets and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of property, plant and equipment, intangible assets and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

At the end of each reporting period, no indication of impairment for property, plant and equipment, intangible assets and right-of-use assets are identified by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives of intangible assets

Management determines the useful lives, residual values and related amortisation charges for the Group's intangible assets. This estimate is based on the historical experience of the actual useful lives and residual values of intangible assets with similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the amortisation charge where useful lives or residual values are less than previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in amortisable lives and hence amortisation in future periods.

Details of intangible assets carried as assets in the consolidated statement of financial position are disclosed in note 15 to the Historical Financial Information.

Fair value of performance-based restricted shares

The Group estimates the number of share awards contingently issuable when determining the share-based payment expenses, which depends on the achievement of certain non-market performance targets of the Group under the Employee Incentive Scheme (as defined in note 28 to the Historical Financial Information). This requires an estimation of the performance targets to be achieved by the Group, including completion of public offering.

Variable consideration for sales rebates

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

The Group's expected volume rebates are analysed on a per customer basis for contracts. Determining whether a customer is likely to be entitled to a rebate depends on the customer's historical rebate entitlement and estimated sales amount for ending users.

The Group has applied a statistical model for estimating expected rebates for contracts. The model uses the historical purchasing patterns and rebate entitlement of customers to determine the expected rebate percentages and the expected value of the variable consideration. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected rebates quarterly. Estimates of expected rebates are sensitive to changes in circumstances and the Group's past experience regarding rebate entitlements may not be representative of customers' actual rebate entitlements in the future. As at May 31, 2025, the amount recognised as rebates was RMB3,993,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. OPERATING SEGMENT INFORMATION

Operating segment information

The Group's operation is solely the sales of pharmaceutical products. For the purpose of resource allocation and performance assessment, the chief operating decision maker ("CODM") (i.e., the chief executive officer) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies set out in note 2.3. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

Since all of the Group's non-current assets were located in the PRC and all of the revenue of the Group is derived from operations in the PRC during the Reporting periods, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue from major customers which accounted for 10% or more of the Group's revenue during the reporting periods is set out below:

	<u>Five months ended May 31, 2025</u>
	RMB'000
Client A	25,941
Client B	5,115
Client C	<u>4,190</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers	-	-	-	38,144

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Type of goods or services				
Sales of pharmaceutical products				38,144
Geographical markets				
Mainland China	-	-	-	38,144
Timing of revenue recognition				
Goods transferred at a point in time	-	-	-	38,144

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

All the revenue from contracts with customers is derived from external customers.

(b) Performance obligations

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

Sales of pharmaceutical products

The performance obligation is satisfied upon delivery of the pharmaceutical products and payment is generally due within 30 days from delivery.

Other income and gains

An analysis of other income and gains is as follows:

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Other income				
Investment income on financial assets at FVTPL	9,777	10,982	3,813	2,775
Bank interest income	4,191	3,822	1,240	1,171
Government grants*	1,005	-	-	-
Total other income	14,973	14,804	5,053	3,946
Gains				
Foreign exchange gain	705	697	156	-
Fair value gains on financial assets at FVTPL	1,126	192	330	130
Gain on termination of a lease contract	-	4,152	-	-
Others	45	210	106	141
Total gains	1,876	5,251	592	271
Total other income and gains	16,849	20,055	5,645	4,217

- * The government grants mainly represent the subsidies received from the local governments for the research and development of innovative drugs and there are no unfulfilled conditions or contingencies relating to these grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. OTHER EXPENSES

An analysis of other expenses is as follows:

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Impairment losses, net of reversal				
Trade receivables, prepayments, other receivables and other assets under ECL model	62	14	45	146
Loss on disposal of items of property, plant and equipment*	-	4,451	-	-
Donation	-	-	-	1,342
Others	-	50	7	23
Total	62	4,515	52	1,511

* During the year ended December 31, 2024, construction in progress amounting to RMB4,451,000 has been disposed of due to the strategic adjustment of the Group.

7. FINANCE COSTS

	Year ended December 31		Five months ended May 31,	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Interest on bank loans	111	15	12	232
Interest on lease liabilities (note 16 (c))	2,207	858	858	148
Total	2,318	873	870	380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. LOSS BEFORE TAX

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

	Notes	Year ended December 31		Five months ended May 31	
		2023	2024	2024	2025
		RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation of plant and equipment	14	2,156	2,522	1,079	1,102
Amortisation of intangible assets	15	12,085	12,153	4,569	1,843
Depreciation of right-of-use assets	16	5,395	2,248	2,248	280
Interest on lease liabilities	16	2,207	858	858	148
Lease payments not included in the measurement of lease liabilities	16	1,509	3,336	1,430	1,317
Government grants	5	(1,005)	-	-	-
Bank interest income	5	(4,191)	(3,822)	(1,240)	(1,171)
Foreign exchange (gains)/losses	5	(705)	(697)	(156)	23
Listing expense		-	18,858	-	3,516
Gain on termination of a lease contract	5	-	(4,152)	-	-
Auditors' remuneration		1,209	1,550	-	466
Employee benefit expenses (including directors' and chief executive's remuneration (note 9))					
Salaries and bonuses		36,698	45,675	16,740	25,105
Social welfare and other benefits		5,471	6,683	2,448	4,464
Staff welfare expenses		640	407	296	289
Share-based payment expenses		538,904	16,036	2,729	6,777
		<u>581,713</u>	<u>68,801</u>	<u>22,213</u>	<u>36,635</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION**

Directors' and chief executive's remuneration as recorded during the years ended December 31, 2023 and 2024, and the five months ended May 31, 2024 and 2025, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 set out below:

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000	RMB'000
			(unaudited)	
Fees	<u>100</u>	<u>240</u>	<u>50</u>	<u>330</u>
Other emoluments:				
Salaries and bonuses	11,137	11,143	3,387	4,675
Social welfare and other benefits	429	435	180	180
Share-based payment expenses	<u>513,671</u>	<u>12,842</u>	<u>5,082</u>	<u>2,665</u>
Total fees and other emoluments	<u>525,337</u>	<u>24,660</u>	<u>8,699</u>	<u>7,850</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Directors, independent non-executive directors and the chief executive

Year ended December 31, 2023

	Fees RMB'000	Salaries, and bonuses RMB'000	Social welfare and other benefits RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:					
Dr. WANG (a)	-	3,983	-	493,244	497,227
Ms. Jiang Fan (b)	-	3,054	143	7,242	10,439
Ms. Xu Wenjie (c)	-	3,290	143	8,791	12,224
Mr. Huang Bing (d)	-	810	143	4,394	5,347
Total	-	11,137	429	513,671	525,237
Non-executive director:					
Mr. Ho Kyung Shik (e)	-	-	-	-	-
Independent non-executive director:					
Mr. Tao Wuping (g)	100	-	-	-	100

Year ended December 31, 2024

	Fees RMB'000	Salaries, and bonuses RMB'000	Social welfare and other benefits RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:					
Dr. WANG (a)	-	3,992	-	-	3,992
Ms. Jiang Fan (b)	-	3,007	145	4,553	7,705
Ms. Xu Wenjie (c)	-	3,299	145	5,527	8,971
Mr. Huang Bing (d)	-	845	145	2,762	3,752
Total	-	11,143	435	12,842	24,420
Non-executive directors:					
Mr. Ho Kyung Shik (e)	-	-	-	-	-
Mr. Heng Lei (f)	-	-	-	-	-
Total	-	-	-	-	-
Independent non-executive directors:					
Mr. Tao Wuping (g)	130	-	-	-	130
Dr. Song Ruilin (h)	55	-	-	-	55
Ms. Yee Pui Fonk Janet (i)	55	-	-	-	55
Total	240	-	-	-	240

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Directors, independent non-executive directors and the chief executive (continued)

Five months ended May 31, 2025

	Fees RMB'000	Salaries, and bonuses RMB'000	Social welfare and other benefits RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:					
Dr. WANG (a)	-	1,664	-	-	1,664
Ms. Jiang Fan (b)	-	1,250	60	945	2,255
Ms. Xu Wenjie (c)	-	1,405	60	1,147	2,612
Mr. Huang Bing (d)	-	356	60	573	989
Total	-	4,675	180	2,665	7,520
Non-executive directors:					
Mr. Ho Kyung Shik (e)	-	-	-	-	-
Mr. Heng Lei (f)	-	-	-	-	-
Total	-	-	-	-	-
Independent non-executive directors:					
Mr. Tao Wuping (g)	110	-	-	-	110
Dr. Song Ruilin (h)	110	-	-	-	110
Ms. Yee Pui Fonk Janet (i)	110	-	-	-	110
Total	330	-	-	-	330

Five months ended May 31, 2024 (unaudited)

	Fees RMB'000	Salaries, and bonuses RMB'000	Social welfare and other benefits RMB'000	Share-based payment expenses RMB'000	Total RMB'000
Executive directors:					
Dr. WANG (a)	-	1,330	-	-	1,330
Ms. Jiang Fan (b)	-	737	60	1,802	2,599
Ms. Xu Wenjie (c)	-	1,044	60	2,187	3,291
Mr. Huang Bing (d)	-	276	60	1,093	1,429
Total	-	3,387	180	5,082	8,649
Non-executive directors:					
Mr. Ho Kyung Shik (e)	-	-	-	-	-
Independent non-executive directors:					
Mr. Tao Wuping (g)	50	-	-	-	50

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Notes:

- (a) Dr. Wang was appointed as an executive director in December 2014. Dr. Wang is also the chief executive officer of the Company and his remuneration disclosed above included the services rendered by him as the chief executive. Further details of the share-based payment are included in the disclosures in note 28 to the Historical Financial Information.
- (b) Ms. Jiang Fan was appointed as an executive director in November 2022.
- (c) Ms. Xu Wenjie was appointed as an executive director in November 2022.
- (d) Mr. Huang Bing was appointed as an executive director in November 2022.
- (e) Mr. Ho Kyung Shik was appointed as a non-executive director in December 2020.
- (f) Mr. Heng Lei was appointed as a non-executive director in October 2024.
- (g) Mr. Tao Wuping was appointed as an independent non-executive director in November 2022.
- (h) Dr. Song Ruilin was appointed as an independent non-executive director in October 2024.
- (i) Ms. Yee Pui Fonk Janet was appointed as an independent non-executive director in October 2024.

During the year ended December 31, 2023, certain directors were granted restricted shares, in respect of their services to the Group, under the incentive scheme of the Company, which have been recognised in profit or loss over the vesting period, were determined as at the date of grant and the amount included in the financial information for the Reporting periods is included in the above directors' and chief executive's remuneration disclosures.

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

There were no other emoluments payable to the independent non-executive directors during the years ended December 31, 2023 and 2024 and five months ended May 31, 2024 and 2025 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2023 and 2024 and five months ended May 31, 2024 and 2025, included 4, 4, 4 and 4 directors, respectively, details of whose remuneration are set out in note 9 above. Details of the remuneration for the remaining 1, 1, 1 and 1 highest paid employees who are neither a director nor chief executive of the Company during years ended December 31, 2023 and 2024 and five months ended May 31, 2024 and 2025, respectively, are as follows:

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and bonuses	1,987	732	298	784
Social welfare and other benefits	143	145	60	60
Share-based payment expenses	1,980	1,518	601	283
Total	4,110	2,395	959	1,127

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

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	Numbers of employees		Numbers of employees	
HK\$1,000,001 to HK\$1,500,000	-	-	1	1
HK\$2,500,001 to HK\$4,500,000	-	1	-	-
HK\$4,500,001 to HK\$5,000,000	1	-	-	-
Total	1	1	1	1

During the Reporting periods and the five months ended May 31, 2024, restricted share units were granted to 1 and 1 non-director and non-chief executive highest paid employee in respect of their services to the Group, respectively, further details of which are included in the disclosures in note 28 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 is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. 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.

Mainland China

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 Reporting periods and the five months ended May 31, 2024. No Mainland China income tax was provided for as the Company and all its subsidiaries are in loss position and have no estimated assessable profits.

A reconciliation of the tax expense applicable to loss before tax using the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled and/or operate to the tax expense at the effective tax rate is as follows:

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before tax	(733,376)	(174,690)	(61,893)	(97,875)
Tax charge at the statutory tax rate of 25%	(183,344)	(43,673)	(15,473)	(24,469)
Additional deductible allowance for qualified research and development expenses	(40,622)	(25,609)	(12,768)	(19,354)
Deductible temporary difference and tax losses not recognised	89,140	65,051	25,229	41,986
Expenses not deductible for tax	134,826	4,231	3,012	1,837
Tax charge at the Group's effective rate	-	-	-	-

The Group has accumulated tax losses arising in Mainland China of RMB966,566,000, RMB1,226,768,000, RMB1,066,038,000 and RMB1,379,481,000 as at December 31, 2023 and 2024 and May 31, 2024 and 2025, respectively, that will expire in one to five years for offsetting against future taxable profits of the Group.

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in the Group 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.

12. DIVIDENDS

No dividend was paid or declared by the Company during the Reporting periods and the five months ended May 31, 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss attributable to ordinary equity holders of the parent and the weighted average numbers of ordinary shares outstanding (excluding shares reserved for the share incentive scheme) during the Reporting periods and the five months ended May 31, 2024.

The Group had no potentially dilutive ordinary shares in issue and no adjustment has been made to the basic loss per share amounts presented for the Reporting periods and the five months ended May 31, 2024.

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

	<u>Year ended December 31</u>		<u>Five months ended May 31</u>	
	<u>2023</u>	<u>2024</u>	<u>2024</u>	<u>2025</u>
			(unaudited)	
Loss				
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	<u>(733,376)</u>	<u>(174,690)</u>	<u>(61,893)</u>	<u>(97,875)</u>
Shares				
Weighted average number of ordinary shares in issue during the year, used in the basic loss per share calculation (RMB'000)	<u>382,799</u>	<u>419,646</u>	<u>418,776</u>	<u>420,263</u>
Loss per share (basic and diluted)				
RMB per share	<u>(1.92)</u>	<u>(0.42)</u>	<u>(0.15)</u>	<u>(0.23)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Office and electronic equipment RMB'000	Lab equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at December 31, 2023						
At January 1, 2023						
Cost	1,378	19,594	520	4,234	-	25,726
Accumulated depreciation	(705)	(5,504)	(520)	-	-	(6,729)
Net carrying amount	<u>673</u>	<u>14,090</u>	<u>-</u>	<u>4,234</u>	<u>-</u>	<u>18,997</u>
At January 1, 2023, net of accumulated depreciation	673	14,090	-	4,234	-	18,997
Additions	165	768	-	217	-	1,150
Depreciation provided during the year	(223)	(1,933)	-	-	-	(2,156)
At December 31, 2023, net of accumulated depreciation	<u>615</u>	<u>12,925</u>	<u>-</u>	<u>4,451</u>	<u>-</u>	<u>17,991</u>
At December 31, 2023:						
Cost	1,543	20,362	520	4,451	-	26,876
Accumulated depreciation	(928)	(7,437)	(520)	-	-	(8,885)
Net carrying amount	<u>615</u>	<u>12,925</u>	<u>-</u>	<u>4,451</u>	<u>-</u>	<u>17,991</u>
As at December 31, 2024						
At January 1, 2024:						
Cost	1,543	20,362	520	4,451	-	26,876
Accumulated depreciation	(928)	(7,437)	(520)	-	-	(8,885)
Net carrying amount	<u>615</u>	<u>12,925</u>	<u>-</u>	<u>4,451</u>	<u>-</u>	<u>17,991</u>
At January 1, 2024, net of accumulated depreciation	615	12,925	-	4,451	-	17,991
Additions	872	1,263	-	-	147	2,282
Depreciation provided during the year	(331)	(2,169)	-	-	(22)	(2,522)
Disposals	-	-	-	(4,451)	-	(4,451)
At December 31, 2024, net of accumulated depreciation	<u>1,156</u>	<u>12,019</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>13,300</u>
At December 31, 2024:						
Cost	2,415	21,625	520	-	147	24,707
Accumulated depreciation	(1,259)	(9,606)	(520)	-	(22)	(11,407)
Net carrying amount	<u>1,156</u>	<u>12,019</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>13,300</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group (continued)

	Office and electronic equipment RMB'000	Lab equipment RMB'000	Transportation equipment RMB'000	Construction in progress RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at May 31, 2025						
At January 1, 2025:						
Cost	2,415	21,625	520	-	147	24,707
Accumulated depreciation	(1,259)	(9,606)	(520)	-	(22)	(11,407)
Net carrying amount	<u>1,156</u>	<u>12,019</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>13,300</u>
At January 1, 2025, net of accumulated depreciation	1,156	12,019	-	-	125	13,300
Additions	576	-	406	1,616	-	2,598
Depreciation provided during the period	(196)	(875)	(8)	-	(23)	(1,102)
At May 31, 2025, net of accumulated depreciation	<u>1,536</u>	<u>11,144</u>	<u>398</u>	<u>1,616</u>	<u>102</u>	<u>14,796</u>
At May 31, 2025:						
Cost	2,991	21,625	926	1,616	147	27,305
Accumulated depreciation	(1,455)	(10,481)	(528)	-	(45)	(12,509)
Net carrying amount	<u>1,536</u>	<u>11,144</u>	<u>398</u>	<u>1,616</u>	<u>102</u>	<u>14,796</u>

At December 31, 2023 and 2024 and May 31, 2025, none of the Group's property, plant and equipment was pledged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company

	Office and electronic equipment RMB'000	Lab equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at December 31, 2023				
At January 1, 2023:				
Cost	39	974	-	1,013
Accumulated depreciation	(39)	(494)	-	(533)
Net carrying amount	-	480	-	480
At January 1, 2023, net of accumulated depreciation	-	480	-	480
Depreciation provided during the year	-	(98)	-	(98)
At December 31, 2023, net of accumulated depreciation	-	382	-	382
At December 31, 2023:				
Cost	39	974	-	1,013
Accumulated depreciation	(39)	(592)	-	(631)
Net carrying amount	-	382	-	382
As at December 31, 2024				
At January 1, 2024:				
Cost	39	974	-	1,013
Accumulated depreciation	(39)	(592)	-	(631)
Net carrying amount	-	382	-	382
At January 1, 2024, net of accumulated depreciation	-	382	-	382
Additions	-	-	110	110
Depreciation provided during the year	-	(98)	(22)	(120)
At December 31, 2024, net of accumulated depreciation	-	284	88	372
At December 31, 2024:				
Cost	39	974	110	1,123
Accumulated depreciation	(39)	(690)	(22)	(751)
Net carrying amount	-	284	88	372

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The Company(continued)

	Office and electronic equipment RMB'000	Lab equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
As at May 31, 2025				
At January 1, 2025:				
Cost	39	974	110	1,123
Accumulated depreciation	(39)	(690)	(22)	(751)
Net carrying amount	<u>-</u>	<u>284</u>	<u>88</u>	<u>372</u>
At January 1, 2025, net of accumulated depreciation	-	284	88	372
Addition	-	-	-	-
Depreciation provided during the period	-	(40)	(19)	(59)
At May 31, 2025, net of accumulated depreciation	<u>-</u>	<u>244</u>	<u>69</u>	<u>313</u>
At May 31, 2025:				
Cost	-	974	110	1,084
Accumulated depreciation	-	(730)	(41)	(771)
Net carrying amount	<u>-</u>	<u>244</u>	<u>69</u>	<u>313</u>

At December 31, 2023 and 2024 and May 31, 2025, none of the Company's property, plant and equipment was pledged.

The Group's property, plant and equipment mainly consisted of office and electronic equipment and lab equipment for research and development purpose. As of December 31, 2023 and 2024 and May 31, 2025, all the property, plant and equipment were in good condition and normal use, and no obsolescence or physical damage had taken place during the Reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INTANGIBLE ASSETS

The Group

	Intellectual property RMB'000	Software RMB'000	Total RMB'000
At January 1, 2023			
Cost	129,870	247	130,117
Accumulated amortisation	(82,230)	(80)	(82,310)
Net carrying amount	<u>47,640</u>	<u>167</u>	<u>47,807</u>
At January 1, 2023, net of accumulated amortisation	47,640	167	47,807
Additions	-	146	146
Amortisation provided during the year	(11,987)	(98)	(12,085)
At December 31, 2023, net of accumulated amortisation	<u>35,653</u>	<u>215</u>	<u>35,868</u>
At December 31, 2023			
Cost	129,870	393	130,263
Accumulated amortisation	(94,217)	(178)	(94,395)
Net carrying amount	<u>35,653</u>	<u>215</u>	<u>35,868</u>
At January 1, 2024			
Cost	129,870	393	130,263
Accumulated amortisation	(94,217)	(178)	(94,395)
Net carrying amount	<u>35,653</u>	<u>215</u>	<u>35,868</u>
At January 1, 2024, net of accumulated amortisation	35,653	215	35,868
Additions	-	379	379
Amortisation provided during the year	(11,986)	(167)	(12,153)
At December 31, 2024, net of accumulated amortisation	<u>23,667</u>	<u>427</u>	<u>24,094</u>
At December 31, 2024			
Cost	129,870	772	130,642
Accumulated amortisation	(106,203)	(345)	(106,548)
Net carrying amount	<u>23,667</u>	<u>427</u>	<u>24,094</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INTANGIBLE ASSETS (continued)

The Group (continued)

	Intellectual property RMB'000	Software RMB'000	Total RMB'000
At January 1, 2025			
Cost	129,870	772	130,642
Accumulated amortisation	(106,203)	(345)	(106,548)
Net carrying amount	<u>23,667</u>	<u>427</u>	<u>24,094</u>
At January 1, 2025, net of accumulated amortisation	23,667	427	24,094
Additions	-	1,859	1,859
Amortisation provided during the year	(1,667)	(176)	(1,843)
At May 31, 2025, net of accumulated amortisation	<u>22,000</u>	<u>2,110</u>	<u>24,110</u>
At May 31, 2025			
Cost	129,870	2,631	132,501
Accumulated amortisation	(107,870)	(521)	(108,391)
Net carrying amount	<u>22,000</u>	<u>2,110</u>	<u>24,110</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INTANGIBLE ASSETS (continued)

The Company

	Intellectual property RMB'000
At January 1, 2023	
Cost	129,870
Accumulated amortisation	(82,230)
Net carrying amount	<u>47,640</u>
At January 1, 2023, net of accumulated amortisation	47,640
Amortisation provided during the year	(11,987)
At December 31, 2023, net of accumulated amortisation	<u>35,653</u>
At December 31, 2023	
Cost	129,870
Accumulated amortisation	(94,217)
Net carrying amount	<u>35,653</u>
At January 1, 2024	
Cost	129,870
Accumulated amortisation	(94,217)
Net carrying amount	<u>35,653</u>
At January 1, 2024 net of accumulated amortisation	35,653
Amortisation provided during the year	(11,986)
At December 31, 2024, net of accumulated amortisation	<u>23,667</u>
At December 31, 2024	
Cost	129,870
Accumulated amortisation	(106,203)
Net carrying amount	<u>23,667</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

15. INTANGIBLE ASSETS (continued)

The Company (continued)

	Intellectual property RMB'000
At January 1, 2025	
Cost	129,870
Accumulated amortisation	(106,203)
Net carrying amount	<u>23,667</u>
At January 1, 2025, net of accumulated amortisation	23,667
Amortisation provided during the period	(1,667)
At May 31, 2025, net of accumulated amortisation	<u>22,000</u>
At May 31, 2025	
Cost	129,870
Accumulated amortisation	(107,870)
Net carrying amount	<u>22,000</u>

The Group's intangible assets mainly consisted of office and intellectual property and software for research and development purpose. During the Track Record Period, research and development activities were carried forward as planned by the Group. As of December 31, 2023 and 2024 and May 31, 2025, all the intangible assets were in good condition and normal use, and no obsolescence had taken place during the Reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. LEASES

The Group as a lessee

The Group has lease contracts for office premises used in its operations. Leases of office premises generally have lease terms of 5-10 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Office and laboratory premises RMB'000
As at January 1, 2023	42,258
Depreciation charge	(5,395)
As at January 1, 2024 and December 31, 2023	36,863
Depreciation charge	(2,248)
Disposals	(34,615)
As at January 1, 2025 and December 31, 2024	-
Additions	17,906
Depreciation charge	(280)
As at May 31, 2025	17,626

The Group's right-of-use assets included office and laboratory premises leased from third parties. As of December 31, 2023 and May 31, 2025, all the right-of-use assets were in good condition and normal use, and no obsolescence or physical damage of these right-of-use assets had taken place during the Reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

16. LEASES (continued)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Reporting periods are as follows:

	Year ended December 31		Five months ended May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Carrying amount at January 1	50,031	45,586	-
Additions	-	-	17,906
Accretion of interest recognised during the year	2,207	858	148
Rent concessions from lessors	-	-	-
Disposal	-	(44,781)	-
Lease payment	(6,652)	(1,663)	(1,174)
Carrying amount at December 31	45,586	-	16,880
Analysed into:			
Current portion	4,824	-	2,106
Non-current portion	40,762	-	14,774
Total	45,586	-	16,880

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

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Lease payments in respect of short-term leases	1,509	3,336	1,430	1,317
Interest on lease liabilities	2,207	858	858	148
Depreciation charge of right-of-use assets	5,395	2,248	2,248	280
Total amount recognised in profit or loss	9,111	6,442	4,536	1,745

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts invested in subsidiaries:			
Innogen Technology	801,267	803,974	807,848
Innogen Engineering	423,260	436,590	439,493
Guangzhou Innogen Manufacturing	-	1,000	1,000
Haikou Innogen	-	-	81,000
Total	1,224,527	1,241,564	1,329,341

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current:			
Value-added tax recoverable	12,495	11,851	-
Prepayments for long-term assets	44,672	46,340	23,328
Deposits of lease	-	-	1,280
Total	57,167	58,191	24,608
Current:			
Value-added tax recoverable	-	6,676	20,053
Deferred Listing expense	-	3,591	2,280
Prepayments for suppliers	6,863	1,854	4,690
Other receivables	1,488	1,215	20,031
Others	485	129	323
	8,836	13,465	47,377
Impairment allowance	(151)	(165)	(290)
Total	8,685	13,300	47,087

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

The Company

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current:			
Value-added tax recoverable	18	261	-
Prepayments for long-term assets	-	-	18
Total	18	261	18
Current:			
Value-added tax recoverable	-	-	1,356
Prepayments for suppliers	802	9	1,187
Deferred listing expense	-	3,591	2,279
Other receivables	25	28	137
Others	87	62	27
Total	914	3,690	4,986

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.

19. INVENTORIES

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Raw Materials	3,449	29,035	21,105
Work in progress	-	-	10,231
Finished goods	-	-	1,494
Total	3,449	29,035	32,830

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

20. TRADE RECEIVABLES

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Trade receivables	-	-	14,156
Impairment	-	-	(21)
Total	-	-	14,135

The Group's trading terms with its customers are mainly payment with 30 days from delivery. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

An aging analysis of the trade receivables as at the end of each reporting periods, based on the transaction dates, is as follows:

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Within 1 year	-	-	14,135

An impairment analysis is performed at May 31, 2025 using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available as at May 31, 2025 about past events, current conditions and forecasts of future economic conditions.

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

As at 31 May 2025

	Within one year	Total
Expected credit loss rate	0.15%	0.15%
Gross carrying amount (RMB'000)	14,156	14,156
Expected credit losses (RMB'000)	21	21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wealth management products	495,126	225,192	130,130

The Company

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Wealth management products	180,231	165,150	20,000

As at December 31, 2023 and 2024 and May 31, 2025, the financial assets at fair value through profit or loss represented wealth management products issued by banks, with expected return rates from 0.65% to 2.16% per annum.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at banks	407,670	526,541	556,694
Less:			
Pledged deposits*	250,030	30	30
Cash and cash equivalents	157,640	526,511	556,664
Denominated in RMB	157,640	526,511	556,664
	157,640	526,511	556,664

The Company

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Cash at banks	378,806	378,869	274,178
Less:			
Pledged deposits*	250,030	30	30
Cash and cash equivalents	128,776	378,839	274,148
Denominated in RMB	128,776	378,839	274,148
	128,776	378,839	274,148

* As at December 31, 2023, capital investment of RMB250,000,000 from Series B+ investors was deposited in a co-managed bank account, and the restriction of which was lifted in February 2024. The bank balances and pledged deposits were deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

22. CASH AND CASH EQUIVALENTS AND PLEDGED AND SHORT-TERM BANK DEPOSITS (continued)

The RMB is not freely convertible into other currencies, however, under Mainland China'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. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

The Group

An ageing analysis of the trade payables as at the end of each reporting periods, based on the invoice date, is as follows:

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current and within 1 year	88,333	91,045	127,593

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

The Company

An ageing analysis of the trade payables as at the end of each reporting periods, based on the invoice date, is as follows:

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current and within 1 year	-	2,285	4,364

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Non-current:			
Other payables	73	72	72
Current:			
Accrued professional service expenses	3,053	13,598	5,484
Accrued rental expenses	20	-	-
Accrued reimbursement expenses	799	1,413	885
Advance payments from shareholders*	250,000	-	-
Payroll payable	9,684	14,223	9,738
Advances from disposal of property, plant and equipment	-	1,000	-
Accrued conference expenses	-	-	16,650
Other tax payables	955	713	606
Other payables**	736	6,365	9,753
Total	265,247	37,312	43,116

* Advance payments from shareholders represent the investment funds from Series B+ financing. Under the capital contribution agreement dated January 10, 2024 entered into among the Company, all then shareholders and Series B+ investors agreed to subscribe for 22,594,783 newly issued Shares of the Company at a consideration of RMB250,000,000 (the "Series B+ Financing"). The investment funds were deposited in a co-managed bank account on December 31, 2023.

** Other payables are non-interest-bearing and repayable on demand.

The Company

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Current:			
Accrued professional service expenses	3,052	13,598	5,484
Advance payments from shareholders	250,000	-	-
Accrued conference expenses	-	-	283
Other tax payables	350	285	373
Total	253,402	13,883	6,140

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. INTEREST-BEARING BANK BORROWINGS

	As at December 31, 2023			As at December 31, 2024			As at May 31, 2025		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Unsecured bank loans	3.00%	June 2024	<u>1,000</u>	2.70%	February 2025	<u>9,900</u>	2.22%-2.40%	April 2026	<u>14,657</u>

As at December 31, 2023 and 2024 and May 31, 2025, the Group's facilities amounted to RMB130,000,000, RMB260,000,000 and RMB310,000,000, of which RMB1,000,000, RMB9,900,000 and RMB14,657,000 had been utilised as at the end of each reporting periods.

Bank loans are denominated in RMB. The Group's bank loans are unsecured, bear interest at 2.20% to 3.00% per annum and are repayable within one year.

26. SHARE CAPITAL

The Group and the Company

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

	Number of shares in issue	Share capital RMB'000
At January 1, 2023	327,731,814	327,732
Capital contribution from Employee Incentive Platforms (note 28)	36,414,646	36,415
Capital contribution from Series B investors (note a)	<u>33,521,706</u>	<u>33,521</u>
At December 31, 2023 and January 1, 2024	397,668,166	397,668
Capital contribution from Series B+ investors (note b)	<u>22,594,783</u>	<u>22,595</u>
At December 31, 2024 and January 1, 2025	<u>420,262,949</u>	<u>420,263</u>
At May 31, 2025	<u>420,262,949</u>	<u>420,263</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

26. SHARE CAPITAL (continued)

Notes:

- (a) Pursuant to a share purchase agreement entered into among series B investors and all then shareholders of the Company, series B investors injected RMB331,400,000 into the Company in 2023, with RMB33,521,706, representing 33,521,706 ordinary shares of the Company, and RMB297,878,294 credited to the Company's share capital and share premium, respectively.
- (b) Pursuant to a share purchase agreement entered into among series B+ investors and all then shareholders of the Company, series B+ investors injected RMB250,000,000 into the Company in 2024, with RMB22,594,783, representing 22,594,783 ordinary shares of the Company, and RMB227,405,217 credited to the Company's share capital and share premium, respectively.

27. RESERVES

The Group

The amounts of the Group's share premium and share-based payment reserves and the movements therein for the Reporting periods are presented in the consolidated statements of changes in equity.

Share premium

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

Share-based payment reserves

The share-based payment reserves represent the equity-settled share awards as set out in note 28 to the Historical Financial Information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RESERVES (continued)

The Company

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

	Share premium RMB'000	Share-based payment reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2023	748,277	54,335	(198,000)	604,612
Issue of Series B Financing	297,878	-	-	297,878
Payment of financing advisory expense related Series B Financing	(9,345)	-	-	(9,345)
Share-based payment	-	538,904	-	538,904
Total comprehensive loss for the year	-	-	88,309	88,309
At December 31, 2023 and January 1, 2024	1,036,810	593,239	(109,691)	1,520,358
Issue of Series B+ Financing	227,405	-	-	227,405
Share-based payment	-	16,036	-	16,036
Total comprehensive loss for the year	-	-	(33,158)	(33,158)
At December 31, 2024	1,264,215	609,275	(142,849)	1,730,641
	Share premium RMB'000	Share-based payment reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
At January 1, 2024	1,036,810	593,239	(109,691)	1,520,358
Issue of Series B+ Financing	227,405	-	-	227,405
Share-based payment	-	2,729	-	2,729
Total comprehensive loss for the year	-	-	(5,329)	(5,329)
At May 31, 2024 (unaudited)	1,264,215	595,968	(115,020)	1,745,163
At January 1, 2025	1,264,215	609,275	(142,849)	1,730,641
Share-based payment	-	6,777	-	6,777
Total comprehensive loss for the year	-	-	(23,441)	(23,441)
At May 31, 2025	1,264,215	616,052	(166,290)	1,713,977

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. SHARE-BASED PAYMENTS

2023 Employee Incentive Scheme

A share incentive plan (“Employee Incentive Scheme”) was approved by the shareholders of the Company on March 28, 2023 and became effective on the same day. Restricted shares under the Employee Incentive Scheme were granted to the employees who promote the success of the Group’s operations. Guangzhou Nuopa Enterprise Management Partnership (Limited Partnership) (廣州諾帕企業管理合夥企業(有限合夥)) (“Guangzhou Nuopa”), Guangzhou Nuosu Enterprise Management Partnership (Limited Partnership) (廣州諾蘇企業管理合夥企業(有限合夥)) (“Guangzhou Nuosu”) and Guangzhou Nuotai Enterprise Management Partnership (Limited Partnership) (廣州諾肽企業管理合夥企業(有限合夥)) (“Guangzhou Nuotai”) were used as restricted share platforms to facilitate the administration of the Employee Incentive Scheme. 65,375,000 shares of the Company, of which 32,775,000 were held by Guangzhou Nuopa, 28,960,000 were held by Guangzhou Nuosu and 3,640,000 were held by Guangzhou Nuotai, were authorised and approved under the Employee Incentive scheme. Pursuant to the Employee Incentive Scheme, the subscription price was RMB1.00 per restricted share.

Subject to the terms and conditions as set out in the Employee Incentive Scheme, restricted shares are vested in the portions of 25%, 25%, 25% and 25% on December 31, 2023 and 2024 and 2025 and 2026, respectively, except for Dr. Qing Wang, of whose shares were vested one-time in September 2023. In 2024, 1,940,000 restricted shares were vested according to the following vesting schedule: 50% of the restricted shares can be vested on December 31, 2025, and the remaining 50% on December 31, 2026.

The following restricted share units were outstanding under the Employee Incentive Scheme during the Reporting periods:

	Number of restricted shares
As at January 1, 2023	-
Granted during the year	65,374,748
Vested during the year	(54,956,322)
Forfeited during the year	(1,390,000)
As at December 31, 2023 and January 1, 2024	9,028,426
Granted during the year	1,940,000
Forfeited during the year	(1,897,000)
Vested during the year	(2,367,220)
As at December 31, 2024 and January 1, 2025	6,704,206
Forfeited during the year	(640,000)
As at May 31, 2025	6,064,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

28. SHARE-BASED PAYMENTS (continued)

The fair values of the restricted shares granted during the years ended December 31, 2023 and 2024 were estimated at RMB9.46 per share and RMB11.06 per share respectively as of the dates of grant, by reference to the recent fair value of ordinary shares, using the backsolve method.

During the years ended December 31, 2023 and 2024 and the five months ended May 31, 2025, share-based payment expenses of RMB538,904,000, RMB16,036,000 and RMB6,776,000 were charged to profit or loss, respectively.

29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

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

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At January 1, 2023	50,031	1,000	51,031
Changes from financing cash flow	(6,652)	(111)	(6,763)
Interest expense	-	111	111
Accretion of interest recognised during the year	2,207	-	2,207
At December 31, 2023	45,586	1,000	46,586

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

	Lease liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At January 1, 2024	45,586	1,000	46,586
Changes from financing cash flow	(1,663)	8,885	7,222
Disposal of lease liabilities	(44,781)	-	(44,781)
Interest expense	-	15	15
Accretion of interest recognised during the year	858	-	858
At December 31, 2024	-	9,900	9,900

	Lease Liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At January 1, 2024	45,586	1,000	46,586
Changes from financing cash flow	(1,663)	-	(1,663)
Interest expense	-	12	12
Accretion of interest during the period	858	-	858
At May 31, 2024 (unaudited)	44,781	1,012	45,793

	Lease Liabilities RMB'000	Interest-bearing bank borrowings RMB'000	Total RMB'000
At January 1, 2025	-	9,900	9,900
Additions	17,906	-	17,906
Changes from financing cash flow	(1,174)	4,525	3,351
Interest expense	-	232	232
Accretion of interest during the period	148	-	148
At May 31, 2025	16,880	14,657	31,537

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(c) Total cash outflows of leases

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

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Within operating activities	1,509	3,336	1,430	1,317
Within financing activities	6,652	1,663	1,663	1,174
Total	8,161	4,999	3,093	2,491

30. COMMITMENTS

The Group had the following capital commitments at the end of each reporting periods.

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for the purchase of items of property, plant and equipment	25,149	24,893	28,189

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS

The directors are of the view that the following companies are subsidiaries that have material transactions or balances with the Company during the Reporting periods and the five months ended May 31, 2024.

- (a) The Group had no transactions with related parties during the Reporting periods. The Company had transactions with its subsidiaries during the Reporting periods and the five months ended May 31, 2024.
- (b) Outstanding balances with related parties:

The Company

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Amounts due from subsidiaries:			
Innogen Technology	300,915	300,915	450,915
Innogen Engineering	18,960	18,960	18,960
Total	<u>319,875</u>	<u>319,875</u>	<u>469,875</u>
Amounts due to subsidiaries:			
Innogen Technology	11,522	11,522	14,595
Innogen Engineering	1	1	7,047
Total	<u>11,523</u>	<u>11,523</u>	<u>21,642</u>

Amounts due from/to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31. RELATED PARTY TRANSACTIONS (continued)

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

	Year ended December 31		Five months ended May 31	
	2023	2024	2024	2025
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries and bonuses	11,137	11,143	3,387	4,675
Social welfare and other benefits	429	435	180	180
Share-based payment expenses	513,671	12,842	5,082	2,665
Total	525,237	24,420	8,649	7,520

Further details of directors' and the chief executive's remuneration are included in note 9 to the Historical Financial Information.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting periods were as follows:

The Group

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Financial assets			
Financial assets at FVTPL:			
Wealth management products	495,126	225,192	130,130
Financial assets at amortised cost:			
Trade receivables	-	-	14,135
Financial assets included in prepayments, other receivables and other assets	1,337	1,050	21,021
Bank deposits with initial term of over three months	42,545	45,147	45,675
Pledged bank deposits	250,030	30	30
Cash and cash equivalents	157,640	526,511	556,664
Total	451,552	572,738	637,525
Financial liabilities			
Financial liabilities at amortised cost:			
Trade payables	88,333	91,045	127,593
Financial liabilities included in other payables and accruals	250,809	6,437	9,825
Lease liabilities	45,586	-	16,880
Interest-bearing bank borrowings	1,000	9,900	14,657
Total	385,728	107,382	168,955

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Management has assessed that the fair values of cash and cash equivalents, pledged bank deposits, financial assets included in prepayments and other receivables, trade receivables, bank deposits with initial term of over three months, financial liabilities included in trade payables, interest-bearing bank borrowings, other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each reporting periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the directors of the Company twice a year for interim and annual financial reporting.

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 fair values of the financial assets at FVTPL have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

Financial assets at FVTPL:

As at December 31, 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Wealth management products	-	495,126	-	495,126

As at December 31, 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Wealth management products	-	225,192	-	225,192

As at May 31, 2025

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Wealth management products	-	130,130	-	130,130

During the Reporting 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 financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly comprise cash and bank balances, wealth management products and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables, which arise directly from its operations.

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

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between RMB and other currencies in which the Group conducts business may affect the Group's financial condition and results of operations.

The following table demonstrates the sensitivity at the end of each reporting periods to a reasonably possible change in foreign currency exchange rate, with all other variables held constant, of the Group's loss before tax (due to changes in the fair value of monetary assets) and the Group's equity.

	Increase/ (decrease) in rate of foreign exchange %	Increase/ (decrease) in loss before tax RMB'000	Increase/ (decrease) in equity RMB'000
December 31, 2023			
If RMB weakens against the US\$	5	(2,115)	2,115
If RMB strengthens against the US\$	(5)	2,115	(2,115)
December 31, 2024			
If RMB weakens against the US\$	5	(2,251)	2,251
If RMB strengthens against the US\$	(5)	2,251	(2,251)
May 31, 2025			
If RMB weakens against the US\$	5	(2,250)	(2,250)
If RMB strengthens against the US\$	(5)	2,250	2,250

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group trades only with recognised and creditworthy parties. Receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. The credit risk of the Group's trade receivables and other financial assets, which comprise cash and cash equivalents and financial assets included in prepayments, other receivables and other assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

As at May 31, 2025, the Group had certain concentrations of credit risk as 60% of the Group's trade receivables were due from the Group's largest customer and 97% of the Group's trade receivables were due from the Group's five largest customers, respectively.

Maximum exposure and year-end staging

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

The amounts presented are gross carrying amounts for financial assets.

As at December 31, 2023

	12-month ECLs		Lifetime ECLs		
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets*	1,488	-	(151)	-	1,337
Pledged bank deposits	250,030	-	-	-	250,030
Bank deposits with initial term of over three months	42,545	-	-	-	42,545
Cash and bank balances	157,640	-	-	-	157,640
Total	451,703	-	(151)	-	451,552

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging (continued)

As at December 31, 2024

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets*	1,215	-	(165)	-	1,050
Pledged bank deposits	30	-	-	-	30
Bank deposits with initial term of over three months	45,147	-	-	-	45,147
Cash and bank balances	526,511	-	-	-	526,511
Total	572,903	-	(165)	-	572,738

As at May 31, 2025

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	-	-	-	14,156	14,156
Financial assets included in prepayments, Other receivables and other assets*	21,021	-	-	-	21,021
Pledged bank deposits	30	-	-	-	30
Bank deposits with initial term of over three months	45,675	-	-	-	45,675
Cash and bank balances	556,664	-	-	-	556,664
Total	623,390	-	-	14,156	637,546

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 each reporting periods, based on the contractual undiscounted payments, is as follows:

As at December 31, 2023

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	88,333	-	88,333
Financial liabilities included in other payables and accruals	250,809	-	250,809
Lease liabilities	6,818	46,612	53,430
Interest-bearing bank borrowings	1,015	-	1,015
Total	346,975	46,612	393,587

As at December 31, 2024

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	91,045	-	91,045
Financial liabilities included in other payables and accruals	6,437	-	6,437
Interest-bearing bank borrowings	9,945	-	9,945
Total	107,427	-	107,427

As at May 31, 2025

	Less than 12 months or on demand RMB'000	1 to 5 years RMB'000	Total RMB'000
Trade payables	127,593	-	127,593
Financial liabilities included in other payables and accruals	9,825	-	9,825
Lease liabilities	3,523	15,856	19,379
Interest-bearing bank borrowings	14,685	-	14,685
Total	155,626	15,856	171,482

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's abilities 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 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 as at the end of each reporting periods.

The asset-liability ratios as at the end of each reporting periods are as follows:

	As at December 31		As at May 31
	2023	2024	2025
	RMB'000	RMB'000	RMB'000
Total assets	1,105,364	934,800	907,691
Total liabilities	400,239	138,329	202,318
Asset-liability ratio*	36%	15%	22%

* Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

35. EVENTS AFTER THE REPORTING PERIODS

There were no significant events subsequent to May 31, 2025.

36. 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 May 31, 2025.